Sport Nordic Holding ApS

Baltorpbakken 5, DK-2750 Ballerup

CVR no. 34 48 56 07

Annual report 2018

Approved at the Company's annual general meeting on 28 May 2019

Chairman:

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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 Sport Nordic Holding ApS for the financial year 1 January – 31 December 2018.

The consolidated 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, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2018 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2018 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 parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2018 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

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

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

Copenhagen, 28 May 2019
Executive Board:

Sofie Sine Lindahl-Jessen CEO	Dennis Kilian CFO	Jack Friis COO

Board of Directors:

Michael Christiansen Chairman	Michael Haaning	Jess Ørgaard Libak Tropp

Statement by the Board of Directors and the Executive Board

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The consolidated 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, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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Further, in our opinion, the parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2018 and of the results of the Parent Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

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

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

Copenhagen, 28 May 2019
Executive Board:

Sofie Sine Lindahl-Jessen CEO	Dennis Kilian CFO	Jack Friis COO

Board of Directors:

Michael Christiansen Chairman	Michael Haaning	Jess Ørgaard Libak Tropp

Independent auditor's report

To the shareholders of Sport Nordic Holding ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Sport Nordic Holding ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated statement of comprehensive income and a consolidated cash flow statement. The consolidated 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, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2018 and of the results of the Group's operations and cash flows for the financial year 1 January - 31 December 2018 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 parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2018 and of the results of the Parent Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Independent auditor's report

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

Moreover, Management is responsible 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risk 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.

Independent auditor's report

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 28 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen State Authorised Public Accountant mne24687	Karsten Faurholt State Authorised Public Accountant mne41309

Management's review

Company details

Name	Sport Nordic Holding ApS
Address, zip code, city	c/o Sport Danmark ApS Baltorpbakken 5, DK-2750 Ballerup
CVR no.	34 48 56 07
Established	1 May 2012
Registered office	Copenhagen
Financial year	1 January - 31 December
Board of Directors	Michael Christiansen (Chairman) Michael Haaning Jess Ørgaard Libak Tropp
Executive Board	Sofie Sine Lindahl-Jessen (CEO) Dennis Kilian (CFO) Jack Friis (COO)
Auditor	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, DK-2000 Frederiksberg

Management's review

Financial highlights for the Group

	2018*	2017	2016	2015	2014
Key figures (DKK'000)					
Revenue	1,094,291	1,146,008	1,106,120	1,073,533	1,076,233
Gross profit/loss	432,116	496,816	486,651	495,351	510,083
Operating profit/loss before depreciation and amortisation (EBITDA)	62,387	21,479	38,501	60,576	33,111
Operating profit/loss before special items, depreciation and amortisation (adjusted EBITDA)	89,559	33,128	39,594	68,314	38,838
Operating profit/loss before special items	-54,410	8,161	16,705	38,227	-11,333
Operating profit/loss (EBIT)	-81,582	-3,488	15,612	30,489	-17,060
Financial income and expense	-33,911	-18,405	-24,799	-24,252	-28,968
Profit/loss for the year (excluding the income from debt remission recognized in equity)	-122,666	-17,535	-7,682	2,392	-43,100
Profit/loss for the year (including the income from debt remission recognized in equity)	2,334	-17,535	-7,682	2,392	-43,100
Total assets	1,105,958	827,957	832,395	837,233	825,441
Investment in property, plant and equipment	27,952	13,889	25,938	19,750	38,541
Equity	**434,394**	**396,870**	**414,660**	**331,115**	**280,380**
Cash flows from operating activities	75,674	47,186	27,707	-4,431	60,741
Cash flows from investing activities	-36,214	-43,204	-34,038	-44,381	-81,894
Cash flows from financing activities	-38,605	-4,515	6,346	10,778	36,309
Total cash flows	**855**	**-533**	**15**	**-38,034**	**15,156**
Financial ratios (%)					
Gross margin	39.5	43.4	44.0	46.1	47.4
Adjusted EBITDA margin	8.2	2.9	3.6	6.4	3.6
Operating margin	-7.5	-0.3	1.4	2.8	-1.6
Solvency ratio	39.3	47.9	49.8	39.5	34.0
Solvency ratio (excluding lease liabilities under IFRS 16))	51.8	47.9	49.8	39.5	34.0
Return on equity	-29.5	-4.3	-2.1	0.8	-14.3
FTE (employees)	596	632	624	621	651

** As mentioned in note 1 - Accounting policies, the Group has early adopted IFRS 16 at 1 January 2018 using the simplified approach; thus, comparative figures have not been restated. References is made to note 1 where the impacts of the implementation are described in further details.*

Key figures and financial ratios for 2015-2018 are prepared in accordance with IFRS as adopted by EU. Comparative figures for 2014 have not been restated to reflect the changed practice, but have been prepared in accordance with the former accounting policies based on the provisions of the Danish Financial Statements Act.

Financial ratios - except from adjusted EBITDA margin and solvency ratio (excluding lease liabilities under IFRS 16) - 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

The primary activities of Sport Nordic Holding ApS is to own and operate the retail banners SPORTSMASTER and Rezet Sneaker Store in physical stores as well as online.

SPORTMASTER is a nationwide omni-channel retailer with 95 stores and is the leading Danish sports online shop. SPORTMASTER has a wide and attractive range of quality products from key third party sporting goods suppliers and brands (e.g. NIKE, Adidas, Hummel, etc.) as well as own private label products (M79 and MASTER).

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

Development in activities and financial matters

As of 1 July 2012, SPORTMASTER was established as a vertical capital retail chain - a transformation from the voluntary chain that had been operating since 1979.

SPORTMASTER.dk was relaunched in the fall of 2013 and has been upgraded on a continuous basis, adding products and functionality, supported by updated customer care support and with a high level of integration towards the physical shops. Today it is possible to combine store products with online orders and availability on site in the shops to secure the highest level of customer wishes being fulfilled and purchases generated.

Building the best omni-channel offer to our club members has been the key focus since the establishment as a vertical capital chain. Club SPORTMASTER was re-launched in the fall of 2012. The offer to our club members has proven successful in that both the number of memberships and their share of revenue continued to grow throughout 2018. In March 2018, SPORTMASTER was again appointed best omni-channel retailer in Denmark and is in the run-up for 2019 as well.

The year of 2018 has been a most challenging year due to external as well as internal circumstances. The market continued to be challenging with fierce competition, especially driven by a long period with hot weather, lasting from May until October. Sales and customer traffic suffered in all of retail from this lack of seasonality and change in the weather.

Further, two shifts in Inventory location and operations had to be made. In January the first move was made from Germany to Øm, near Roskilde. This move caused significant challenges in the supply of goods to the shops as well as in fulfilling the needs of our online customers timely and precise for more than two months. Despite many efforts made to get the supply chain operate effective and efficient, the new set-up was decided to be abandoned after short time of operation and a move to PostNord in Malmø was carried out in the month of October. The new logistic set up has been running smoothly since January 2019.

Due to the above circumstances, total revenue decreased by 4.5% to DKK 1,094 million, but also the gross margin percentage took a hit dropping from 43.4% down to 39.5%.

On the more positive side, the omni-channel strategy continued to show its potential, increasing the online share of the business by almost 20%, now having a share of the total business of 20%.

Investments in the business in 2018 were centred around the two relocations of the warehouses and related supply chain operations, but massive efforts were also made in securing the competitive edge in the online platform and in the Club Sportmaster, which counted more than 1.3 million members at the end of 2018.

Especially the two warehouse relocations that needed to be carried out diluted performance of 2018 significantly, not only in terms of additional costs related to the relocations but even more in terms of lost sales. Adjusted operating profit before depreciations and amortisations (adjusted EBITDA) total a DKK 89,6 million compared to DKK 33.1 million in 2017. The 2018 adjusted EBITDA includes the impact of implementing IFRS 16, whereas 2017 holds no correction. The 2018 adjusted EBITDA is significantly impacted by the implementation of IFRS 16.

In total, profit of the year including income from debt remission of DKK 125 million recognized in equity totals DKK 2,334 thousand compared to DKK -17,535 thousand in 2017.

The number of employees amounts to 596 (FTE) during the year (2017: 632).

Management's review

The Group has adopted IFRS 16 as of 1 January 2018 resulting in a significant increase in total assets as lease liabilities and right-of-use assets have been recognized. As mentioned in Note 1 - Accounting policies, no re-statement of comparative figures has been made, so the balance sheet is not entirely comparable. The increase in total assets has resulted in a decreased solvency rate of 39.3% at 31 December 2018.

The 2018 result is seen as not being satisfactory.

At the end of 2018, a new financing plan of the Group was agreed between Nordea and Nordic Capital was put into place, including a debt remission of DKK 125 million and additional capital injection from Nordic Capital to strengthen the overall financial position of the Group.

Outlook

Sport Nordic Holding expects that the continuously increasing competition in the market over time will have consequences for the distribution in Denmark. Sport Nordic Holding 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. In the shorter term, we - despite the above - expect profitability to be under pressure.

Events after the balance sheet date

At 2 January 2019, a new CFO joined the Group, and the new CEO joined on 1 April 2019, a position that had been vacant since September 2018 and temporarily held by the chairman of the Board.

Risk management

Sport Nordic Holding considers risk management an essential and natural element in connection with the realisation of the Group'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 Group's handling of these issues is considered a natural and integrated part of the daily work and a way to create a profitable Group 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 Group.

Through reporting from the Executive Board, the Audit Committee oversees the internal control systems and assesses whether the systems are efficient and are complied with. Further, the Audit Committee oversees the development in and management of significant risks. On a monthly basis, the Board of Directors is informed of the development in main risks. Further, in order for the Board of Directors to initiate actions to remedy and mitigate risks, it annually receives an overview of the main risks and their estimated potential impact on the profitability of the Group.

Significant commercial risks

The Sport Nordic Holding Group'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. Further, the weather also proved to have some influence on purchase behaviour in 2018. Accordingly, the Sport Nordic Holding Group 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.

Management's review

Cyclical development

The Sport Nordic Holding Group has a nationwide shop network and a high market share in Denmark. The Group is thus affected by the cyclical trends in Denmark. Management monitors the development in consumer behaviour and sales closely on a daily basis 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 months. 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 Group's presence is massive on both platforms, and it succeeds in creating an integrated purchase experience - the omni-channel focus. The Group 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.

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 Group has invested a lot of management power in building strong relations that are believed to be an asset in a highly competitive environment.

The Group develops its own goods under the brands M79 and MASTER, which is manufactured by a network of suppliers with whom the Group has long-standing relationships. There is a risk of diluting the brand values if the manufacturers do not comply with the Group's Code of Ethics and Code of Conduct.

Significant financial risks

Sport Nordic Holding is to some extent exposed to currency risks, interest rate risks, liquidity and financing risks. Reference is made to note 23 to the consolidated financial statements for further information on these risks. Overall, we consider the financial risks moderate.

Corporate governance

By virtue of its ownership, Sport Nordic Holding is subject to "Guidelines for responsible ownership and good company management" defined by the Danish Venture Capital and Private Equity Association. The guidelines are available at DVCA's, website www.dvca.dk. It is Sport Nordic Holding's intention to fully comply with the guidelines where it is relevant for Sport Nordic Holding.

The basis for the organisation of the management tasks is, among other things, the Danish Companies Act, the Danish Financial Statements Act, the articles of association of the Company as well as best practice from comparable companies. In addition, the Management of Sport Nordic Holding is continuously monitoring the development within corporate governance. In this way, Management ensures that the Group, internally as well as externally, is managed in a way that is in harmony with time and in accordance with applicable legislation in order to protect the interests of all stakeholders.

The Board of Directors has agreed on updated rules of procedures for the Board of Directors. In addition, the Board of Directors has appointed an Audit Committee.

The following board members are represented on the Audit Committee:

- Jess Ørgaard Libak Tropp, Vice Chairman
- Michael Haaning, Board Member

The Board of Directors consists of three members. One of the representatives has been appointed by the majority shareholder, and two of the representatives are independent. The Nordic Capital Fund VII is represented on the Board of Directors by Jess Ørgaard Libak Tropp.

Management's review

Four to six board meetings are held each year. The Board of Directors determines the strategy of the Group and is an active sounding board to the Group' Management. Two to three audit committee meetings are held each year.

Internal controls over financial reporting

Sport Nordic Holding's risk management and internal controls over financial reporting are focused on reducing the risk of material misstatements in the consolidated financial statements and parent company financial statements.

Management evaluates essential risks and internal controls related to Sport Nordic Holding's financial reporting on an ongoing basis. The Group 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 Group's shops.

The Audit Committee oversees the financial reporting process, including the sufficiency and efficiency of the established internal controls, new financial reporting standards, accounting policies and essential accounting estimates and judgements on an ongoing basis.

The Audit Committee reports to the Board of Directors.

Corporate social responsibility

The Group is active in sports retailing both through physical stores in Denmark and online in Denmark as well as other markets around the world. We are resellers of global brands like Nike, Adidas and Hummel, but we also develop our own private label products and have them produced by manufacturers in China and Hong Kong.

We are crazy about sports, and we strive to get more people into sports. Therefore, we support more than 300 local sports clubs, the Danish Football Association and their football camps, a number of professional clubs as well as professional athletes. We also support the non-profit organization GAME Denmark, who works with street sports like street basket, street soccer, dance and parkour.

Via "Julehjælpen" we also support families in need with Christmas gift cards to our SPORTMASTER stores.

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

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

- Anti-corruption and competition
- Labour standards and human rights

Anti-corruption and competition

The Group 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 in order to unduly influence the recipient in the performance of professional duties or in order 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 Group. Applicable anti-bribery laws are strictly followed.

The Group 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 2018, we did not see any breaches of our policies. Further, we have developed our internal education programme so that these policies will be a part of our Talent and Leadership Academy.

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.

Management's review

Labour standards and human rights

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

Manufacturers of the Group's private labels are required to adhere to the Group's Code of Conduct. We base our 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.

The Group's Code of Conduct was updated in 2018, and we expect a minimum of 80% of the Group's private label production to be carried out by manufacturers who have accepted to comply with our Code of Conduct.

Further, the factories are visited at least twice a year with in-house staff from the procurement function for review. The second largest main supplier is audited independently from us, as they carry the BSCI certificate (www.bsci-intl.org - for more information.) The largest private label producer is primarily used by the large international sports and outdoor labels, thus under the tight controls and conduct regulations of these. The SPORTMASTER brand is the only private label brand in the portfolio of the producer. The on-site visits during 2018 did not result in any observed breaches of our and BSCI's Codes of Conduct.

In terms of risk, SNG 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 Sport Nordic Holding to gain a deeper understanding on the reasons behind people leaving the Company.

No employee satisfaction survey was carried out in 2018. It is scheduled to be carried out in 2019.

Finally, a whistle-blower system was put into place in 2016. Nothing was reported in 2018.

Environment and climate

The Group has not yet developed a specific policy in this area because, as a retailer, we do not consider environment and climate areas where our efforts would have the greatest impact. Ideas from employees that reduce the environmental impact of the Group's activities are, however, supported and encouraged.

One implemented employee initiative that has been put into operation in 2019 is to charge payment for large plastic bags to reduce the potential subsequent waste of the bags. Consequently, only 25% of the customers now request a bag compared to previous getting one by default.

Policy concerning the underrepresented gender

It is the policy of the Group always to appoint the best qualified candidates to managerial positions and at the same time support and enhance the qualifications of female leadership talents. In the management team at the head office, the share of women is 21%. The number of female leaders remained unchanged in 2018. The goal of 30 % before 2020 was not reached in 2018 due to a limited number of vacant positions and a lack of qualified female candidates. It was, however, decided in 2018 that a least one of the last three candidates for a vacant position must be of a different gender than the two others.

A female CEO, Sofie Lindahl-Jessen, was found in the beginning of 2019 and joined on 1 April 2019. The target is still to increase the share of women to at least 30% by the end of 2020 through increased use of networks, etc. Further, a dedicated training and development programme has been put into place in 2019 to increase talent development of especially female employees.

The Board of Directors consists of three members, all male. The number of board members was reduced during 2018 with focus on ensuring continuity. Thus, no position has been open on the Board to fulfil the target of female representation of no less than 30%. The goal is (still) to increase the share of women on the Board to at least 30% by the end of 2020.

Consolidated financial statements for the period 1 January – 31 December

Statement of comprehensive income

Note	DKK'000	2018	2017
3	Revenue	1,094,291	1,146,008
	Cost of goods sold	-662,175	-649,192
	Gross profit/loss	432,116	496,816
	Other operating income	0	500
	Other external costs	-123,596	-242,676
5	Staff costs	-218,961	-221,512
10	Amortisation	-14,337	-9,698
12,13	Depreciation	-129,632	-15,269
6	Special items	-27,172	-11,649
	Operating profit/loss	-81,582	-3,488
7	Financial income	1,037	491
8	Financial expenses	-34,948	-18,896
	Profit/loss before tax	-115,493	-21,893
9	Tax for the year	-7,173	4,358
	Profit/loss for the year	-122,666	-17,535
	Other comprehensive income after tax	0	0
	Total comprehensive income	-122,666	-17,535
	Profit attributable to owners of the Company	-122,530	-17,535
	Non-controlling interests	-136	0
		-122,666	-17,535

Consolidated financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Non-current assets		
10,11	**Intangible assets**		
	Goodwill	367,805	367,805
	Other intangible assets	38,016	18,039
	Other intangible assets in progress	0	18,570
		405,821	404,414
	Property, plant and equipment		
12	Plant and equipment	11,549	11,657
12	Leasehold improvements	66,156	54,810
13	Right-of-use assets	259,684	0
		337,389	66,467
	Other non-current assets		
	Deposits	22,570	20,322
9	Deferred tax	15,286	23,030
		37,856	43,352
	Total non-current assets	781,066	514,233
	Current assets		
14	Inventories	291,840	286,315
23	Trade receivables	9,864	9,977
	Prepayments	5,288	6,227
	Corporation tax	0	304
15	Other receivables	16,377	10,233
	Cash at bank and in hand	1,523	668
	Total current assets	324,892	313,724
	TOTAL ASSETS	1,105,958	827,957

Consolidated financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
16	**Equity**		
	Share capital	16,264	16,264
	Treasury shares	-1,047	-1,047
	Retained earnings	418,881	381,653
	Equity attributable to owners of the Company	434,098	396,870
	Non-controlling interests	296	0
	Total equity	434,394	396,870
	Liabilities		
	Non-current liabilities		
17	Provisions	25,264	17,227
18	Bank loans	22,082	144,470
	Lease liability	148,026	0
	Total non-current liabilities	195,372	161,697
	Current liabilities		
17	Provisions	1,456	4,381
18	Bank loans	37,980	1,552
	Lease liability	119,001	0
18	Amounts owed to former owners	0	3,267
	Prepayments from customers	20,614	26,216
	Trade payables	200,241	154,505
19	Other payables	75,951	70,050
	Deferred income	20,949	9,419
	Total current liabilities	476,192	269,390
	Total liabilities	671,564	431,087
	TOTAL EQUITY AND LIABILITIES	1,105,958	827,957

Consolidated financial statements for the period 1 January – 31 December

Cash flow statement

Note	DKK'000	2018	2017
	Profit/loss for the year	-122,666	-17,535
	Depreciation and amortisation	143,972	24,967
21	Other adjustments of non-cash operating items, etc.	40,530	13,823
	Cash generated from operations (operating activities) before changes in working capital	61,836	21,255
22	Changes in working capital	45,881	42,880
	Cash generated from operations	107,717	64,135
	Interest received	1	1
	Interest paid	-17,174	-16,950
	Interest payments under IFRS 16	-15,745	0
	Corporation tax paid	875	0
	Cash flows from operating activities	75,674	47,186
10	Acquisition of other intangible assets	-15,744	-29,618
12	Acquisition of property, plant and equipment	-18,219	-13,222
	Acquisition of other non-current assets	-2,251	-364
	Cash flows from investing activities	-36,214	-43,204
	External financing:		
	Repayment of earn-out to former owners	-3,267	0
	Net change in short-term bank loans	36,428	-4,212
	Lease payments under IFRS 16	-106,766	0
	Shareholders:		
	Capital increase by non-controlling interests	35,000	0
	Acquisition of treasure shares and settlement of warrants	0	-303
	Cash flows from financing activities	-38,605	-4,515
	Net cash flows from operating, investing and financing activities	855	-533
	Cash and cash equivalents at 1 January	668	1,201
	Cash and cash equivalents at 31 December	1,523	668

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Treasury share reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity 1 January 2018	16,264	-1,047	381,653	396,870	0	396,870
Comprehensive income in 2018						
Profit for the year	0	0	-122,530	-122,530	-136	-122,666
Total other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	-122,530	-122,530	-136	-122,666
Transactions with owners						
Effect from capital increase in subsidiaries and dilution of owner's share of investments	0	0	34,603	34,603	397	35,000
Debt remission	0	0	124,965	124,965	35	125,000
Incentive program	0	0	190	190	0	190
Total transactions with owners	0	0	159,758	159,758	432	160,190
Equity 31 December 2018	16,264	-1,047	418,881	434,098	296	434,394

As mentioned in note 23 Financial Risks, the Group re-negotiated the loan agreement with the bank end of 2018 resulting in a debt remission of DKK 125 million.

Non-controlling interests is due to Nordic Capital's increase directly in the subsidiary SDK Sport II ApS. The non-controlling interest's proportion of ownership amount to 0.1 %, the share of result amounted to DKK -136 thousand and the share of equity amounted to DKK 296 thousand at year-end.

DKK'000	Share capital	Treasury share reserve	Retained earnings	Total
Equity 1 January 2017	16,264	-837	399,233	414,660
Comprehensive income in 2017				
Profit for the year	0	0	-17,535	-17,535
Total other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	-17,535	-17,535
Transactions with owners				
Acquisition of treasury shares and settlement of warrants	0	-210	-93	-303
Incentive program	0	0	48	48
Total transactions with owners	0	-210	-45	-255
Equity 31 December 2017	16,264	-1,047	381,653	396,870

Consolidated financial statements for the period 1 January – 31 December

Summary of notes to the consolidated financial statements

Consolidated financial statements for the period 1 January – 31 December

Notes

1 Accounting policies

Sport Nordic Holding ApS is a limited liability company registered in Denmark. The financial statements section of the annual report for the period 1 January - 31 December 2018 comprises both the consolidated financial statements of Sport Nordic Holding ApS and its subsidiaries (the Group) and the separate parent company financial statements.

The consolidated financial statements for Sport Nordic Holding ApS for 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act for large class C companies.

The annual report also fulfils the requirements laid down in International Financial Reporting Standards issued by the IASB.

The Board of Directors and the Executive Board have on 28 May 2019 discussed and approved the annual report for Sport Nordic Holding ApS for 2018. The annual report will be presented to the shareholders of Sport Nordic Holding ApS for adoption at the annual general meeting on 28 May 2019.

The accounting policies are unchanged from last year, except from the adoption of new and revised IFRSs, cf. below.

Change in accounting policies

Sport Nordic Holding ApS adopted IFRS 9 and IFRS 15 on 1 January 2018 and early adopted IFRS 16 on 1 January 2018.

Sport Nordic Holding ApS has implemented all the relevant new or amended financial reporting standards and interpretations as adopted by the EU that are effective at 1 January 2018. At 1 January 2018, the following standards became effective and have been adopted accordingly by Sport Nordic Holding ApS:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

The implementation of IFRS 9 and IFRS 15 has not had any impact on recognition and measurement in the annual report for 2018.

IFRS 16 *Leases*

IFRS 16 *Leases* has been early adopted at 1 January 2018. Implementation of IFRS 16 has had a material impact on Sport Nordic Holding ApS' financial statements as most contracts previously classified as off-balance sheet operating leases under IAS 17 have now been capitalised, recognising right-of-use assets and lease liabilities similar to previous practices for finance leases.

Consequently, reported operating profits have increased, as previous operating lease expenses have been replaced by depreciation and interest expenses. However, the impact on profit for the period is neutral over time, but a timing effect does occur due to frontloading of interest expenses.

Reported cash flows from operating activities have increased, but are offset by an increased cash outflow from financing activities. Accordingly, total cash flows for the period remain unchanged.

Application and practical expedients applied

IFRS 16 has been applied following the simplified approach with no impact on equity.

Comparative figures have not been restated and are presented in accordance with the previous IFRS standard on leases (IAS 17 and IFRIC 4) as disclosed in the annual report for 2017.

Consolidated financial statements for the period 1 January – 31 December

Notes

1 **Accounting policies (continued)**

The adoption of the principles of IFRS 16 has resulted in recognition of lease liabilities of DKK 299,688 thousand at 1 January 2018. In addition, provisions for onerous leases of DKK 4,276 thousand have been reclassified from provisions to a write-down of right-of-use assets. Thus, the adoption has had no impact on equity on initial recognition.

For existing leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments discounted using an appropriate incremental borrowing rate of 5.5% at 1 January 2018.

Bridge from operational leases under IAS 17 and initial recognition under IFRS 16:

DKK'000	
Operating lease liability disclosed in the annual report for 2017 (IAS 17)	164,498
Discounting effect of the nominel lease liability under IAS 17	-16,612
Effect of longer estimated lease periods under IFRS 16 than contractual obligations	151,802
Initial recognition under IFRS 16	299,688

The statement of comprehensive income for 2018 is negatively impacted by DKK 4,473 thousand; however, EBITDA has been positively affected by DKK 122,511 thousand. In the cash flow statement, lease payments of DKK 106,766 thousand have been presented as cash flow from financing activities, and interest of DKK 15,745 thousand has been presented as cash flow from operating activities.

Basis of preparation

The consolidated financial statements have been presented in Danish kroner, rounded to the nearest DKK thousand, which is also the functional currency for the parent company.

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

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Sport Nordic Holding ApS (the Company), and subsidiaries controlled by Sport Nordic Holding ApS.

The Group controls an entity if the Group is exposed to or is entitled to variable returns due to its interest in the entity and can impact these returns through its controlling interest in the entity.

In the assessment as to whether the Group exercises control, allowance is made for de facto control and potential voting rights that are real and of substance at the reporting date.

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity.

Consolidated financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Unrealised losses are eliminated in the same way as unrealised gains in so far as they do not reflect impairment.

In the consolidated financial statements, the items of subsidiaries are recognised in full.

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.

Derivative financial instruments

Derivative financial instruments are recognised at the date a derivative contract is entered into and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in the balance sheet, and positive and negative values are set off only when the Company has the right and the intention to settle several financial instruments net.

As derivative financial instruments (currency exchange contracts and interest rate swaps) are not classified and/or do not qualify for hedge accounting, changes in fair value are recognised in the income statement 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 Group 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.

Right of return

The customers hold a right to return the goods within a specified period. The Group 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 Group will be entitled. For goods that are expected to be returned, instead of revenue, the Group 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 Group 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.

Consolidated financial statements 1 January - 31 December

Notes

1 **Accounting policies (continued)**

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group 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.

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 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 is net of refunds from public authorities.

Special items

Special items comprise significant income and expenses of an exceptional nature relative to the Group's earnings-generating operating activities, including expenses relating to the establishment of SPORTMASTER as an integrated retail chain and restructuring cost, as well as other significant one-off items.

The items are stated separately to give a true and fair view of the Group's operating profit/loss and are specified in a note to the financial statements.

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. 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

Sport Nordic Holding ApS is jointly taxed with all its Danish subsidiaries. The current Danish corporation tax charge is allocated between the jointly taxed entities in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

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.

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.

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Notes

1 **Accounting policies (continued)**

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 Group 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.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

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 Group'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, payment regarding tenancy takeover and trade names, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised at a straight-line basis over 3-7 years.

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 Group. 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

Consolidated financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Depreciation is calculated on the basis of 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

Goodwill

Goodwill is subject to annual impairment tests, initially before the end of the acquisition year. Similarly, in-process development projects are subject to an annual impairment test.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit or group of cash-generating units to which goodwill is allocated. The assets of the cash-generating units are written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount of a cash-generating unit is generally determined as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which the goodwill relates.

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.

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.

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Notes

1 **Accounting policies (continued)**

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 the lower of cost in accordance with the FIFO method 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 effect the sale, taking into account 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 are measured at cost.

Equity

Dividends

Dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The proposed dividend payment for the year is disclosed as a separate item under equity.

Treasury share reserve

The treasury share reserve comprises cost of acquisition for the Group's portfolio of treasury shares. Dividends received from treasury shares are recognised directly in retained earnings in equity. Gains and losses from sale of treasury shares are recognised in share premium.

Employee obligations

Pension commitments and similar non-current liabilities

The Group has entered into pension plans and similar arrangements with most employees.

Contributions to defined contribution plans where the Group makes fixed pension payments to independent pension funds are recognised in the income statement in the period to which they relate, and any outstanding contributions are recognised in the balance sheet as other payables.

The Group has not established any defined benefits plans.

Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Warrants programme

The value of services received in exchange for granted warrants is measured at the fair value of the warrants granted.

For equity-settled programmes, the warrants are measured at the fair value at the grant date and recognised in the income statement under staff costs over the vesting period. The counter entry is recognised directly in equity as an owner transaction.

On initial recognition of the warrants, an estimate is made of the number of options expected to vest. That estimate is subsequently revised for changes in the number of warrants expected to vest so that the total recognition is based on the actual number of vested warrants.

Accordingly, recognition is based on the number of warrants ultimately vested. The fair value of granted warrants is estimated using an option pricing model, taking into account the terms and conditions upon which the warrants were granted.

Provisions

Provisions are recognised when, as a result of past events, the Group 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 Group 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 on the basis of 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 in order 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.

Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

Deferred income

Deferred income is measured at cost.

Fair value measurement

The Group 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 taken into account 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 recognised valuation methods on the basis of observable market information
- Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

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.

Consolidated financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

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 deviate significantly from the rates ruling at the transaction date.

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.

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 Group is subject to risks and uncertainties which may mean that the actual outcome may differ from the estimates made. Special risks for the Group are mentioned in the Management's review under "Risk management" and in note 23 to the consolidated 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 goodwill and an assessment of the recoverability of deferred tax assets and impairment write-down in respect of inventories.

Consolidated financial statements 1 January – 31 December

Notes

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

Impairment test, goodwill

In connection with the presentation of the financial statements for 2018, Management performed an impairment test of goodwill. The test was based on a number of assumptions as to the Company's financial development going forward. The most material assumptions relate to the expectations as to improved earnings. Therefore, the estimates of revenue and earnings growth are material. Also, the expectations as to the development in the interest rate used for discounting purposes are material.

If the expected earnings development is not realised, the carrying amount of goodwill cannot be maintained.

The impairment test and the relating particularly sensitive factors are described in detail in note 11 to the consolidated financial statements.

Recoverability of deferred tax assets

The expected recoverable amount of deferred tax assets is based on an estimate for the expected development in the Group'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.

Management has assessed that the carrying amount of deferred tax assets can be recovered within 4-5 years.

Special items

Management has assessed that certain costs are special items due to their exceptional nature relative to the Group's cash-generating operating activities.

The items are stated separately to give a true and fair view of the Group's operating profit/loss and are specified in a note to the financial statements.

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

The Group 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.

Leases

The Group has entered into 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 Group with reasonable probability expects to use and periods covered by a termination clause that the Group 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 Group's leaseholds has been recognised. The amount is determined using the expected costs at the time of vacating the leaseholds.

Discount rate

The Group uses its incremental borrowing rate to measure the future lease payments at present value. Management has assessed its incremental borrowing rate to be 5.5% at 31 December 2018.

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2 Significant estimation uncertainty, assumptions and assessments (continued)

Significant accounting judgements in applying the chosen accounting policies

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

In 2018, 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 Group mainly has two segments; sales in the physical stores (bricks and mortar) and sales on the website. All revenue is on a certain point of time and is located on the Danish market.

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3 Revenue

The Group's activities are based in Denmark, and revenue derives from the sale of sports consumer products in its 95 physical stores (bricks and mortar) and through the Group's website. 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 website:

DKK'000	2018	2017
Revenue		
Brick and mortar	900,104	975,973
Website and I Sport	194,187	170,035
	1,094,291	1,146,008

4 Fees paid to auditor appointed at the annual general meeting

Fee regarding statutory audit	535	460
Assurance engagements	50	50
Tax assistance	51	52
Other assistance	62	103
	698	665

5 Staff costs

Wages and salaries	201,987	204,576
Defined contribution plans	11,841	11,930
Other social security costs	4,943	4,958
Share-based payment	190	48
	218,961	221,512
FTE (employees)	596	632

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

	2018			2017	
DKK'000	Board of Directors	Executive Board	Executive employees	Board of Directors and Executive Board	Executive employees
Wages and salaries	541	5,442	12,685	3,978	13,353
Defined contribution plans	0	63	772	0	833
Other social costs	0	3	28	2	25
Share-based payment	0	29	161	29	19
	541	5,537	13,646	4,009	14,230

By reference to section 98b of the Danish Financial Statements Act, remuneration of the Board of Directors and the Executive Board were disclosed together for 2017.

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

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5 **Staff costs (continued)**

The Group has not entered into any special agreements on severance pay with members of the Executive Board in connection with a takeover of the Group.

Incentive programmes

Sport Nordic Holding ApS has established a share-based incentive programme in the form of a warrant programme for members of the Board of Directors, the Executive Board, executive employees and other employees. The warrants are acquired at a value close to the fair value at the grant date.

In 2018, the Group issued 2,472,619 warrants that can be exercised at 28 February 2023. No proceeds were received in connection with the issuance.

The warrants programme comprised a total of 3,872,516 warrants at 31 December 2018.

Each warrant entitles the holder to subscribe for 1 share at a nominal value of DKK 1 in Sport Nordic Holding ApS. The right can be exercised at end of 2019 (1,399,897 shares) and at 28 February 2023 (2,472,619 shares), respectively.

The warrants can only be settled in shares. The outstanding warrants constitute 19.2% of the share capital if all warrants are exercised (2017: 7.9%).

The exercise of the subscription rights is contingent on the holder not being under notice at the exercise date. There are no other conditions for the rights acquisition. Special provisions apply in the case of illness and death and in the case of changes in the capital structure of the Company, etc.

Specification of outstanding warrants

	Board of Directors and Executive Board	Executive em-ployees	Other employees	Former employees	Number in total	Average exercise price per warrant (DKK)	Fair value per warrant (DKK)	Total fair value (DKK '000)
Outstanding at the beginning of 2018	606,179	545,484	248,234	0	1,399,897	70.8		
Issued in 2018	0	0	857,569	1,615,050	2,472,619	12.6	0.5	1,154
Outstanding at the end of 2018	606,179	545,484	1,105,803	1,615,050	3,872,516	34.4		

The fair value calculated at the granting is based on a Black-Scholes warrant pricing model. The value of the warrants granted in 2015 was calculated using an expected volatility of 35% and a risk-free interest rate of 0.1%. The value of the warrants granted in 2018 was calculated using an expected volatility of 35% and a risk-free interest rate of 0.1%. In 2018, costs recognised in the profit/loss for the year relating to warrants amounted to DKK 190 thousand (2017: DKK 48 thousand).

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	DKK'000	2018	2017
6	**Special items**		
	Costs regarding renegotiation of loan covenants and debt remission	-4,110	0
	Costs regarding inventory relocation to new central warehouse	-6,644	0
	Restructuring costs related to close-downs, including salary and severance payments, etc.	-16,418	-11,649
		-27,172	-11,649

The special items does not include any direct impacts of the lost sales related to the inventory moves, nor any indirect cost either.

		2018	2017
7	**Financial income**		
	Foreign exchange gain	1,037	491
		1,037	491
8	**Financial expenses**		
	Interest expense, banks	11,940	14,007
	Interests on leases	15,745	0
	Amortisation of financing costs	2,611	1,741
	Foreign exchange loss	2,103	2,352
	Other interest expenses	2,549	796
		34,948	18,896
	Interest on financial liabilities measured at amortised costs	7,291	8,812
9	**Tax for the year**		
	Tax for the year can be specified as follows:		
	Current tax	0	0
	Deferred tax	13,394	4,606
	Current tax regarding previous years	571	0
	Deferred tax regarding previous years	31	-248
	Write-down of deferred tax assets to net realisable value	-21,169	0
		-7,173	4,358

Tax for the year can be explained as follows:

	2018	2018	2017	2017
	DKK'000	%	DKK'000	%
Computed tax of profit/loss before tax	25,408	22.0	4,816	22.0
Tax effect of:				
Non-deductible expenses	-12,014	-10.4	-210	-1.0
Tax regarding previous years	602	0.5	-248	-1.1
Write-down of deferred tax assets	-21,169	-18.3	0	0
	-7,173	-6.2%	4,358	19.9%

DKK -11,142 thousand related to taxable loss limitation due to debt remission is included in non-deductible expenses.

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9 Tax for the year (continued)

Deferred tax

DKK'000	2018	2017
Deferred tax assets 1 January	23,030	18,672
Deferred tax, recognised in profit/loss for the year	13,394	4,358
Deferred tax regarding previous years	31	0
Deferred tax, write-down to net realisable value through profit/loss for the year	-21,169	0
Deferred tax assets 31 December	15,286	23,030
Deferred tax is recognised as follows in the balance sheet:		
Deferred tax (asset)	15,286	23,030
Deferred tax (liability)	0	0
Deferred tax 31 December, net	15,286	23,030
Deferred tax assets relates to:		
Intangible assets	-4,072	-7,539
Property, plant and equipment	16,590	15,624
Inventories	704	2,072
Liabilities other than provisions	355	3,744
Provisions	10,660	4,753
Tax losses carry forward, etc.	12,218	4,376
Deferred tax before write-down to net realisable value	36,455	23,030
Write-down to net realisable value	-21,169	0
	15,286	23,030

Changes in temporary differences during the year

	2018		
DKK'000	Balance at 1/1	Recognised in profit/loss for the year, net	Balance at 31/12
Intangible assets	-7,539	3,467	-4,072
Property, plant and equipment	15,624	966	16,590
Inventories	2,072	-1,368	704
Liabilities other than provisions	3,744	-3,389	355
Provisions	4,753	5,907	10,660
Tax loss carryforwards	4,376	7,842	12,218
Write-down to net realisable value	0	-21,169	-21,169
	23,030	-7,744	15,286

Consolidated financial statements for the period 1 January - 31 December

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9 Tax for the year (continued)

Changes in temporary differences during the year

DKK'000	2017 Balance at1/1	2017 Recognised in profit/loss for the year, net	2017 Balance at 31/12
Intangible assets	-4,999	-2,540	-7,539
Property, plant and equipment	16,546	-922	15,624
Inventories	2,895	-823	2,072
Liabilities other than provisions	3,116	628	3,744
Tax loss carryforwards	0	4,753	4,753
	17,558	1,096	18,654

10 Intangible assets

DKK'000	Goodwill	Other intangible assets	Other intangible assets in progress	Total
Cost at 1 January 2018	367,805	57,364	18,570	443,739
Additions	0	15,744	0	15,744
Transfer	0	18,570	-18,570	0
Cost at 31 December 2018	367,805	91,678	0	459,483
Amortisation at 1 January 2018	0	39,325	0	39,325
Amortisation	0	14,337	0	14,337
Impairment loss for the year	0	0	0	0
Amortisation at 31 December 2018	0	53,662	0	53,662
Carrying amount at 31 December 2018	367,805	38,016	0	405,821
Cost at 1 January 2017	367,805	42,585	3,731	414,121
Additions	0	14,571	15,047	29,618
Transfer		208	-208	0
Cost at 31 December 2017	367,805	57,364	18,570	443,739
Amortisation at 1 January 2017	0	29,627	0	29,627
Amortisation	0	9,558	0	9,558
Impairment loss for the year	0	140	0	140
Amortisation at 31 December 2017	0	39,325	0	39,325
Carrying amount at 31 December 2017	367,805	18,039	18,570	404,414

Other intangible assets comprise IT Software.

Except from goodwill, it is assessed that intangible assets have a definite useful life.

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11 Impairment test

Goodwill

At 31 December 2018, the carrying amount of goodwill for the Group amounted to DKK 367.8 million (2017: DKK 367.8 million).

At 31 December 2018, Management carried out an impairment test of the carrying amount of goodwill, which relates to one cash-generating unit.

The recoverable value is based on the net present value, which is determined by using expected net cash flows on the basis of budgets and forecasts for the years 2019-2021 and a discount factor before tax of 8.8% (2017: 8.7%).

The impairment test is based on a modelling based on the budget of 2019 and projections for the years 2020 and 2021 with built.in key assumptions. It is assumed that the B&M revenues will continue to decline at the same pace as experienced in the previous three years (-3%) balanced against a continued growth in online business of 25% in the coming two years and 20% in 2021. No material online growth is built in the terminal period. Further, an accelerated roll-out of the Rezet concept is a key factor going forward combined with increased availability in the top 200 goods sold. Total revenues are set to grow by 4.6% p.a. on average in the coming three years. The gross margin is planned to improve by 1 percentage point, in combination with reduced salary cost share of 1.5 percentage point by optimised staffing in shops and in headquarter functions. The EBITDA margin is assumed to improve continuously to a stable level of 4%.

The impairment test did not give rise to any need for impairment write-down at present, as the financial impact of the above key assumptions defends the carrying amount of goodwill and property, plant and equipment, but it holds only limited room for negative deviations. If the expected earnings development is not realised, the carrying amount of goodwill cannot be maintained.

Other intangible assets

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

12 Property, plant and equipment

DKK'000	Plant and equipment	Leasehold improve-ments	Total
Cost at 1 January 2018	50,076	112,192	162,268
Additions	5,993	21,959	27,952
Disposals	-94	-1,801	-1,895
Cost at 31 December 2018	55,975	132,350	188,325
Depreciation at 1 January 2018	38,419	57,382	95,801
Depreciation	5,881	8,923	14,804
Disposals	-94	-1,801	-1,895
Impairment loss for the year	220	1,690	1,910
Depreciation at 31 December 2018	44,426	66,194	110,620
Carrying amount at 31 December 2018	11,549	66,156	77,705

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12 Property, plant and equipment (continued)

DKK'000	Plant and equipment	Leasehold improve-ments	Total
Cost at 1 January 2017	44,356	104,324	148,680
Additions	5,724	8,165	13,889
Disposals	-4	-297	-301
Cost at 31 December 2017	50,076	112,192	162,268
Depreciation at 1 January 2017	32,449	48,384	80,833
Depreciation	5,695	7,967	13,662
Disposals	-4	-297	-301
Impairment loss for the year	279	1,328	1,607
Depreciation at 31 December 2017	38,419	57,382	95,801
Carrying amount at 31 December 2017	11,657	54,810	66,467

Additions on leasehold improvements include non-cash additions relating to provisions for restoration of leasehold improvements of DKK 9,733 thousand (2017: DKK 667 thousand).

13 Leases

Leased assets

DKK'000	Buildings	Total
Opening balance at 1 January 2018	295,412	295,412
Additions in the year	40,748	40,748
Remeasurement of lease liabilities during the year	32,955	32,955
Depreciation in the year	-109,431	-109,431
Carrying amount at 31 December 2018	259,684	259,684

Reference is made to note 2 for descriptions regarding

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

Provision for onerous contracts of DKK 4,276 thousand has been reclassified from other provisions and is included in the opening balance. Onerous leases are assessed at the balance sheet date and are based on the remaining lease liabilities of the contracts for the loss-making lease stores for which the contracts have been terminated. At year end, the provision for onerous leases amounted to DKK 2,870 thousand.

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13 Leases (continued)

Lease liabilities

DKK'000	2018
Maturity of lease liabilities	
Within 1 year	122,315
Between 1-5 years	193,570
Over 5 years	4,323
Total non-discounted lease liabilities at 31 December 2018	320,208
Lease liabilities recognised in the balance sheet	267,027
Current liabilities	119,001
Non-current liabilities	148,026

Amounts recognised in the statement of comprehensive income	
Interest expenses relating to leases	15,745
Depreciation on leased assets	109,431
	125,176

For 2018, the Group has paid DKK 122,511 thousand regarding leases, of which interest expenses amounted to DKK 15,745 thousand and repayment of lease liabilities amounted to DKK 106,766 thousand.

Variable lease costs regarding revenue-based lease contracts, which are not in scope for IFRS 16 amounts to DKK 3,900 thousand in 2018.

The nominal interminable lease obligation (contractual lease obligation under IAS 17) if IFRS 16 had not been adopted, amounts to DKK 219,149 thousand at 31 December 2018 (2017: 164,498 thousand).

14 Inventories

Goods for resale	291,840	286,315
Carrying amount of inventories, recognised at net sales value	49,648	52,015

15 Other receivables

Supplier bonuses	7,724	5,741
VAT receivables	1,515	0
Other receivables	7,138	4,492
	16,377	10,233

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16 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 share of total assets amounted to 39% at the end of 2018 (2017: 48%). The decrease is primarily due to the implementation of IFRS 16, which has resulted in a significant increase in the balance sheet.

Capital is managed for the Group taken as a whole.

It is the Group'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 16,264,013 shares of DKK 1 each.

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

DKK'000	2018	2017	2016	2015	2014
Balance at 31 January 1 January	16,264	16,264	12,739	10,436	10,394
Cash capital increase	0	0	3,525	2,303	42
	16,264	16,264	16,264	12,739	10,436

Treasury shares

At 31 December 2018, the Parent Company owned 40,578 treasury shares (2017: 40,578).

	Number of shares		Nominal value (DKK'000)		% of share capital	
DKK'000	2018	2017	2018	2017	2018	2017
1 January	40,578	30,536	41	31	0.2	0.2
Additions	0	10,042	0	10	0	0
31 December	40,578	40,578	41	41	0.2	0.2

Treasury shares are primarily acquired for purposes of the Group's share option plans.

Warrants

The Parent Company has issued warrants in connection with incentive programme, see note 5.

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17 Provisions

DKK '000	2018	2017
Provisions 1 January	21,608	16,937
Reclassification of right-of-use assets*	-4,276	0
Provided during the year	11,189	4,943
Provisions used during the year	-1,057	0
Reversal of provisions in connection with closing of stores	-744	-272
Provisions at 31 December	26,720	21,608
Specification of provisions:		
Restoration costs in connection with vacation of premises	25,264	17,332
Onerous leases (reclassified to RoU-assets at 1 January 2018)*	0	4,276
Provisions for returns	1,456	0
Provisions at 31 December	26,720	21,608

**Due to the implementation of IFRS 16, the provision for onerous contracts has been reclassified to right-of-use assets and is included in the opening balance at 1 January 2018.*

Provisions include liabilities for restoration upon vacation of premises, provisions for onerous leases and provision for returns after the balance sheet date. 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. Provisions for returns are based on sales activities, returns percentages and the period for returning sold goods.

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. Provisions for returns are short-term as they relate to returns in the beginning of 2019.

18 Bank loans and amounts owed to former owners

DKK '000	2018	2017
Non-current liabilities	22,082	144,470
Current liabilities	37,980	4,819
Carrying amount	60,062	149,289
Nominal value	60,062	151,901
Falls due more than 5 years after the balance sheet date, nominal value	0	0

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18 Bank loans and amounts owed to former owners (continued)

2018	Average nominal interest rate	Average effective interest rate	Currency	Rate fixation period	Carrying amount
Bank loans					
Variable interest rate *)	4.75%	4.75%	DKK	6 months	22,082
Variable interest rate (cash-pool)	4.75%	4.75%	DKK	-	37,980
In total					60,062

Development in bank loans during the year	
Bank loans 1 January 2018	149,289
Payment of debt to former owners	-3,267
Change in short-term bank loans (cash-pool)	36,428
Amortization of borrowing costs	2,612
Debt relief	-125,000
Bank loans 31 December 2018	60,062

*) 100% of loans are fixed with interest rate swaps. Please refer to note 20.

2017	Average nominal interest rate	Average effective interest rate	Currency	Rate fixation period	Carrying amount
Bank loans					
Variable interest rate	4.75%	4.75%	DKK	18 months	146,022
Amounts owed to former owners					
Not remunerated	-	-	DKK	-	3,267
In total					149,289

19 Other payables

DKK' 000	2018	2017
Holiday pay obligations and salary related liabilities	35,679	32,962
VAT payable	27,653	26,052
Fair value of hedging instruments	1,443	4,297
Other payables	11,176	6,739
	75,951	70,050

20 Contractual obligations and contingencies, etc.

Contingent assets and liabilities

As security for bank loans mortgage is provided in the Group's assets, including goodwill.

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21 **Other adjustments of non-cash operations items, etc.**

DKK'000	2018	2017
Financial income	-1,037	-491
Financial expenses	34,948	18,896
Tax for the year	7,173	-4,358
Share-based payment	190	48
Other provisions	-744	-272
	40,530	13,823

22 **Changes in working capital**

Change in inventories	-5,525	26,828
Change in receivables	-5,092	339
Change in trade and other payables, prepayments from customers and deferred income	56,498	15,713
	45,881	42,880

23 **Financial risks and financial instruments**

The Group's risk management policy

The overall financial risk management framework is laid down in the Group's finance policy. The finance policy includes the Group'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 Group's risk exposure or risk management has not changed relative to 2017.

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

The finance policy is updated annually and approved by the audit committee.

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

The Group 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

The Group'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.

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23 Financial risks and financial instruments (continued)

Market risks

Currency risks

Related business activity	Impact	Risk management	Effect
The Group 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 is group currency policy to hedge 60%-100% of the currency risks based on expected foreign currency transactions in the coming 6-12 months. The Group hedges the currency risk by means of foreign exchange contracts. Currency risks relating to recognised financial assets and liabilities are hedged if the exposure in a currency corresponds to or if, in the near future, it is deemed highly probable that the exposure will make up more than DKK 10 million net. The Group hedged currency movements relating to purchase transactions to hedge its cash flows. Fair values of financial instruments are not hedged. 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. The Group has hedges those currency risks in accordance with the Group's finance policy. As in 2017, the Group has only hedged its currency risks by means of foreign exchange contracts. No foreign exchange contracts were open at 31 December 2018.

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23 Financial risks and financial instruments (continued)

Exposure and sensitivity analysis

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

A fairly 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 Group's equity at year end:

	2018					
	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	382	0	0	5%	15	15

	2017					
	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	1,406	-2,947	7,592	5%	236	236

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 are based on the assumption of unchanged sales, price level and interest level.
- The sensitivities related to financial instruments are calculated based on the financial instruments recognised at 31 December.

For accounting purposes the forward exchange contracts are not treated as a hedging instrument and changes in fair value are therefore recognised in the income statement (financial income and expenses).

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23 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 Group is exposed to movements in the level of interest. The primary exposure relates to movements in CIBOR.	*Effect:* Moderate *Threat:* Low	The Group uses interest rate swaps to hedge interest rate risks relating to lending, whereby floating interest payments are transformed into fixed interest payments. According to the Group's finance policy, all group loans must be hedged by means of interest rate swaps.	100% of the Group's loan financing is fixed interest rate loans with interest rate swaps (2017: 100%). The weighted average fixed interest rate regarding interest rate swaps closed is the variable interest rate + 1.72% (2017: 1.72%).

Exposure

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

- The weighted average term (fixed-rate period) of the Group's loans was 2.0 years at 31 December 2018 (2017: 1.5 years). The interest rate swaps will expire at 30 June 2019, and subsequently, the Group will be exposed to changes in the variable interest rate.
- The Group's cash is deposited on a drawing account.

Sensitivity analysis

An interest rate level which is higher or lower relative to the level of interest at the balance sheet date would not have any hypothetical impact on the profit/loss for the year and equity at year end as the term of the loan and the interest rate swaps match.

Derivative financial instruments

For accounting purposes the interest rate swaps are not treated as a hedging instrument and changes in fair value are therefore recognised in the income statement.

	2018				2017			
DKK'000	Notional amount	Fair value adjustme nt recognise d in income statement	Fair value	Time to maturity (months)	Notional amount	Fair value adjustme nt recognise d in income statement	Fair value	Time to maturity (months)
Interest rate swap	144,074	2,854	-1,443	6	144,074	2,124	-4,297	18

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23 Financial risks and financial instruments (continued)

Liquidity risks

Related business activity	Impact	Risk management	Impact
The Group is exposed to liquidity risks due to its ongoing activities. The Group'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.'	*Effect:* Moderate *Threat:* Moderate	The Group ensures liquidity through loan agreements (RCF) and payment terms as well as date of maturity and renegotiation dates. Flexibility in the Group's cash resources ensures appropriate room for manoeuvre in case of unforeseen fluctuation in liquidity. Contrary to previous years, the Group's bank facilities and loans are not subject to conditions related to specific levels of EBITDA.	The Group's liquidity reserve consists of unutilised overdraft facilities and liquid funds. The cash resources totalled DKK 12,897 thousand at 31 December 2018 (2017: DKK 84,669 thousand). Management is of the opinion that the Group has sufficient cash resources to meet its obligations as they fall due. The RCF including seasonal credit amounts to DKK 190 million, and excluding seasonal credit it amounts to DKK 165 million.

Analysis of term to maturity

The Group's financial liabilities fall due as follows:

DKK'000	Contractual cash flows	Within one year	1-3 years	3-5 years	After 5 years
Non-derivative financial instruments					
Credit institutions	24,202	1,060	23,142	0	0
Trade payables	200,241	200,241	0	0	0
31 December 2018	224,443	201,301	23,142	0	0
Derivative financial instruments					
Interest rate swap	1,443	1,443	0	0	0
31 December 2018	1,443	1,443	0	0	0

Consolidated financial statements for the period 1 January - 31 December

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23 Financial risks and financial instruments (continued)

2017 (DKK'000)	Contractual cash flows	Within one year	1-3 years	3-5 years	After 5 years
Non-derivative financial instruments					
Credit institutions	157,561	6,986	150,575	0	0
Contingent consideration	3,267	3,267	0	0	0
Trade payables	154,504	154,504	0	0	0
31 December 2017	315,332	164,757	150,575	0	0
Derivative financial instruments					
Interest rate swap	4,413	2,881	1,532	0	0
31 December 2017	4,413	2,881	1,532	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.
- Liabilities under leases are not included, but are reflected in note 13.

On the basis of the Group's expectations as to its future operations and current cash resources, no other critical liquidity risks have been identified.

Financing risks

Related business activity	Impact	Risk management	Effect
The Group is exposed to a financing risk as existing loan agreements expire. All loan agreements will expire on 31 December 2020 and were renegotiated in late 2018. The Group's operations depend on the future financing of the Group's operations and facilities.	*Effect:* Moderate *Threat:* Moderate	The term of gross debt is 2.0 years.	In December 2018, the long-term loan agreement was changed. The debt was reduced from DKK 147.1 million to DKK 22.1 million with no related covenant until 2020. The average term of the Group's loans is 2.0 years (2017: 1.5 years). In Management's opinion, the Group's cash resources and earnings expectations suffice for the realisation of the Group's long-term strategy.

Reference is made to note 18 for a specification of payables to credit institutions.

Consolidated financial statements for the period 1 January – 31 December

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23 Financial risks and financial instruments (continued)

Credit risks

Risk management	Effect
The Group'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 Group 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 2018, the terms of payment were exceeded by 80% (2017: 77%) of the Group'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. At 31 December 2018, trade receivables have been written down by DKK 420 thousand (2017: DKK 360 thousand), which for 2018 is based on the expected credit loss model.

Breakdown of trade receivables including Expected Credit Loss rate (ECL rate) for 2018:

DKK'000	ECL rate	Nom. amount	ECL amount	2018	2017
Ageing of trade receivables					
Not due	1%	2,064	21	2,043	2,343
0-30 days overdue	3%	7,565	227	7,338	4,797
31-90 days overdue	15%	445	67	378	1,648
> 90 days overdue	50%	210	105	105	1,189
		10,284	420	9,864	9,977

Consolidated financial statements for the period 1 January – 31 December

Notes

23 Financial risks and financial instruments (continued)

Categories of financial instruments

DKK'000	2018 Carrying value	2018 Fair value	2017 Carrying value	2017 Fair value
Currency exchange contracts included in the trading portfolio	0	0	0	0
Financial assets measured at fair value over the income statement	0	0	0	0
Deposits	22,570	22,570	20,320	20,320
Trade receivables	9,864	9,864	9,977	9,977
Other receivables	16,377	16,377	15,851	15,851
Cash at bank and in hand	1,523	1,523	668	668
Receivables and cash at bank and in hand	50,334	50,334	46,816	46,816
Currency exchange contracts included in the trading portfolio	0	0	24	24
Amounts owed to former owners	0	0	3,267	3,267
Interest rate swaps included in the trading portfolio	1,443	1,443	4,297	4,297
Financial liabilities measured at fair value over the income statement	1,443	1,443	7,588	7,588
Bank loans	60,062	60,062	146,022	148,634
Financial liabilities measured at amortised cost	60,062	60,062	146,022	148,634

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

Consolidated financial statements for the period 1 January – 31 December

Notes

23 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
2018				
Interest rate swaps included in the trading portfolio	0	1,443	0	1,443
Financial liabilities measured at fair value	0	1,443	0	1,443
Bank loans	0	60,062	0	60,062
Financial liabilities, where fair value is presented	0	60,062	0	60,062

DKK'000	Quoted prices (Level 1)	Observable input (Level 2)	Non observable input (Level 3)	Total
2017				
Currency exchange contracts	0	24	0	24
Amounts owed to former owners	0	0	3,267	3,267
Interest rate swaps included in the trading portfolio	0	4,297	0	4,297
Financial liabilities measured at fair value	0	4,321	3,267	7,588
Bank loans	0	148,634	0	148,634
Financial liabilities, where fair value is presented	0	148,634	0	148,634

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 2017.

Derivative financial instruments

Derivative financial instruments are valued in accordance with generally accepted valuation principles based on relevant observable swap curves. Only externally calculated fair values are used.

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.

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.

Consolidated financial statements for the period 1 January - 31 December

Notes

24 Related party disclosures

Sport Nordic Holding ApS' related parties comprise the following:

Parties exercising control

Nordic Capital Fund VII, England, which controls the Company.

Other related parties

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

The group companies SDK Sport I ApS, SDK Sport II ApS and Sport Danmark A/S.

Transactions with related parties

Remuneration of the Executive Board and the Board of Directors is disclosed in note 5.

Apart from the above, acquisition of treasury shares and settlement of warrants, no transactions with related parties has been carried out.

25 Events after the balance sheet date

At 2 January 2019, a new CFO joined the Group, and the new CEO joined on 1 April 2019, a position that had been vacant since September 2018 and temporarily held by the chairman of the Board.

26 New financial reporting regulation

IASB has issued the following new financial reporting standards and interpretations, which are not mandatory for Sport Nordic Holding ApS and not applicable to the consolidated financial statements for 2018:

- IFRS 17 *Insurance Contracts*
- IFRS 9 *Prepayment Features with Negative Compensation - Amendments to IFRS 9*
- IAS 19 *Plan Amendment, Curtailment or Settlement - Amendments to IAS 19*
- IAS 28 *Long-term Interests in Associates and Joint ventures - Amendments to IAS 28*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Conceptual Framework - Amendments to references to the Conceptual Framework in IFRS Standards
- Annual Improvements to IFRSs 2015-2017 Cycle

Of the above, Amendments to IFRS 9 has been adopted by the EU.

The approved, but not yet effective, standards and interpretations are adopted as they become mandatory for Sport Nordic Holding ApS. The above-mentioned standards and interpretations are not assessed to have significant impact on recognition and measurement for Sport Nordic Holding ApS.

Consolidated financial statements for the period 1 January – 31 December

Notes

27 **The Board of Directors' other managerial posts**

Michael Haaning and Jess Ørgaard Libak Tropp have been appointed by Nordic Capital Fund VII.

Michael Christiansen and Michael Haaning are considered independent.

The Board of Directors undertakes the following executive functions:

Board of Directors	Executive functions in other Danish Companies
Michael Christiansen, independent, Chairman	Chairman at Ka-ching A/S, Vice Chairman at Dagrofa ApS, Vice Chairman at Mahia 17 Aps, Member of the Board Bygma A/S and related companies, Member of the Board KFI Erhvervsdrivende Fond and related companies, Member of the Board Unisport Holding ApS and related company, CEO CIM Invest ApS
Michael Haaning, appointed by Nordic Capital, Vice Chairman	CEO Andromeda ApS, Member of the Board, NC Advisory A/S, Unisport Holding ApS
Jess Ørgaard Libak Tropp, appointed by Nordic Capital	Chairman Rokoko Electronics ApS. Member of the Board Unisport Holding ApS, Conscia Holding A/S, AX IV Con ApS, AX IV Con II ApS, AX IV Con II, ApS, Capnor Connery HoldCo A/S, Capnor Connery BidCo A/S

Parent company financial statements for the period 1 January – 31 December

Income statement

Note	DKK'000	2018	2017
	Other external costs	-119	-134
	Operating profit/loss	-119	-134
3	Share of profit/loss in subsidiaries after tax	-146,209	-45,766
	Profit/loss before tax	-146,328	-45,900
2	Tax for the year	252	30
	Profit/loss for the year	-146,076	-45,870

Parent company financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Non-current assets		
	Financial assets		
3	Investments in subsidiaries	302,924	289,565
	Total non-current assets	302,924	289,565
	Current assets		
	Receivables		
	Receivables from subsidiaries	22,682	22,290
	Corporation tax	90	349
4	Deferred tax	38	24
	Total current assets	22,810	22,663
	TOTAL ASSETS	325,734	312,228

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
5	Share capital	16,264	16,264
	Retained earnings	309,395	295,903
	Total equity	325,659	312,167
	Current liabilities		
	Other payables	75	61
	Total liabilities	75	61
	TOTAL EQUITY AND LIABILITIES	325,734	312,228

Parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2017	16,264	342,076	358,340
	Acquisition of treasury shares and settlement of warrants	0	-303	-303
8	Transfer, see "Distribution of profit/loss"	0	-45,870	-45,870
	Equity at 1 January 2018	16,264	295,903	312,167
	Effect from capital increase in subsidiaries and dilution of owner's share of investments	0	34,603	34,603
	Debt remission in subsidiaries	0	124,965	124,965
8	Transfer, see "Distribution of profit/loss"	0	-146,076	-146,076
	Equity at 31 December 2018	16,264	309,395	325,659

Parent company financial statements for the period 1 January – 31 December

Summary of notes to the parent company financial statements

Parent company financial statements for the period 1 January - 31 December

Notes

1 **Accounting policies**

The financial statements for the parent company of Sport Nordic Holding ApS for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large class C companies.

The accounting policies are consistent with those of last year.

By reference to section 86(4) of the Danish Financial Statements Act, fees paid to auditors appointed at the annual general meeting has not been disclosed as fees are disclosed in the consolidated financial statements; see note 3 of the consolidated financial statements.

By reference to section 112 of the Danish Financial Statements Act no cash flow statement has been prepared, as the cash flows are included in the consolidated financial statements.

Investment in subsidiaries are recognised in accordance with the equity method in the parent company financial statements. The financial statements for the subsidiaries used for recognition in the parent company are prepared in accordance with the Danish financial statements Act. The consolidated financial statements are prepared in accordance with IFRS. The main difference in accounting policies relates to goodwill being amortised over 15 years in the parent company financial statements and tested for impairment according to IFRS.

Business combinations

Recently acquired or formed entities are recognised in the parent company financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the income statement until the date of disposal. Comparative figures are not restated in respect of recently acquired or sold entities.

Gains and losses on disposal of subsidiaries are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated selling costs.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the calculation of goodwill. Costs relating to restructuring decided by the acquiring entity must be recognised in the income statement. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset.

Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

Foreign currency translation

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

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

Parent company financial statements for the period 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Other external costs

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

Profits/losses from investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

The parent company is covered by the Danish rules on compulsory joint taxation of the Sport Nordic Holding Group's subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

The parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In the relation, companies with tax loss carry forwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Investments in subsidiaries

Investments in subsidiaries are measured under the equity method.

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies adjusted to be in accordance with the Danish Financial Statements Act, minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Sport Nordic Holding ApS are not recognised in the reserve for net revaluation.

Parent company financial statements for the period 1 January - 31 December

Notes

1 **Accounting policies (continued)**

Impairment of non-current assets

The carrying amount of investments in subsidiaries is assessed annually for evidence of impairment.

Impairment tests are conducted on individual assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

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

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired.

Equity

Dividends

Dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The proposed dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payables and receivables are 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 base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences arise at the date of acquisition without affecting neither the profit/loss for the year nor the 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 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.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

Liabilities are measured at net realisable value.

Parent company financial statements for the period 1 January – 31 December

Notes

DKK'000		2018	2017
2	**Tax for the year**		
	Current tax for the year	0	6
	Deferred tax for the year	26	24
	Adjustment of deferred tax, previous years	-12	0
	Adjustment of current tax, previous years	238	0
		252	30
3	**Investments in subsidiaries**		
	Cost at 1 January	515,680	515,680
	Cost at 31 December	515,680	515,680
	Value adjustments at 1 January	-226,115	-180,349
	Profit/loss for the year	-146,209	-45,766
	Effect from capital increase in subsidiaries and dilution of owner's share of investments	34,603	0
	Effect from debt remission in subsidiaries	124,965	0
	Value adjustments at 31 December	-212,756	-226,115
	Carrying amount at 31 December	302,924	289,565

Goodwill in subsidiaries included in the carrying amount of investments in subsidiaries amount to DKK 251,315 thousand at 31 December 2018 (2017: DKK 280,448 thousand).

Name	Registered office	Voting rights and ownership	Equity	Profit/loss for the year
SDK Sport I ApS	Ballerup	100%	302,924	-146,209

4 **Deferred tax**

DKK'000	2018	2017
Deferred tax 1 January	24	0
Adjustment of deferred tax previous years	-12	0
Deferred tax, recognised in the profit for the year	26	24
Deferred tax 31 December	38	24
Deferred tax relates to:		
Tax losses carried forward	38	24