Sport Nordic Holding ApS

Baltorpbakken 5, DK-2750 Ballerup

CVR no. 34 48 56 07

Annual report 2019

Approved at the Company's annual general meeting on 15 September 2020

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 2019.

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 2019 and of the results of the Group's operations and cash flows for the financial year 1 January - 31 December 2019 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 2019 and of the results of the Parent Company's operations for the financial year 1 January - 31 December 2019 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, 15 September 2020
Executive Board:

Andreas Holm
CEO

Board of Directors:

Dmitry Barkov Chairman	Janusz Gembarski	Leonid Strakhov

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 2019, 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 2019 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2019 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 2019 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2019 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, 15 September 2020
EY 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 A/S 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	Dmitry Barkov (Chairman) Janusz Gembarski Leonid Strakhov
Executive Board	Andreas Holm (CEO)
Auditor	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, DK-2000 Frederiksberg

Management's review

Financial highlights for the Group

	2019	2018	2017	2016	2015
Key figures (DKK'000)					
Revenue	1,082,060	1,094,291	1,146,008	1,106,120	1,073,533
Gross profit	399,923	432,116	496,816	486,651	495,351
Operating profit before depreciation and amortisation (EBITDA)	60,355	62,387	21,479	38,501	60,576
Operating profit before special items, depreciation and amortisation (adjusted EBITDA)	60,355	89,559	33,128	39,594	68,314
Operating profit/loss before special items	-453,802	-54,410	8,161	16,705	38,227
Operating profit/loss (EBIT)	-453,802	-81,582	-3,488	15,612	30,489
Financial income and expense, net	-1,091	-33,911	-18,405	-24,799	-24,252
Profit/loss for the year	-470,179	-122,666	-17,535	-7,682	2,392
Total assets	629,133	1,105,958	827,957	832,395	837,233
Investment in property, plant and equipment	9,040	27,952	13,889	25,938	19,750
Equity	**60,944**	**434,394**	**396,870**	**414,660**	**331,115**
Cash flows from operating activities	15,088	75,674	47,186	27,707	-4,431
Cash flows from investing activities	-16,613	-36,214	-43,204	-34,038	-44,381
Cash flows from financing activities	16,304	-38,605	-4,515	6,346	10,778
Total cash flows	**14,779**	**855**	**-533**	**15**	**-38,034**
Financial ratios (%)					
Gross margin	37.0	39.5	43.4	44.0	46.1
Adjusted EBITDA margin	5.6	8.2	2.9	3.6	6.4
Operating margin	-42.0	-7.5	-0.3	1.4	2.8
Solvency ratio	9.7	39.3	47.9	49.8	39.5
Solvency ratio (excluding lease liabilities under IFRS 16)	14.5	51.8	47.9	49.8	39.5
Return on equity	-189.8	-29.5	-4.3	-2.1	0.8
FTE (employees)	556	596	632	624	621

* *The Group early adopted IFRS 16 at 1 January 2018 using the simplified approach; thus, comparative figures for 2015-2017 have not been restated.*

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

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 is acting as holding company for Sportmaster Denmark which operates the retail banners SPORTMASTER and Rezet Sneaker Store in physical stores as well as online.

SPORTMASTER, prior to the later mentioned acquisition, was a national wide omni-channel retailer with 90 stores, and is the leading Danish sport online shop. SPORTMASTER has a wide and attractive range of quality products from key 3rd party sporting goods suppliers and brands (e.g. NIKE, Adidas, Hummel, Asics etc.) as well as own private label products (M79 and MASTER).

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 fulfilment and purchases generated.

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.

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.

At the end of 2019 Sport Nordic Holding ApS, with all its subsidiaries was sold by Nordic Capital to one of the biggest and most successful industrial retailers within sporting goods, Sportmaster Operations Pte. LTD.

Sportmaster Denmark has as a result at the end of December 2019 become a subsidiary to Sportmaster Operations Pte. LTD. who is among the biggest sporting goods retailers in the world, and who is operating in multiple countries, sharing the name of SPORTMASTER, which is also the primary retailer of sport in Denmark.

Development in activities and financial matters

Total revenue of SPORTMASTER for 2019 was DKK 1,082 million (2018: DKK 1,094 million) and the operating profit before depreciations and amortizations (EBITDA) was DKK -61.5 million (2018: DKK -48.8 million), whereas operating profit (EBIT) amounts to DKK -453.8 million. Loss for the year totals DKK -470.2 million (2018: DKK -137.9 million).

The loss of the year is, as EBIT, significantly impacted by the sales process and the write down of goodwill amounting to a total of DKK 367.8 million, due to the impairment test showing that the carrying amount is not recoverable based on the previous years' realized losses, the challenging circumstances within the retail business and the uncertainties about when profitability improvements will crystalize. Furthermore, loss for the year is affected by a write-down of deferred tax assets of DKK 15.3 million and income from remission of debt amounting to DKK 22.1 million. Adjusted for the impairment of goodwill and write-down of deferred tax assets, the loss for the year amounted to DKK -109.2 million.

Management considers the Group's financial performance in the year 2019 to be very non-satisfactory and to be directly related to previous years internal struggles, and the determined focus in 2019 to change the ownership of the Group.

2019 was in terms of operating business characterized by the previous management, board, and owners, with a strong focus on the M&A process and of finding a new owner for the Group.

Following a couple of tough years with significant internal difficulties, with two warehouse moves and update of ERP systems, the business had moved into a negative development, and following a capital injection end of 2018 the previous owner decided to search for a new owner, to initiate the turnaround of the Group.

Liquidity and cash-flow management was a determining factor and impactor of 2019s result to ensure meeting the commitments to the Group's creditors.

Management's review

On the 23rd of December 2019, the sale of Sport Nordic Holding ApS was successfully carried through, and the Group was sold by the previous owner, Nordic Capital, to the international and successful Sporting Goods retailer Sportmaster Group Ltd., in connection with the sale there was partial redemption of the debt towards the bank while the bank relented the remaining loan, limiting the engagement with the bank to only certain bank guarantees.

Due to previous years' results and the necessity to perform a turn-around of the group in the coming years, and also based on the sales price of the Group's shares, it was decided to write-down the goodwill resulting in an impairment of 367.8 million. Furthermore deferred tax assets amounting to DKK 15.3 million was written-down in 2019. This was based on the expectation that implementation of strategies for the improvement of revenue growth and profitability will take some years and is not sufficient to revover the carrying amount.

The 2019 result is seen as not being satisfactory.

At the end of 2019, in connection with the sale of the Group, the Group received group contributions of DKK 96.4 million by the owners which was used to re-pay bank loans. The remaining bank loans of DKK 22.1 million was written-off by the bank.

The number of employees amounts to 556 (FTE) during the year (2018: 596).

Events after the balance sheet date

In connection with the new ownership, the composition of the Executive Board was changed and a new CEO were appointed, coming from within the company, and the CFO resigned his position, after a successful company transaction, during H1 2020.

The bank engagements also changed following the sale, and arrangements were made with Citibank which is also used internationally in the group. The last details of the facility agreement are currently being finalized and a formal agreement is expected to be entered into in Q3 2020.

Covid-19 gave an unforeseen and unanticipated impact on the expectation for the company's turnover, from March and into Q3.

During the rebuilding of the new Sportmaster Denmark, the company was, as most retail, highly impacted by the Covid-19 from March 2020. Half of the operating stores were closed due to government decision to control contamination. This caused a huge drop in turnover and as such decreasing available cash and liquidity constraints.

The risk associated with the impact of covid-19 was a severe drop in revenue, with the highest impact in the second quarter of 2020.

However prompt response by Management reduced the level of cash-binding, and during the second quarter the cash-flow was stabilized. Furthermore good support from several partners and the owners have given a strong foundation for the further development of the company. References are made to note 24 to the consolidated financial statements where it is further described that the loan to the parent company has been extended and an additional credit line has been granted during 2020 and that the loan maturity has been extended to 31 December 2021 which ensures sufficient cash resources to pursue the Group's strategy and to perform a turn-around in the coming years.

Management has throughout the covid-19 crisis had particular focus on decreasing the cost-levels and raising the earnings on the business performance of both stores and online. As a result, the turn around has been initiated, and despite a significant drop in revenue, the management forecast is that the previous years results will be improved already in 2020, however still with a significant but expected loss in the first year of the turnaround. This was building on the positive trend from the new Management that was also already seen in the pre-covid-19 period in the beginning of 2020.

The new owners and new Management's focus to turn the company around was as such deeply impacted by the large drop in turnover that was seen, especially during the forced-shut-down of all the mall doors.

Management's review

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

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.

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.

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. 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.

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.

Management's review

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 24 to the consolidated financial statements for further information on these risks. Overall, we consider the financial risks moderate.

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.

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, Hummel and Asics, 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, several professional clubs as well as professional athletes.

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 2019, we did not see any breaches of our policies. Further, we have continued 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 2019 did not result in any observed breaches of our and BSCI's Codes of Conduct.

In terms of risk related to our employees, Sportmaster Denmark 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 Group.

No employee satisfaction survey was carried out in 2019. It is scheduled to be carried out in 2020.

Finally, a whistle-blower system was put into place in 2016. Nothing was reported in 2019.

Environment and climate

Sportmaster Denmark wants to decrease the company's climate and environmental impacts.

As a retailer our biggest climate and environmental impacts are related to the use of plastic bags and surplus products going to waste.

In 2019, we implemented an employee initiative to charge payment for large plastic bags to re-duce the potential subsequent waste of the bags and thereby lower our climate impact. Consequently, only 25% of the customers now request a bag compared to previous getting one by default.

During 2019 we also increased our focus on how to handle surplus products more responsibly by ensuring that they do not end up as waste but are donated to charity instead. As a result, we decreased our environmental impact by lowering the amount of resources going to waste.

In 2020 we will increase our focus on limiting the number of transports of each item between stores, in direct relation decreasing our CO2 emissions.

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 12,5%. The number of female leaders was decreased in 2019 due to a resignation which has not be replaced yet. The goal of 30 % before 2020 was not reached in 2019 due to a limited number of vacant positions and a lack of qualified female candidates. It was, however, decided in 2020 that a least one of the last three candidates for a vacant position must be of a different gender than the two others.

Management's review

A female CEO, Sofie Lindahl-Jessen, who was appointed in 2019 to fast-track the sale of the company, resigned in connection with the successful completion of the sale. 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. After the sale of the Group, the Board of Directors were changed. In this connection, the most suitable composition of the board was assessed and appointed, which didn't result in appointing a female at that time. It is still the target to have a female representation of no less than 25%. The goal of 25% is still active but postponed for 2021 until transformation is further along and different competences are required.

Consolidated financial statements for the period 1 January – 31 December

Statement of comprehensive income

Note	DKK'000	2019	2018
3	Revenue	1,082,060	1,094,291
	Cost of goods sold	-682,137	-662,175
	Gross profit/loss	399,923	432,116
	Other operating income	0	0
	Other external costs	-126,879	-123,596
5	Staff costs	-212,689	-218,961
10	Amortisation	-12,927	-14,337
12,13	Depreciation	-133,423	-129,632
10,11	Impairment of intangible assets	-367,807	0
6	Special items	0	-27,172
	Operating profit/loss	-453,802	-81,582
7	Financial income	22,082	1,037
8	Financial expenses	-23,173	-34,948
	Profit/loss before tax	-454,893	-115,493
9	Tax for the year	-15,286	-7,173
	Profit/loss for the year	-470,179	-122,666
	Other comprehensive income after tax	0	0
	Total comprehensive income	-470,179	-122,666
	Profit attributable to owners of the Company	-469,835	-122,530
	Non-controlling interests	-344	-136
		-470,179	-122,666

Consolidated financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Non-current assets		
10,11	**Intangible assets**		
	Goodwill	0	367,805
	Other intangible assets	32,409	38,016
		32,409	405,821
	Property, plant and equipment		
12	Plant and equipment	9,363	11,549
12	Leasehold improvements	58,191	66,156
13	Right-of-use assets	197,594	259,684
		265,148	337,389
	Other non-current assets		
	Deposits	22,821	22,570
9	Deferred tax	0	15,286
		22,821	37,856
	Total non-current assets	320,378	781,066
	Current assets		
14	Inventories	251,983	291,840
23	Trade receivables	10,330	9,864
	Right of return assets	1,831	0
	Prepayments	6,975	5,288
	Corporation tax	0	0
15	Other receivables	21,334	16,377
	Cash at bank and in hand	16,302	1,523
	Total current assets	308,755	324,892
	TOTAL ASSETS	629,133	1,105,958

Consolidated financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
16	**Equity**		
	Share capital	16,264	16,264
	Treasury shares	-1,047	-1,047
	Retained earnings	45,680	418,881
	Equity attributable to owners of the Company	60,897	434,098
	Non-controlling interests	47	296
	Total equity	60,944	434,394
	Liabilities		
	Non-current liabilities		
17	Provisions	23,100	25,264
18	Bank loans	0	22,082
13	Lease liability	90,654	148,026
	Other payables	5,224	0
	Total non-current liabilities	118,978	195,372
	Current liabilities		
17	Provisions	0	1,456
	Amounts owed to group companies	67,240	0
18	Bank loans	0	37,980
13	Lease liability	119,130	119,001
19	Contract liabilities	18,296	20,614
	Trade payables	157,345	200,241
20	Other payables	64,954	75,951
	Deferred income	22,246	20,949
	Total current liabilities	449,211	476,192
	Total liabilities	568,189	671,564
	TOTAL EQUITY AND LIABILITIES	629,133	1,105,958

Consolidated financial statements for the period 1 January – 31 December

Cash flow statement

Note	DKK'000	2019	2018
	Profit/loss for the year	-470,179	-122,666
	Depreciation and amortisation	514,157	143,972
22	Other adjustments of non-cash operating items, etc.	13,048	40,530
	Cash generated from operations (operating activities) before changes in working capital	57,026	61,836
23	Changes in working capital	-18,772	45,881
	Cash generated from operations	38,254	107,717
	Interest received	0	1
	Interest paid	-10,022	-17,174
	Interest payments under IFRS 16	-13,144	-15,745
	Corporation tax paid	0	875
	Cash flows from operating activities	15,088	75,674
10	Acquisition of other intangible assets	-7,322	-15,744
12	Acquisition of property, plant and equipment	-9,040	-18,219
	Acquisition of other non-current assets	-251	-2,251
	Cash flows from investing activities	-16,613	-36,214
	External financing:		
	Repayment of earn-out to former owners	0	-3,267
	Loan from parent Company	67,240	0
	Net change in short-term bank loans (cash-pool) before re-payment	58,458	36,428
	Repayment of bank loans	-96,438	0
	Lease payments under IFRS 16	-109,394	-106,766
	Shareholders:		
	Capital increase by non-controlling interests	0	35,000
	Group contribution from owners	96,438	0
	Acquisition of treasure shares and settlement of warrants	0	0
	Cash flows from financing activities	16,304	-38,605
	Net cash flows from operating, investing and financing activities	14,779	855
	Cash and cash equivalents at 1 January	1,523	668
	Cash and cash equivalents at 31 December	16,302	1,523

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-control-ling interests	Total equity
Equity 1 January 2019	16,264	-1,047	418,881	434,098	296	434,394
Comprehensive income in **2019**						
Profit for the year	0	0	-469,835	-469,835	-344	-470,179
Total other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	-469,835	-469,835	-344	-470,179
Transactions with owners						
Group contribution	0	0	96,343	96,343	95	96,438
Incentive program	0	0	291	291	0	291
Total transactions with owners	0	0	96,634	96,634	95	96,729
Equity 31 December 2019	16,264	-1,047	45,680	60,897	47	60,944

Non-controlling interests is due to Sportmaster Operations PTE Ltd.'s direct ownership 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 -345 thousand and the share of equity amounted to DKK 46 thousand at year-end.

DKK'000	Share capital	Treasury share reserve	Retained earnings	Total	Non-control-ling 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

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 2019 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 2019 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 accounting policies are unchanged from last year.

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.

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.

Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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. Loyalty programme points and gift vouchers are valid 2 years from the grant date.

Cost of goods sold

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

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

Other 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.

Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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, remissions of debt, etc. Furthermore, amortisation of financial assets and liabilities as well as surcharges and allowances under the on-account tax scheme and fair value adjustments of derivative financial instruments which are not designated as hedging instruments are included.

Corporation tax

Tax for the year

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.

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.

Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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

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.

Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

Consolidated financial statements 1 January – 31 December

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

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.

Group contributions

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

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.

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

Deferred income

Deferred income comprise leasehold improvement grants from land lords and vendors, which is recognized over the expected useful life of the improvements, which usually is 3 years.

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.

Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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

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

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

Cash flows in currencies other than the functional currency are translated using average exchange rates unless these 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.

Consolidated financial statements 1 January – 31 December

Notes

2 Significant estimation uncertainty, assumptions and assessments

Significant estimation uncertainty and assumptions

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

The estimates and assumptions made are among other things based on historical experience and other factors that Management finds reasonable in the circumstances but which are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. The 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.

Impairment test, goodwill

In connection with the presentation of the financial statements for 2019, Management performed an impairment test of goodwill.

Due to the sale of the Group at 23 December 2019 and based on the fact that the expected earnings development has not been realised in the previous year, the carrying amount of goodwill has been written down. The write down is based on the sales price of the net assets in the Group at the time of the transaction and therefore is based on a fair value less cost of sale valuation instead of a value-in-use model. This is due to the transaction taking place close to the balance sheet date and no expectations of a value-in-use being higher than the transaction price on the time of the transaction.

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.

Based on last years' losses and uncertainties about the timing of future positive earnings, Management has written down the full carrying amount of deferred tax assets in 2019, amounting to DKK 15,286 thousand.

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.

No costs and income has been assessed as special items in 2019.

Consolidated financial statements 1 January – 31 December

Notes

2 Significant estimation uncertainty, assumptions and assessments (continued)

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 2019.

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 2019, 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.

In 2019, Management has assessed that the impairment test should be based on the recent transaction price (fair value less cost of sale) resulting in a write-down of goodwill.

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.

Consolidated financial statements for the period 1 January – 31 December

Notes

3 **Revenue**

The Group's activities are based in Denmark, and revenue derives from the sale of sports consumer products in its 92 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	2019	2018
Revenue		
Brick and mortar	834,299	900,104
Website and I Sport	247,761	194,187
	1,082,060	1,094,291

4 **Fees paid to auditor appointed at the annual general meeting**		
Fee regarding statutory audit	680	535
Assurance engagements	45	50
Tax assistance	53	51
Other assistance	63	62
	841	698

5 **Staff costs**		
Wages and salaries	195,281	201,987
Defined contribution plans	12,401	11,841
Other social security costs	4,716	4,943
Share-based payment	291	190
	212,689	218,961
FTE (employees)	556	596

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

	2019			2018		
DKK'000	Board of Directors	Executive Board	Executive employees	Board of Directors	Executive Board	Executive employees
Wages and salaries	920	6,148	8,830	541	5,442	12,685
Defined contribution plans	0	346	470	0	63	772
Other social costs	0	4	40	0	3	28
Share-based payment	0	10	281	0	29	161
	920	6,508	9,621	541	5,537	13,646

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 connection with the change of control at 23 December 2019, all warrants were cancelled. No proceeds were paid to the warrant owners. Consequently, the outstanding warrants constituted 0% of the share capital if all warrants were exercised (2018: 19.2%).

Specification of outstanding warrants

	Board of Directors and Executive Board	Executive employees	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 beginning of 2019	606,179	545,484	1,105,803	1,615,050	3,872,516	34.4		
Cancelled in 2019	-606,179	-545,484	-1,105,803	-1,615,050	-3,872,516	-	-	-
Outstanding at the end of 2019	0	0	0	0	0	-		

The fair value calculated at the granting is based on a Black-Scholes warrant pricing model. The value of the warrants granted in 2015 and 2018 was calculated using an expected volatility of 35% and a risk-free interest rate of 0.1%. In 2019, costs recognised in the profit/loss for the year relating to warrants amounted to DKK 291 thousand (2018: DKK 190 thousand).

DKK'000	2019	2018
6 Special items		
Costs regarding renegotiation of loan covenants and debt remission	0	-4,110
Costs regarding inventory relocation to new central warehouse	0	-6,644
Restructuring costs related to close-downs, including salary and severance payments, etc.	0	-16,418
	0	-27,172

Profit/loss for the year is significantly impacted by impairment of intangible assets of DKK -367,807 thousand, write-down of deferred tax assets of DKK -15,286 thousand and debt remission of DKK 22,082 thousand presented on separate lines in the statement of comprehensive income.

The special items in 2018 did not include any indirect or direct impacts of the lost sales related to the inventory moves.

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DKK'000	2019	2018
7 Financial income		
Foreign exchange gain	0	1,037
Debt remission	22,082	0
	22,082	1,037

DKK'000	2019	2018
8 Financial expenses		
Interest expense, banks	7,931	11,940
Interests on leases	13,151	15,745
Amortisation of financing costs	0	2,611
Foreign exchange loss	369	2,103
Other interest expenses	1,722	2,549
	23,173	34,948
Interest on financial liabilities measured at amortised costs	3,083	7,291

DKK'000	2019	2018
9 Tax for the year		
Tax for the year can be specified as follows:		
Current tax	0	0
Deferred tax	25,458	13,394
Current tax regarding previous years	0	571
Deferred tax regarding previous years	0	31
Write-down of deferred tax assets to net realisable value	-40,744	-21,169
	-15,286	-7,173

Tax for the year can be explained as follows:

	2019 DKK'000	2019 %	2018 DKK'000	2018 %
Computed tax of profit/loss before tax	100,076	22.0	25,408	22.0
Tax effect of:	0	0		
Non-deductible expenses	-74,618	-16.4	-12,014	-10.4
Tax regarding previous years	0	0	602	0.5
Write-down of deferred tax assets	-40,744	-9.0	-21,169	-18.3
	-40,744	-3.4%	-7,173	-6.2%

For 2018 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	2019	2018
Deferred tax assets 1 January	15,286	23,030
Deferred tax, recognised in profit/loss for the year	25,458	13,394
Deferred tax regarding previous years	0	31
Deferred tax, write-down to net realisable value through profit/loss for the year	-40,744	-21,169
Deferred tax assets 31 December	0	15,286
Deferred tax is recognised as follows in the balance sheet:		
Deferred tax (asset)	0	15,286
Deferred tax (liability)	0	0
Deferred tax 31 December, net	0	15,286
Deferred tax assets relates to:		
Intangible assets	9,622	-4,072
Property, plant and equipment	21,261	16,590
Inventories	752	704
Liabilities other than provisions	0	355
Provisions and contract liabilities	9,946	10,660
Tax losses carry forward, etc.	20,332	12,218
Deferred tax before write-down to net realisable value	61,913	36,455
Write-down to net realisable value	-61,913	-21,169
	0	15,286

Changes in temporary differences during the year

	2019		
DKK'000	Balance at 1/1	Recognised in profit/loss for the year, net	Balance at 31/12
Intangible assets	-4,072	13,694	9,622
Property, plant and equipment	16,590	4,671	21,261
Inventories	704	48	752
Liabilities other than provisions	355	-355	0
Provisions	10,660	-714	9,946
Tax loss carryforwards	12,218	8,114	20,332
Write-down to net realisable value	36,455	25,458	61,913
	15,286	-15,286	0

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9 Tax for the year (continued)

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	23,030	13,425	36,455
	23,030	-7,744	15,286

10 Intangible assets

DKK'000	Goodwill	Other intangible assets	Other intangible assets in progress	Total
Cost at 1 January 2019	367,805	91,678	0	459,483
Additions	0	7,322	0	7,322
Transfer	0	0	0	0
Cost at 31 December 2019	367,805	99,000	0	466,805
Amortisation at 1 January 2019	0	53,662	0	53,662
Amortisation	0	12,927	0	12,927
Impairment loss for the year	367,805	2	0	367,807
Amortisation at 31 December 2019	367,805	66,591	0	434,396
Carrying amount at 31 December 2019	0	32,409	0	32,409
Cost at 1 January 2018	367,805	57,364	18,570	443,739
Additions	0	15,744	0	15,744
Transfer		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

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 2019, the carrying amount of goodwill for the Group has been written down to DKK 0 (2018: DKK 367.8 million).

After some tough years with high competition in the retail business, costly movement of inventory locations, decreasing margins and pressure on the Group's liquidity position, the Group was sold at 23 December 2019 to Sportmaster Operations PTE Ltd.

The new ownership is a strong international sports retailer with strength, experience, and competence to further develop Sportmaster Denmark and to make it profitable in a few years. The turnaround will however take a few years and the first full year will not be profitable even though it will be improved compared to previous years. Major investments and changes will need to take place and will take some time for this transformation to has full effect. Long term effects of this of course has uncertainties and we cannot defend a high short-term profitability. The recent sales price of the Group's share support the necessity of a write-down of goodwill.

Consequently, goodwill has been written-down to DKK 0 resulting in a impairment of DKK 367.8 million recognized in the profit and loss statement.

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 2019	55,975	132,350	188,325
Additions	3,551	5,489	9,040
Disposals	0	-1,864	-1,864
Cost at 31 December 2019	59,526	135,975	195,501
Depreciation at 1 January 2019	44,426	66,194	110,620
Depreciation	5,091	11,920	17,011
Disposals	0	-1,864	-1,864
Impairment loss for the year	646	1,534	2,178
Depreciation at 31 December 2019	50,163	77,784	127,945
Carrying amount at 31 December 2019	9,363	58,191	67,556

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12 **Property, plant and equipment (continued)**

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

13 **Leases**

Leased assets

DKK'000	Buildings	Total
Opening balance at 1 January 2019	259,684	259,684
Additions in the year	8,130	8,130
Remeasurement of lease liabilities during the year	44,015	44,015
Depreciation in the year	-114,235	-114,235
Carrying amount at 31 December 2019	197,594	197,594

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 2,870 thousand is included in the opening balance at 1 January 2019. 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 0 thousand.

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13 Leases (continued)

Lease liabilities

DKK'000	2019	2018
Maturity of lease liabilities		
Within 1 year	122,538	122,315
Between 1-5 years	101,476	193,570
Over 5 years	0	4,323
Total non-discounted lease liabilities at 31 December	224,014	320,208
Lease liabilities recognised in the balance sheet	209,784	267,027
Current liabilities	-119,130	-119,001
Non-current liabilities	90,654	148,026

Amounts recognised in the statement of comprehensive income		
Interest expenses relating to leases	13,152	15,745
Depreciation on leased assets	114,235	109,431
	127,387	125,176

For 2019, the Group has paid DKK 122,538 thousand (2018: DKK 122,511 thousand) regarding leases, of which interest expenses amounted to DKK 13,151 thousand (2018: DKK 15,745 thousand) and repayment of lease liabilities amounted to DKK 109,387 thousand (2018: DKK 106,766 thousand).

Variable lease costs regarding revenue-based lease contracts, which are not in scope for IFRS 16 amounts to DKK 2,764 thousand in 2018 (2018: DKK 3,900 thousand).

DKK'000	2019	2018
14 Inventories		
Goods for resale	251,983	291,840
Carrying amount of inventories, recognised at net sales value	74,646	49,648
15 Other receivables		
Supplier bonuses	7,819	7,724
VAT receivables	1,422	1,515
Other receivables	12,093	7,138
	21,334	16,377

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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 10% at the end of 2019 (2018: 39%). The decrease is primarily due to impairment loss on goodwill, which has resulted in a significant decrease in equity.

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	2019	2018	2017	2016	2015
Balance at 31 January 1 January	16,264	16,264	16,264	12,739	10,436
Cash capital increase	0	0	0	3,525	2,303
	16,264	16,264	16,264	16,264	12,739

Treasury shares

At 31 December 2019, the Parent Company owned 40,578 treasury shares (2018: 40,578).

	Number of shares		Nominal value (DKK'000)		% of share capital	
DKK'000	2019	2018	2019	2018	2019	2018
1 January	40,578	40,578	41	41	0.2	0.2
Additions	0	0	0	0	0	0
31 December	40,578	40,578	41	41	0.2	0.2

Treasury shares were originally 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	2019	2018
Provisions 1 January	26,720	17,332
Reclassified to contract liabilities	-1,456	0
Provided during the year	381	11,189
Provisions used during the year	-2,237	-1,057
Reversal of provisions in connection with closing of stores	-308	-744
Provisions at 31 December	23,100	26,720
Specification of provisions:		
Restoration costs in connection with vacation of premises	23,100	25,264
Provisions for returns*	0	1,456
Provisions at 31 December	23,100	26,720

* *Provision for returns has been reclassified to contract liabilities (Refund liability) for 2019. The provision for returns for 2018 amounted to a refund liability of DKK 3,159 thousand and a right of return asset of DKK 1,703 thousand but presented net as provision for returns. Comparative figures have not been adjusted.*

Provisions include liabilities for restoration upon vacation of premises. The liability accumulates as wear and tear increase on the premises and is reassessed annually to determine the state of the premises at the balance sheet date.

Costs regarding restoration of vacated premises are expected to be incurred upon the expected termination of the premises, which depends on a potential extension of the leases.

18 Bank loans

DKK '000	2019	2018
Non-current liabilities	0	22,082
Current liabilities	0	37,980
Carrying amount	0	60,062
Nominal value	0	60,062
Falls due more than 5 years after the balance sheet date, nominal value	0	0

In connection with the sale of shares in Sport Nordic Holding ApS, the bank loans were paid off by DKK 96,438 thousand and the Company received a debt relief of the remaining loan of DKK 22,082 thouusand. The development during the year is specified below:

DKK '000	2019	2018
Bank loans at 1 January	60,062	149,289
Payment of debt to former owners	0	-3,267
Change in short-term bank loans (cash-pool)	58,458	36,428
Amortisation of borrowing costs	0	2,612
Repayment of bank loans	-96,438	0
Debt relief	-22,082	-125,000
Carrying amount	0	60,062

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18 Bank loans (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

19 Contract liabilities

Contract liabilities can be specified as follows:

DKK '000	2019	2018
Loyalty programme liability	650	1,536
Gift vouchers	14,083	19,078
Refund liabilities*	3,132	0
Other	431	0
Contract liabilities at 31 December	18,296	20,614

* *Refund liabilities were presented net under provisions in 2018 with DKK 1,456 thousand based on a contract liability of DKK 3,159 and a right of return assets of DKK 1,703 thousand.*

Loyalty program liability and gift vouchers are in material aspects expected to be recognized as income during 2020 as the utilization of gift vouchers and loyalty program points in all material aspects happens within 12 months.

Refund liabilities are based on sales activities, returns percentages and the period for returning sold goods. Refund liabilities are short-term as they relate to returns in the beginning of 2020.

20 Other payables

DKK' 000	2019	2018
Holiday pay obligations and salary related liabilities	24,216	35,679
VAT payable	30,925	27,653
Fair value of hedging instruments	0	1,443
Other payables	9,815	11,176
	64,956	75,951

21 Contractual obligations and contingencies, etc.

Contingent assets and liabilities

The group has issued bank guarantees towards landlords regarding leased premises amounting to DKK 21,100 thousand (2018: DKK 24,875).

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21 Contractual obligations and contingencies, etc. (continued)

As security for the bank engagement, a floating charge amounting to DKK 75,000 thousand was provided in the Group's assets. In connection with the change of control to the new owners, an agreement with the bank was entered resulting in an annulment of all securities. Due to the administrative process, this was, however, not finally carried out before beginning of 2020 and hence was present 31 December 2019.

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

DKK'000	2019	2018
Financial income	-22,082	-1,037
Financial expenses	23,173	34,948
Tax for the year	15,286	7,173
Share-based payment	291	190
Other provisions	-3,620	-744
	13,048	40,530

23 Changes in working capital

Change in inventories	39,857	-5,525
Change in receivables	-8,941	-5,092
Change in trade and other payables, prepayments from customers and deferred income	-49,688	56,498
	-18,772	45,881

24 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 2018.

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.

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24 Financial risks and financial instruments (continued)

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.

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 was group currency policy to hedge 60%-100% of the currency risks based on expected foreign currency transactions in the coming 6-12 months. Due to liquidity constraints in 2019 no hedging was done. No hedging is planned for 2020 either as of yet. The EURO is not hedged due to Denmark's fixed exchange rate policy; however, the development in the Eurozone is monitored on an ongoing basis.	The primary effect following from currency risks relates to the Company's purchases in USD. USD was fairly stable of the duration of 2019, only rising 3% from start to end of year. Effect is therefore relatively small and purchases were also decreased in the same period. No foreign exchange contracts were open at 31 December 2019.

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24 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:

	2019					
	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	501	0	0	5%	25	25

	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	Impact of profit/loss	Hypothetical impact on equity
USD/DKK	382	0	0	5%	15	15

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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24 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	According to the Group's finance policy, all external loans must be hedged by means of interest rate swaps. After the debt reliefs in 2018 and 2019 and the maturity of the interest rate swaps in June 2019, the Group has no debt to credit institutions and therefore seized to hedge interest rate risks relating to lending.	The Group's bank loans have been paid off in 2019 and at 31 December 2019 the Group is financed by a loan from the parent Company Sportmaster Operations PTE Ltd. The interest rate on the intercompany loan is 1.5% until maturity. The incremental borrowing rate used for amortizing the lease liability is 5.5%, cf. note 13.

Exposure

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

- The interest rate on the intercompany loan is 1.5%
- The interest rate on the lease liabilities is 5.5%
- The Group's cash is deposited on a drawing account.

Sensitivity analysis

The intercompany loan has been established at 23 December 2019, hence a change in interest rate wouldn't impact the income statement materially.

A change of +/- 1% in the incremental borrowing rate used for the amortization of the lease liability would result in a profit/loss impact of DKK 2,384 thousand if all other parameters were unchanged (2018: DKK 2,834 thousand).

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24 Financial risks and financial instruments (continued)

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. The interest rate swaps matured in June 2019.

	2019				2018			
DKK'000	Notional amount	Fair value adjust-ment recog-nised in income statement	Fair value	Time to maturity (months)	Notional amount	Fair value adjust-ment recog-nised in income statement	Fair value	Time to maturity (months)
Interest rate swap	-	1,443	-	-	144,074	2,854	-1,443	6

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's cash position is monitored on a day to day basis in addition to the overall liquidity forecasts. Flexibility in the Group's cash resources ensures appropriate room for manoeuvre in case of unforeseen fluctuation in liquidity.	The Group was at the balance date financed with short term intercompany loans from Sportmaster Operations Pte. LTD. which has been paid out in several instalments upon request in 2019 (DKK 67.2 million) and 2020 (additional DKK 96.4 million). The Group is currently funded by intercompany loans instead of bank loans, which are at the same level as total bank facilities before the change of control. The Group expects to enter an agreement with Citibank. This is not needed for continued operations, but is obtained to further strengthen the Group's liquidity. Currently there is a non-utilised credit line with Sportmaster Operations PTE. Ltd. of DKK 52.1 million of the total DKK 215,7 million. The cash resources totalled DKK 16,302 thousand at 31 December 2019 (2018: DKK 12,897 thousand). Situation in Q2 and Q3 2020 with Covid-19 meant stretched payments, but Management is of the opinion that the Group now has sufficient cash resources to meet its obligations as they fall due.

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24 Financial risks and financial instruments (continued)

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					
Intercompany loan to the parent company	68,249	68,249	0	0	0
Trade payables	157,434	157,434	0	0	0
31 December 2019	225,683	225,683	0	0	0

2018 (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

Assumptions underlying the analysis of term to maturity

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

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.

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24 Financial risks and financial instruments (continued)

Financing risks

Related business activity	Impact	Risk management	Effect
The Group's operations depend on the future financing of the Group's operations and facilities.	*Effect:* Moderate *Threat:* Moderate	The financing risks are followed on a daily basis in order to ensure sufficient cash resources to the Group's short term operation and to be able to realize the long strategy. The term of gross debt is 1.0 years.	The average term of the Group's intercompany loans is 1.0 year and at 31 December 2019 it matured on 24 December 2020. In 2020, the maturity has been extended to 31 December 2021. Negotiations with Citibank is currently in process, and we expect to finalize new facilities in Q3 2020 after moving from Nordea earlier the same year. Intercompany loans can at the same time be repaid if possible. 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 where it is specified that bank loans have been paid off during 2019.

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 2019, the terms of payment were exceeded by 51% (2018: 80%) 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 2019, trade receivables have been written down by DKK 337 thousand (2018: DKK 420 thousand), which is based on the expected credit loss model.

Consolidated financial statements for the period 1 January – 31 December

Notes

24 Financial risks and financial instruments (continued)

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

DKK'000	ECL rate	Nom. amount	ECL amount	2019	2018
Ageing of trade receivables					
Not due	1%	7,090	70	7,020	2,043
0-30 days overdue	3%	1,640	49	1,591	7,338
31-90 days overdue	8%	338	26	312	378
> 90 days overdue	12%	1,599	192	1,407	105
		10,667	337	10,330	9,864

Categories of financial instruments

	2019		2018	
DKK'000	Carrying value	Fair value	Carrying value	Fair value
Deposits	22,821	22,821	22,570	22,570
Trade receivables	10,330	10,330	9,864	9,864
Other receivables	22,493	22,493	16,377	16,377
Cash at bank and in hand	16,385	16,385	1,523	1,523
Receivables and cash at bank and in hand	50,334	50,334	50,334	50,334
Interest rate swaps included in the trading portfolio	0	0	1,443	1,443
Financial liabilities measured at fair value over the income statement	1,443	1,443	7,588	7,588
Bank loans	0	0	60,062	60,062
Intercompany loans	67,240	67,240	0	0
Financial liabilities measured at amortised cost	67,240	67,240	60,062	60,062

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

24 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
2019				
Intercompany loans	0	67,240	0	67,240
Financial liabilities, where fair value is presented	0	67,240	0	67,240

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

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 2018.

Derivative financial instruments

Derivative financial instruments (only applicable to 2018) 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

25 **Related party disclosures**

Sport Nordic Holding ApS' related parties comprise the following:

Parties exercising control

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

Other related parties

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

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. In connection with the sale of the Group's shares, warrants from executive employees have been cancelled, cf. note 5.

The Group received group contributions in a total of DKK 96,438 thousand, which is disclosed in the equity schedule.

Apart from the above, no transactions with related parties has been carried out.

26 **Events after the balance sheet date**

In connection with the new ownership, the composition of the Executive Board was changed and a new CEO were appointed, coming from within the company, and the CFO resigned his position, after a successful company transaction, during H1 2020.

The bank engagements also changed following the sale, and arrangements were made with Citibank which is also used internationally in the group. The last details of the facility agreement are currently being finalized and a formal agreement is expected to be entered into in Q3 2020.

Covid-19 gave an unforeseen and unanticipated impact on the expectation for the company's turnover, from March and into Q3.

During the rebuilding of the new Sportmaster Denmark, the company was, as most retail, highly impacted by the Covid-19 from March 2020. Half of the operating stores were closed due to government decision to control contamination. This caused a huge drop in turnover and as such decreasing available cash and liquidity constraints.

The risk associated with the impact of covid-19 was a severe drop in revenue, with the highest impact in the second quarter of 2020.

However prompt response by Management reduced the level of cash-binding, and during the second quarter the cash-flow was stabilized. Furthermore good support from several partners and the owners have given a strong foundation for the further development of the company.

Management has throughout the covid-19 crisis had particular focus on decreasing the cost-levels and raising the earnings on the business performance of both stores and online. As a result the turn around has been initiated, and despite a significant drop in revenue, the management forecast is that the previous years results will be improved already in 2020, however still with a significant but expected loss in the first year of the turnaround. This was building on the positive trend from the new Management that was also already seen in the pre-covid-19 period in the beginning of 2020.

The new owners and new Management's focus to turn the company around was as such deeply impacted by the large drop in turnover that was seen, especially during the forced-shut-down of all the mall doors.

Management's review

Notes

26 Events after the balance sheet date (continued)

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

27 New financial reporting regulation

As of 1 January 2020, the Group has implemented the following new standards and interpretations:

- Amendments to References to the Conceptual Framework in IFRS
- Amendments to IFRS 3 about the definition of a business combination
- Amendments to IAS 1 og IAS 8 about definition of materiality
- Amendments to IFRS 9, IAS 39 and IFRS 7 about the IBOR-reform.

None of the above-mentioned standards and interpretations have had impact on recognition and measurement for Sport Nordic Holding ApS.

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

Income statement

Note	DKK'000	2019	2018
	Other external costs	-90	-119
	Operating profit/loss	-90	-119
3	Share of profit/loss in subsidiaries after tax	-348,787	-146,209
	Profit/loss before tax	-348,877	-146,328
2	Tax for the year	-38	252
	Profit/loss for the year	-348,915	-146,076

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

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Non-current assets		
	Financial assets		
3	Investments in subsidiaries	50,480	302,924
	Total non-current assets	50,480	302,924
	Current assets		
	Receivables		
	Receivables from subsidiaries	22,600	22,682
	Corporation tax	90	90
4	Deferred tax	0	38
	Total current assets	22,690	22,810
	TOTAL ASSETS	73,170	325,734

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
5	Share capital	16,264	16,264
	Retained earnings	56,823	309,395
	Total equity	73,087	325,659
	Current liabilities		
	Other payables	83	75
	Total liabilities	83	75
	TOTAL EQUITY AND LIABILITIES	73,170	325,734

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 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 1 January 2019	16,264	309,395	325,659
	Capital injection by owners of the Company	0	96,343	96,343
8	Transfer, see "Distribution of profit/loss"	0	-348,915	-348,915
	Equity at 31 December 2019	16,264	56,823	73,087

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 2019 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 and the fact that IFRS16 has not been adopted in the subsidiaries' local financial statements. However, after write-down of goodwill in 2019, as mentioned in note 11 to the consolidated financial statements, only minor variance in equity exists.

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.

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

Notes

1 **Accounting policies (continued)**

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	2019	2018
2	**Tax for the year**		
	Current tax for the year	0	0
	Deferred tax for the year	20	26
	Adjustment of deferred tax, previous years	0	-12
	Adjustment of current tax, previous years	0	238
	Write-down of deferred tax assets	-58	0
		-38	252

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	-212,756	-226,115
	Profit/loss for the year	-348,787	-146,209
	Share of Group contribution in subsidiaries	96,343	0
	Effect from capital increase in subsidiaries and dilution of owner's share of investments	0	34,603
	Effect from debt remission in subsidiaries	0	124,965
	Value adjustments at 31 December	-465,200	-212,756
	Carrying amount at 31 December	50,480	302,924

Goodwill in subsidiaries included in the carrying amount of investments in subsidiaries has been written down to DKK 0 at 31 December 2019 (2018: DKK 251,315 thousand).

Name	Registered office	Voting rights and ownership	Equity	Profit/loss for the year
SDK Sport I ApS	Ballerup	100%	50,480	-348,787

4	**Deferred tax**		
	DKK'000	2019	2018
	Deferred tax 1 January	38	24
	Adjustment of deferred tax previous years	0	-12
	Deferred tax, recognised in the profit for the year	20	26
	Writ-down of deferred tax assets	-58	0
	Deferred tax 31 December	0	38
	Deferred tax relates to:		
	Tax losses carried forward	0	38

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

Notes

5 Share capital

The share capital consists of one share class, which is owned by Sportmaster Operations PTE Ltd.

The share capital comprises 16,264,013 shares of DKK 1 nominal value each. All shares rank equally. The share capital has remained unchanged for the last 5 years.

DKK'000	2019	2018	2017	2016	2015
1 January	16,264	16,264	16,264	12,739	10,436
Cash capital increase	0	0	0	3,525	2,303
31 December	16,264	16,264	16,264	16,264	12,739

Treasury shares

At 31 December 2019, the parent company owned 40,578 treasury shares (31 December 2018: 40,578).

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

Warrants

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 which is close to the fair value at the grant date.

No warrants have been utilised in 2019 (2018: 0).

In connection with the sale of the Company's share at 23 December 2019, all warrants have been settled/cancelled with no payment to the warrant holders.

The total number of outstanding warrants previously owned by the Board of Directors and the Executive Board which has been settled/cancelled in 2019 amounted to 606,179 shares (2018: 606,179 shares owned by the Board of Directors and the Executive Board).

6 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company is jointly taxed with the Danish subsidiaries. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes. At 31 December 2019, the net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation amounted to DKK 0. Any subsequent corrections of the taxable income subject to joint taxation may entail that the companies' liability will increase.

The Group's Danish companies are jointly and severally liable for group VAT registration.

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

Notes

7 Related parties

Sport Nordic Holding ApS' related parties comprise the following:

Parties exercising control

Sportmaster Operations PTE Ltd., 6 Shenton Way, 18-11 OUE Downtown 2, Singapore 068809, which controls the Company.

Until the sale of the Company's shares at 23 December 2019, the Company was owned and controlled by its former owner Nordic Capital Fund VII.

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.

Related party transactions

Remuneration of the Board of Directors are reflected in note 5 to the consolidated financial statements.

In connection with the sale of the Group's shares, warrants from executive employees have been cancelled, cf. note 5.

The Group received group contributions in a total of DKK 96,438 thousand, which is disclosed in the equity schedule.

Apart from the above, no transactions with related parties have taken place.

Consolidated financial statements

The Company is included in the consolidated financial statements of the parent company Sportmaster Operations PTE Ltd. consolidated financial statements.

Consolidated financial statements for Sportmaster Operations PTE Ltd. can be obtained by contacting the Companies.

8 Distribution of profit/loss

DKK'000	2019	2018
Proposed distribution of profit/loss		
Transferred to retained earnings	-348,915	-146,076