ECCO Shops Vestdanmark A/S

Industrivej 5, 6261 Bredebro

CVR no. 36 56 28 46

Annual report 2019

Approved at the Company's annual general meeting on 20 May 2020

Chairman:

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Peter Schøtt Knudsen

Building a better working world

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 ECCO Shops Vestdanmark A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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

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

Bredebro, 20 May 2020
Executive Board:

Kristian Ikast

Board of Directors:

Peter Schøtt Knudsen Chairman	Kristian Ikast	Henrik Frisenberg

Independent auditor's report

To the shareholder of ECCO Shops Vestdanmark A/S

Opinion

We have audited the financial statements of ECCO Shops Vestdanmark A/S 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. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the 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 the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Aarhus, 20 May 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jens Weiersøe Jakobsen State Authorised Public Accountant mne30152	Claes Jensen State Authorised Public Accountant mne44108

Management's review

Company details

Name	ECCO Shops Vestdanmark A/S
Address, Postal code, City	Industrivej 5, 6261 Bredebro
CVR no.	36 56 28 46
Registered office	Tønder
Financial year	1 January - 31 December
Telephone	+45 74 91 16 25
Board of Directors	Peter Schøtt Knudsen, Chairman Kristian Ikast Henrik Frisenberg
Executive Board	Kristian Ikast
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Business review

The purpose of the Company is to own and operate ECCO Shops west of Storebælt, and other activities related thereto.

Financial review

The income statement for 2019 shows a loss of DKK 7,523,986 against a loss of DKK 4,429,568 last year, and the balance sheet at 31 December 2019 shows equity of DKK 14,757,632. The results are not satisfactory.

Events after the balance sheet date

After the balance sheet date the activities of the company has been sold to group company.

Apart from this, there have been no events materieally affecting the Company's financial position subsequent to the financial year-end.

Outlook

The company is expected to be closed during 2020.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2019	2018
	Gross profit	4,137,096	5,247,446
2	Staff costs	-8,864,227	-8,912,473
	Amortisation/depreciation of intangible assets and property, plant and equipment	-4,944,287	-1,637,569
	Profit/loss before net financials	-9,671,418	-5,302,596
	Financial income	3,685	2,542
	Financial expenses	-195,279	-285,230
	Profit/loss before tax	-9,863,012	-5,585,284
	Tax for the year	2,339,026	1,155,716
	Profit/loss for the year	-7,523,986	-4,429,568
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-7,523,986	-4,429,568
		-7,523,986	-4,429,568

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	ASSETS		
	Fixed assets		
3	Intangible assets		
	Software	0	101,375
	Goodwill	1,050,000	5,014,224
		1,050,000	5,115,599
4	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	37,771	62,539
	Leasehold improvements	1,425,269	2,243,983
		1,463,040	2,306,522
	Investments		
	Deposits	2,128,861	2,095,655
		2,128,861	2,095,655
	Total fixed assets	4,641,901	9,517,776
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	9,535,840	11,666,791
		9,535,840	11,666,791
	Receivables		
	Receivables from group entities	9,218,325	513,505
	Deferred tax assets	437,929	0
	Income taxes receivable	1,469,166	1,056,995
	Other receivables	373,039	1,867,335
		11,498,459	3,437,835
	Cash	150,909	149,574
	Total non-fixed assets	21,185,208	15,254,200
	TOTAL ASSETS	25,827,109	24,771,976

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
5	Share capital	600,000	600,000
	Retained earnings	14,157,632	1,815,618
	Total equity	14,757,632	2,415,618
	Provisions		
	Deferred tax	0	223,599
	Total provisions	0	223,599
	Liabilities other than provisions		
6	Non-current liabilities other than provisions		
	Other payables	238,863	0
		238,863	0
	Current liabilities other than provisions		
	Bank debt	0	6,789
	Trade payables	34,660	1,666,091
	Payables to group entities	8,281,132	17,987,259
	Other payables	2,514,822	2,472,620
		10,830,614	22,132,759
	Total liabilities other than provisions	11,069,477	22,132,759
	TOTAL EQUITY AND LIABILITIES	25,827,109	24,771,976

1 Accounting policies
7 Contractual obligations and contingencies, etc.
8 Collateral
9 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2019	600,000	1,815,618	2,415,618
Transfer through appropriation of loss	0	-7,523,986	-7,523,986
Contribution from group	0	19,866,000	19,866,000
Equity at 31 December 2019	600,000	14,157,632	14,757,632

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of ECCO Shops Vestdanmark A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

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

Reporting currency

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

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

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

Gross profit

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

Other operating income

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

Cost of sales

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

External expenses

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

Staff costs

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

Amortisation/depreciation and impairment

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

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

Goodwill	5-10 years

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Software	3 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

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

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

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

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

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

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management’s experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 5-10 years.

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

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

Property, plant and equipment

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

Intangible assets, property, plant and equipment are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount.

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

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

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

Inventories

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

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

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows.

Prepayments

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

Cash

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income taxes

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

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. 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 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. Deferred tax assets 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Other liabilities comprimising trade payables, payables to group entities and other payables are measured at amortised cost.

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK	2019	2018
2	Staff costs		
	Wages/salaries	8,233,201	8,231,248
	Pensions	631,026	681,225
		8,864,227	8,912,473
	Average number of full-time employees	25	27

3 Intangible assets

DKK	Software	Goodwill	Total
Cost at 1 January 2019	431,331	6,278,458	6,709,789
Cost at 31 December 2019	431,331	6,278,458	6,709,789
Impairment losses and amortisation at 1 January 2019	329,956	1,264,234	1,594,190
Impairment losses in the year	20,247	3,308,083	3,328,330
Amortisation/depreciation in the year	81,128	656,141	737,269
Impairment losses and amortisation at 31 December 2019	431,331	5,228,458	5,659,789
Carrying amount at 31 December 2019	0	1,050,000	1,050,000

4 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2019	91,190	4,272,567	4,363,757
Additions in the year	0	18,399	18,399
Cost at 31 December 2019	91,190	4,290,966	4,382,156
Impairment losses and depreciation at 1 January 2019	28,651	2,028,584	2,057,235
Impairment losses in the year	3,575	0	3,575
Amortisation/depreciation in the year	21,193	837,113	858,306
Impairment losses and depreciation at 31 December 2019	53,419	2,865,697	2,919,116
Carrying amount at 31 December 2019	37,771	1,425,269	1,463,040

Financial statements 1 January - 31 December

Notes to the financial statements

5 Share capital

Analysis of changes in the share capital over the past 5 years:

DKK	2019	2018	2017	2016	2015
Opening balance	600,000	600,000	500,000	500,000	500,000
Capital increase	0	0	100,000	0	0
	600,000	600,000	600,000	500,000	500,000

6 Non-current liabilities other than provisions

Of the long-term liabilities, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

7 Contractual obligations and contingencies, etc.

Other financial obligations

Rent and lease liabilities include a rent obligation totalling DKK 5,126 thousand in interminable rent agreements with remaining contract terms of 0-3 years.

8 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2019.

9 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
ECCO Sko A/S	Bredebro	www.cvr.dk