

# Sports Connection Holding ApS

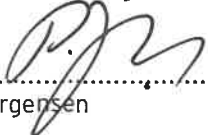
Kvaglundvej 89, 6705 Esbjerg Ø

CVR no. 37 29 79 09

## Annual report 2020

Approved at the Company's annual general meeting on 7 April 2021

Chair of the meeting:

  
.....  
Peter Jørgensen





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### Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Sports Connection Holding ApS for the financial year 1 January - 31 December 2020.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2020 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2020.

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

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

Esbjerg, 7 April 2021  
Executive Board:

  
Peter Jørgensen  
Johannes Adrianus de  
Groot

## Independent auditor's report

### To the shareholders of Sports Connection Holding ApS

#### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Sports Connection Holding ApS for the financial year 1 January - 31 December 2020, 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 cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2020 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 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 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 consolidated financial statements and parent company 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 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 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.

## Independent auditor's report

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

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

### 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.

### Independent auditor's report

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.

Esbjerg, 7 April 2021  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Morten Østergaard Koch  
State Authorised Public Accountant  
mne35420



Mads Klausen  
State Authorised Public Accountant  
mne46588



## Management's review

### Company details

Name	Sports Connection Holding ApS
Address, Postal code, City	Kvaglundvej 89, 6705 Esbjerg Ø
CVR no.	37 29 79 09
Established	4 December 2015
Registered office	Esbjerg
Financial year	1 January - 31 December
Executive Board	Peter Jørgensen Johannes Adrianus de Groot
Auditors	EY Godkendt Revisionspartnerselskab Bavnehøjvej 5, 6700 Esbjerg, Denmark

## Management's review

### Financial highlights for the Group

DKK'000	2020	2019	2018	2017	2016
<b>Key figures</b>					
Revenue	378,027	341,257	-	-	-
Gross profit	129,524	123,897	85,584	61,817	40,564
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	69,025	69,866	45,420	41,351	25,266
Net financials	-2,593	-3,803	2,882	-6,726	2,790
Profit for the year	48,470	48,055	35,863	25,467	20,419
<b>Fixed assets</b>					
Fixed assets	18,699	15,237	14,761	4,593	2,972
Non-fixed assets	152,095	162,738	130,791	86,341	63,272
<b>Total assets</b>	<b>170,794</b>	<b>177,975</b>	<b>145,552</b>	<b>90,934</b>	<b>66,244</b>
<b>Equity</b>					
Equity	94,799	71,180	60,728	41,109	42,454
<b>Cash flows</b>					
Cash flows from operating activities	44,301	31,917	25,113	21,978	8,105
Net cash flows from investing activities	-8,027	-4,292	-11,902	-9,277	-4,605
Cash flows from financing activities	-48,960	-10,674	3,648	-26,700	0
<b>Total cash flows</b>	<b>-12,686</b>	<b>16,951</b>	<b>16,859</b>	<b>-13,999</b>	<b>3,500</b>
<b>Financial ratios</b>					
EBITDA-margin	18.3%	20.5%	-	-	-
Return on assets	34.6%	40.8%	36.0%	51.0%	37.2%
Current ratio	236.6%	229.6%	154.2%	173.3%	266.0%
Equity ratio	55.5%	40.0%	41.7%	45.2%	64.1%
<b>Average number of employees</b>					
Average number of employees	165	144	118	42	27

The financial ratios stated under "Financial highlights" have been calculated as follows:

EBITDA-margin	$\frac{\text{Earnings before interest, taxes and amortisations (EBITDA)} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$



## Management's review

### Business review

The Company's principal activity comprise of investments in group enterprises.

The Group's principal activities consists of wholesale trading of shoes and operating of retail stores in the Nordics.

### Financial review

The income statement for 2020 shows a profit of DKK 48,470 thousand against a profit of DKK 48,055 thousand last year, and the group's balance sheet at 31 December 2020 shows equity of DKK 94,799 thousand.

The result for 2020 is negatively impacted by the COVID-19 outbreak. The Group has held significant costs during lockdown, which has been partly offset by DKK 4,252 thousand in governmental grants for payroll and fixed costs.

On that basis, Management considers the group's financial performance in the year satisfactory and in line with previous expectations.

### Financial risks and use of financial instruments

#### *Exchange rate risks*

The Group trades abroad in foreign currency and thus have a risk of exchange rate fluctuations. The risks is handled by using hedging future transactions in foreign currency.

### Statutory CSR report

The statutory CSR report is published on the Company's website:

[https://sportsconnection.dk/media/uktpk5aj/sc\\_csr\\_report\\_2020.pdf](https://sportsconnection.dk/media/uktpk5aj/sc_csr_report_2020.pdf)

### Account of the gender composition of Management

The Company's senior management consists entirely of the two owners, which is why it is not relevant to discuss the gender balance in the senior management body.

For the Group's other management, we pursue a general policy that everyone should have equal opportunities, regardless of gender. Therefore, we also continuously seek to promote positive leadership stories for our underrepresented gender, with the goal of generating greater awareness and interest in the area.

In 2020, our other management consisted of 11 persons, 5 of whom were men and 6 were women.

### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

### Outlook

Despite the uncertain situation due to the COVID-19 outbreak, the Group expects continued growth in 2021, but the result will be somehow affected by the development in the pandemic.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Income statement

Note	DKK'000	Group		Parent company	
		2020	2019	2020	2019
3	<b>Revenue</b>	378,027	341,257	0	0
	Cost of sales	-190,764	-161,372	0	0
	Other operating income	4,252	0	0	0
	Other external expenses	-61,991	-55,988	-58	-158
	<b>Gross profit</b>	129,524	123,897	-58	-158
4	Staff costs	-60,499	-54,031	0	0
	Amortisation and depreciation	-4,460	-3,812	0	0
	<b>Profit/loss before net financial</b>	64,565	66,054	-58	-158
	Income from investments in group enterprises	0	0	48,709	48,695
5	Financial income	428	24	849	534
6	Financial expenses	-3,021	-3,827	-1,097	-1,197
	<b>Profit before tax</b>	61,972	62,251	48,403	47,874
7	Tax for the year	-13,502	-14,196	67	181
	<b>Profit for the year</b>	48,470	48,055	48,470	48,055

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	Group		Parent company	
		2020	2019	2020	2019
		<b>ASSETS</b>			
		<b>Fixed assets</b>			
8	<b>Intangible assets</b>				
	Acquired intangible assets	464	0	0	0
	Goodwill	66	146	0	0
		<u>530</u>	<u>146</u>	<u>0</u>	<u>0</u>
9	<b>Property, plant and equipment</b>				
	Fixtures and fittings, other plant and equipment	809	1,055	0	0
	Leasehold improvements	14,833	12,304	0	0
		<u>15,642</u>	<u>13,359</u>	<u>0</u>	<u>0</u>
10	<b>Investments</b>				
	Investments in group enterprises	0	0	93,031	84,747
	Receivables from group enterprises	0	0	28,531	23,932
	Other securities	38	40	0	0
	Deposits	2,489	1,692	0	0
		<u>2,527</u>	<u>1,732</u>	<u>121,562</u>	<u>108,679</u>
	<b>Total fixed assets</b>	<u>18,699</u>	<u>15,237</u>	<u>121,562</u>	<u>108,679</u>
	<b>Non-fixed assets</b>				
	<b>Inventories</b>				
	Finished goods and goods for resale	86,130	84,071	0	0
		<u>86,130</u>	<u>84,071</u>	<u>0</u>	<u>0</u>
	Trade receivables	22,745	24,269	0	0
	Receivables from group enterprises	0	0	1,378	187
12	Deferred tax assets	3,761	3,506	0	0
	Joint taxation contribution receivable	0	0	23	284
	Other receivables	2,125	1,615	0	14
11	Prepayments	4,258	3,626	0	0
		<u>32,889</u>	<u>33,016</u>	<u>1,401</u>	<u>485</u>
	<b>Cash</b>	<u>33,076</u>	<u>45,651</u>	<u>1,016</u>	<u>428</u>
	<b>Total non-fixed assets</b>	<u>152,095</u>	<u>162,738</u>	<u>2,417</u>	<u>913</u>
	<b>TOTAL ASSETS</b>	<u>170,794</u>	<u>177,975</u>	<u>123,979</u>	<u>109,592</u>

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	Group		Parent company	
		2020	2019	2020	2019
		<b>EQUITY AND LIABILITIES</b>			
		<b>Equity</b>			
		50	50	50	50
		Share capital			
		0	0	53,858	45,574
		Net revaluation reserve according to the equity method			
		-984	0	0	0
		Translation reserve			
		-8,867	0	254	0
		Hedging reserve			
		69,600	56,130	5,637	10,556
		Retained earnings			
		35,000	15,000	35,000	15,000
		Dividend proposed			
		<b>94,799</b>	<b>71,180</b>	<b>94,799</b>	<b>71,180</b>
		<b>Total equity</b>			
		<b>Liabilities other than provisions</b>			
13	<b>Non-current liabilities other than provisions</b>				
	Bank debt	11,700	35,000	11,700	0
	Other payables	0	908	0	0
		<b>11,700</b>	<b>35,908</b>	<b>11,700</b>	<b>0</b>
		<b>Current liabilities other than provisions</b>			
13	Short-term part of long-term liabilities	5,800	0	5,800	0
	Bank debt	12,954	29,414	11,436	2,808
	Trade payables	8,749	15,066	0	0
	Payables to group enterprises	230	0	0	35,000
	Corporation tax payable	3,533	8,309	0	0
	Joint taxation contribution payable	806	4,615	0	0
	Other payables	32,223	13,483	244	604
		<b>64,295</b>	<b>70,887</b>	<b>17,480</b>	<b>38,412</b>
		<b>75,995</b>	<b>106,795</b>	<b>29,180</b>	<b>38,412</b>
		<b>TOTAL EQUITY AND LIABILITIES</b>			
		<b>170,794</b>	<b>177,975</b>	<b>123,979</b>	<b>109,592</b>

- 1 Accounting policies
- 2 Special items
- 15 Contractual obligations and contingencies, etc.
- 16 Collateral
- 17 Related parties
- 18 Fee to the auditors appointed by the Company in general meeting
- 19 Appropriation of profit

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Statement of changes in equity

Note	DKK'000	Group						Total
		Share capital	Translation reserve	Hedging reserve	Retained earnings	Dividend proposed		
		50	0	0	56,130	15,000	71,180	
		0	0	0	13,470	35,000	48,470	
		0	-984	0	0	0	-984	
		0	0	-11,368	0	0	-11,368	
		0	0	2,501	0	0	2,501	
		0	0	0	0	-15,000	-15,000	
		50	-984	-8,867	69,600	35,000	94,799	
		Parent company						
		50	45,574	0	10,556	15,000	71,180	
		0	18,389	0	-4,919	35,000	48,470	
		0	-984	0	0	0	-984	
		0	-9,121	326	0	0	-8,795	
		0	0	-72	0	0	-72	
		0	0	0	0	-15,000	-15,000	
		50	53,858	254	5,637	35,000	94,799	
		Net revaluation reserve according to the equity method						
		50	45,574	0	10,556	15,000	71,180	
		0	18,389	0	-4,919	35,000	48,470	
		0	-984	0	0	0	-984	
		0	-9,121	326	0	0	-8,795	
		0	0	-72	0	0	-72	
		0	0	0	0	-15,000	-15,000	
		50	53,858	254	5,637	35,000	94,799	

The parent's share capital has remained DKK 50,000 the past 5 years.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Cash flow statement

Note	DKK'000	Group	
		2020	2019
	Profit for the year	48,470	48,055
20	Adjustments	17,962	18,008
	Cash generated from operations (operating activities)	66,432	66,063
21	Changes in working capital	-1,179	-16,689
	Cash generated from operations (operating activities)	65,253	49,374
	Income taxes paid	-19,968	-12,891
	Non-cash transactions, recognised directly in equity	-984	-4,566
	<b>Cash flows from operating activities</b>	<b>44,301</b>	<b>31,917</b>
	Additions of intangible assets	-482	0
	Additions of property, plant and equipment	-6,738	-4,112
	Changes in deposits and other securities	-807	-180
	<b>Cash flows to investing activities</b>	<b>-8,027</b>	<b>-4,292</b>
	Dividends paid	-15,000	-34,000
	Proceeds from new bank loans	0	35,000
	Repayments, long-term liabilities	-17,500	0
	Changes in debt to credit institutions	-16,460	-11,674
	<b>Cash flows from financing activities</b>	<b>-48,960</b>	<b>-10,674</b>
	<b>Net cash flow</b>	<b>-12,686</b>	<b>16,951</b>
	Cash and cash equivalents at 1 January	45,651	28,698
	Foreign exchange adjustments	111	2
22	<b>Cash and cash equivalents at 31 December</b>	<b>33,076</b>	<b>45,651</b>

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

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Sports Connection Holding ApS for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large 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'000).

#### Consolidated financial statements

##### *Control*

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

##### *Preparation of consolidated financial statements*

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are 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 if they do not reflect impairment.

#### Foreign currency translation

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

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

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future assets or liabilities are recognised as separate items in the balance sheet and in the hedging reserve under equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

##### Income statement

###### Revenue

Income from the sale of goods for resale is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

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

###### 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 and governmental grants, etc.

###### Cost of sales

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

###### Other external expenses

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

###### Staff costs

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



## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Amortisation/depreciation

The item comprises amortisation of goodwill and depreciation of property, plant and equipment.

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

Acquired intangible assets	3-5 years
Goodwill	1-5 years
Fixtures and fittings, other plant and equipment	3-5 years
Leasehold improvements	3-5 years

##### Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

##### 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 Company and its Danish group entities are jointly taxed. 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 between 1 and 5 years. The amortisation period is based on remaining contract periods of the retail stores.

Other intangible assets include and other acquired intangible rights, including software licences, etc.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

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

#### Property, plant and equipment

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

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

#### Investments

Investments comprises rent deposits and other securities. Investments are measured at cost.

#### Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

#### Investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

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

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

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

##### 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.

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

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

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

##### Cash

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

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Equity

###### *Reserve for net revaluation according to the equity method*

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

###### *Translation reserve*

The translation reserve comprises the share of foreign exchange differences arising on translation of financial statements of entities that have a functional currency other than DKK, foreign exchange adjustments of assets and liabilities considered part of the Company's net investments in such entities and foreign exchange adjustments regarding hedging transactions that hedge the Company's net investments in such entities. The reserve is dissolved on the sale of foreign entities or if the conditions for effective hedging no longer exist. When equity investments in subsidiaries and associates in the parent company financial statements are subject to the limitation requirement in the net revaluation reserve according to the equity method, foreign exchange adjustments will be included in this equity reserve instead.

###### *Hedging reserve*

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not yet been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedging relationship is no longer effective. The reserve does not represent a limitation under company law and may therefore be negative.

###### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

##### Income taxes

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

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net assets are measured at net realisable values.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

##### Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

##### Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

#### 2 Special items

##### Group

Special items comprise significant income and expenses of a special nature relative to the Group's revenue-generating operating activities.

Special items for the year amount to DKK 4,252 thousand and comprise governmental grants for payroll and fixed costs regarding the COVID-19 outbreak. Special items are recognised under operating income in the income statement.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

	Group		Parent company	
	2020		2020	
DKK'000				
<b>3 Segment information</b>				
<b>Breakdown of revenue by geographical segment:</b>				
Denmark	161,249		0	
Sweden	105,068		0	
Norway	64,678		0	
Other	47,032		0	
	<u>378,027</u>		<u>0</u>	

	Group		Parent company	
	2020	2019	2020	2019
DKK'000				
<b>4 Staff costs</b>				
Wages/salaries	51,325	46,338	0	0
Pensions	5,275	4,307	0	0
Other social security costs	3,899	3,386	0	0
	<u>60,499</u>	<u>54,031</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	165	144	0	0

### Group

Remuneration for the Executive Board totalled DKK 1,737 thousand (2019: DKK 1,586 thousand).

### Parent company

The parent Company has no employees.

	Group		Parent company	
	2020	2019	2020	2019
DKK'000				
<b>5 Financial income</b>				
Interest income, group entities	0	0	540	534
Other financial income	428	24	309	0
	<u>428</u>	<u>24</u>	<u>849</u>	<u>534</u>
<b>6 Financial expenses</b>				
Interest expenses, group entities	0	10	0	0
Other financial expenses	3,021	3,817	1,097	1,197
	<u>3,021</u>	<u>3,827</u>	<u>1,097</u>	<u>1,197</u>
<b>7 Tax for the year</b>				
Estimated tax charge for the year	13,761	15,376	-67	-181
Deferred tax adjustments in the year	-259	-1,460	0	0
Tax adjustments, prior years	0	280	0	0
	<u>13,502</u>	<u>14,196</u>	<u>-67</u>	<u>-181</u>

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 8 Intangible assets

DKK'000	Group		
	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2020	0	400	400
Additions	482	0	482
Cost at 31 December 2020	482	400	882
Impairment losses and amortisation at 1 January 2020	0	254	254
Amortisation for the year	18	80	98
Impairment losses and amortisation at 31 December 2020	18	334	352
<b>Carrying amount at 31 December 2020</b>	<b>464</b>	<b>66</b>	<b>530</b>

#### 9 Property, plant and equipment

DKK'000	Group		
	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2020	1,645	19,182	20,827
Foreign exchange adjustments	0	-69	-69
Additions	129	6,609	6,738
Cost at 31 December 2020	1,774	25,722	27,496
Impairment losses and depreciation at 1 January 2020	590	6,878	7,468
Foreign exchange adjustments	0	24	24
Depreciation for the year	375	3,987	4,362
Impairment losses and depreciation at 31 December 2020	965	10,889	11,854
<b>Carrying amount at 31 December 2020</b>	<b>809</b>	<b>14,833</b>	<b>15,642</b>

#### 10 Investments

DKK'000	Group		
	Other securities	Deposits	Total
Cost at 1 January 2020	40	1,692	1,732
Foreign exchange adjustments	-2	-10	-12
Additions	0	807	807
Cost at 31 December 2020	38	2,489	2,527
<b>Carrying amount at 31 December 2020</b>	<b>38</b>	<b>2,489</b>	<b>2,527</b>

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 10 Investments (continued)

DKK'000	Parent company		Total
	Investments in group enterprises	Receivables from group enterprises	
Cost at 1 January 2020	39,173	23,932	63,105
Additions	0	4,599	4,599
Cost at 31 December 2020	39,173	28,531	67,704
Value adjustments at 1 January 2020	45,574	0	45,574
Foreign exchange adjustments	-984	0	-984
Dividend received	-30,320	0	-30,320
Profit/loss for the year	48,709	0	48,709
Equity transactions in subsidiaries	-9,121	0	-9,121
Value adjustments at 31 December 2020	53,858	0	53,858
Carrying amount at 31 December 2020	93,031	28,531	121,562

#### Parent company

Name	Domicile	Interest
<b>Subsidiaries</b>		
Sports Connection ApS	Denmark	100.00%
Skechers Retail Danmark ApS	Denmark	100.00%
Sports Connection Norge AS	Norway	100.00%
Skechers Retail Norge AS	Norway	100.00%
Sports C Sverige AB	Sweden	100.00%
SC Retail Sverige AB	Sweden	100.00%
Sports Connection Finland OY	Finland	100.00%
Sports Connection Retail Germany GmbH	Germany	100.00%

#### 11 Prepayments

##### Group

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

DKK'000	Group		Parent company	
	2020	2019	2020	2019
<b>12 Deferred tax</b>				
Deferred tax at 1 January	-3,506	-2,046	0	0
Foreign exchange rate adjustments	4	0	0	0
Deferred tax adjustment in the year	-259	-1,460	0	0
<b>Deferred tax at 31 December</b>	<b>-3,761</b>	<b>-3,506</b>	<b>0</b>	<b>0</b>

Deferred tax assets mainly comprise deferred tax relating to property, plant and equipment, inventories, etc.

Deferred tax assets is expected to crystallise within the coming 3-5 years.



## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 13 Non-current liabilities other than provisions

DKK'000	Group			
	Total debt at 31/12 2020	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	17,500	5,800	11,700	0
	17,500	5,800	11,700	0

#### 14 Derivative financial instruments

##### Interest rate hedging

The Group hedges interest rate risks through interest rate swaps whereby floating interest payments are rescheduled into fixed interest payments. The Group has entered interest swaps with a negative market value of DKK 146 thousand as of 31 December 2020 (2019: DKK negative 472 thousand).

##### Currency hedging

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

The Group has entered foreign currency contracts with a contractual value of DKK 165,903 thousand and a negative market value of DKK 11,812 thousand at 31 December 2020 (2019: negative DKK 191 thousand).

#### 15 Contractual obligations and contingencies, etc.

##### Other financial obligations

##### Group

The Group has entered rent agreements for head office, showrooms and 33 retail stores in the Nordics with remaining contract terms up to 10 years. The total rent obligation amounts to DKK 81,538 thousand, of which DKK 27,197 thousand falls due within one year.

The Group has entered operational leasing contracts related to cars and IT-equipment with remaining contract terms up to 3 years. The total lease liabilities amounts to DKK 2,389 thousand, of which DKK 1,285 thousands fall due within one 1 year.

The Group has provided bank guarantees of DKK 15,646 thousand as collateral for rent obligations and towards suppliers.

##### Parent company

The Company is jointly taxed with its ultimate parent, Jørgensen Holding ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 16 Collateral

##### Group

A company charge with a nominal value of DKK 13,000 thousand secured on trade receivables, inventories and operating equipment with a carrying amount of DKK 69,418 thousand at 31 December 2020 has been put up as security for bank debt, totalling DKK 1,518 thousand.

##### Parent company

The Company has provided an unlimited surety for group enterprises's bank debts, etc. The bank debts totalled DKK 1,518 thousand at 31 December 2020.

#### 17 Related parties

##### Group

##### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Jørgensen Holding ApS	Danmark	cvr.dk

##### Related party transactions

DKK'000	2020	2019
<b>Group</b>		
Interest expenses, group enterprises	0	10
Payables to group enterprises	229	0
<b>Parent Company</b>		
Interest income, group enterprises	540	534
Receivables from group enterprises	29,909	24,119
Payables to group enterprises	0	35,000

Besides the above, distribution of dividend were carried out with shareholders during the year.

#### 18 Fee to the auditors appointed by the Company in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act, as audit fees are disclosed for the group as such in the consolidated financial statements for Jørgensen Holding ApS.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

		Parent company	
DKK'000		2020	2019
<b>19 Appropriation of profit</b>			
Recommended appropriation of profit			
Proposed dividend recognised under equity		35,000	15,000
Net revaluation reserve according to the equity method		18,389	48,809
Retained earnings/accumulated loss		-4,919	-15,754
		<u>48,470</u>	<u>48,055</u>
		Group	
	DKK'000	2020	2019
<b>20 Adjustments</b>			
Amortisation/depreciation and impairment losses		4,460	3,812
Tax for the year		13,502	14,196
		<u>17,962</u>	<u>18,008</u>
<b>21 Changes in working capital</b>			
Change in inventories		-2,059	-7,822
Change in receivables		381	-5,713
Change in trade and other payables		499	-3,154
		<u>-1,179</u>	<u>-16,689</u>
<b>22 Cash and cash equivalents at year-end</b>			
Cash according to the balance sheet		33,076	45,651
		<u>33,076</u>	<u>45,651</u>