

Sports Connection Holding ApS

Kvaglundvej 89, 6705 Esbjerg Ø

CVR no. 37 29 79 09

Annual report 2019

Approved at the Company's annual general meeting on 6 April 2020

Chairman:


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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 2019.

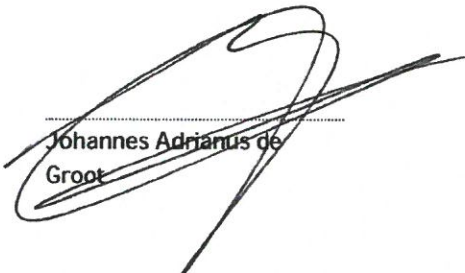
The annual report is prepared in accordance with the Danish Financial Statements Act.

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 2019 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 2019.

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, 6 April 2020
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 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 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 2019, 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 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 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, 6 April 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

A handwritten signature in blue ink, appearing to read 'Morten Østergaard Koch', is written over the printed name.

Morten Østergaard Koch
State Authorised Public Accountant
mne35420



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 Ernst & Young Godkendt Revisionspartnerselskab
Havnegade 33, 6700 Esbjerg, Denmark

Management's review

Financial highlights for the Group

DKK'000	2019	2018	2017	2016
Key figures				
Gross profit/loss	123,897	85,584	61,817	40,564
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	69,866	45,420	41,351	25,266
Operating profit/loss	66,054	42,872	40,047	24,634
Net financials	-3,803	2,882	-6,726	2,790
Profit for the year	48,055	35,863	25,467	20,419
Fixed assets				
Fixed assets	15,237	14,761	4,593	2,972
Non-fixed assets	162,738	130,791	86,341	63,272
Total assets	177,975	145,552	90,934	66,244
Equity	71,180	60,728	41,109	42,454
Cash flows				
Cash flows from operating activities	31,917	25,113	21,978	8,105
Net cash flows from investing activities	-4,292	-11,902	-9,277	-4,605
Cash flows from financing activities	-10,674	3,648	-26,700	0
Total cash flows	16,951	16,859	-13,999	3,500
Financial ratios				
Return on assets	40.8%	36.0%	51.0%	37.2%
Current ratio	229.6%	154.2%	0.0%	0.0%
Equity ratio	40.0%	41.7%	45.2%	64.1%
Average number of employees				
Average number of employees	144	118	42	27

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

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 consists of investments in group enterprises.

The Group's principal activities consists of wholesale trading of shoes in the Nordics.

Financial review

The income statement for 2019 shows a profit of DKK 48,055 thousand against a profit of DKK 35,863 thousand last year, and the group's balance sheet at 31 December 2019 shows equity of DKK 71,180 thousand.

Management considers the group's financial performance in the year satisfactory.

Special risks

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.

Impact on the external environment

The Group is environmentally aware and continuously works to reduce the environmental impact from its operations. The Group's operation already have a limited environmental impact.

Events after the balance sheet date

Although the full impact of COVID-19 is not yet clear, it is not considered to impact the Group in such a manner that it needs further incorporation in the annual report for 2019.

Outlook

Due to the COVID-19 outbreak the Group expects a temporary slowdown in growth, but despite that a positive result for 2020 is still expected.



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

Income statement

Note	DKK'000	Group		Parent company	
		2019	2018	2019	2018
	Gross profit/loss	123,897	85,584	-158	-112
2	Staff costs	-54,031	-40,164	0	0
	Amortisation and depreciation	-3,812	-2,548	0	0
	Profit/loss before net financials	66,054	42,872	-158	-112
	Income from investments in group enterprises	0	0	48,695	36,166
3	Financial income	24	3,881	534	0
4	Financial expenses	-3,827	-999	-1,197	-276
	Profit before tax	62,251	45,754	47,874	35,778
5	Tax for the year	-14,196	-9,891	181	85
	Profit for the year	48,055	35,863	48,055	35,863



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

Balance sheet

Note	DKK'000	Group		Parent company	
		2019	2018	2019	2018
		ASSETS			
		Fixed assets			
6	Intangible assets				
	Goodwill	146	253	0	0
		<u>146</u>	<u>253</u>	<u>0</u>	<u>0</u>
7	Property, plant and equipment				
	Fixtures and fittings, other plant and equipment	1,055	812	0	0
	Leasehold improvements	12,304	12,144	0	0
		<u>13,359</u>	<u>12,956</u>	<u>0</u>	<u>0</u>
8	Investments				
	Investments in group enterprises	0	0	84,747	74,224
	Receivables from group enterprises	0	0	23,932	26,517
	Other securities	40	19	0	0
	Deposits	1,692	1,533	0	0
		<u>1,732</u>	<u>1,552</u>	<u>108,679</u>	<u>100,741</u>
	Total fixed assets	<u>15,237</u>	<u>14,761</u>	<u>108,679</u>	<u>100,741</u>
	Non-fixed assets				
	Inventories				
	Finished goods and goods for resale	84,071	76,249	0	0
		<u>84,071</u>	<u>76,249</u>	<u>0</u>	<u>0</u>
	Receivables				
	Trade receivables	24,269	15,007	0	0
	Receivables from group enterprises	0	229	187	187
10	Deferred tax assets	3,506	2,046	0	0
	Joint taxation contribution receivable	0	0	284	99
	Other receivables	1,615	5,274	14	0
9	Prepayments	3,626	3,288	0	0
		<u>33,016</u>	<u>25,844</u>	<u>485</u>	<u>286</u>
	Cash	45,651	28,698	428	0
	Total non-fixed assets	<u>162,738</u>	<u>130,791</u>	<u>913</u>	<u>286</u>
	TOTAL ASSETS	<u>177,975</u>	<u>145,552</u>	<u>109,592</u>	<u>101,027</u>



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

Balance sheet

Note	DKK'000	Group		Parent company	
		2019	2018	2019	2018
		EQUITY AND LIABILITIES			
		Equity			
		Share capital			
		50	50	50	50
		Net revaluation reserve according to the equity method			
		0	0	45,574	0
		56,130	26,678	10,556	26,678
		15,000	34,000	15,000	34,000
		71,180	60,728	71,180	60,728
		Liabilities other than provisions			
11		Non-current liabilities other than provisions			
		Bank debt			
		35,000	0	0	0
		Other payables			
		908	0	0	0
		35,908	0	0	0
		Current liabilities other than provisions			
		Bank debt			
		29,414	41,088	2,808	35,560
		Trade payables			
		15,671	23,514	604	74
		Payables to group enterprises			
		0	0	35,000	4,665
		Corporation tax payable			
		8,309	3,130	0	0
		Joint taxation contribution payable			
		4,615	7,992	0	0
		Other payables			
		12,878	9,100	0	0
		70,887	84,824	38,412	40,299
		Total liabilities other than provisions			
		106,795	84,824	38,412	40,299
		177,975	145,552	109,592	101,027

- 1 Accounting policies
- 12 Contractual obligations and contingencies, etc.
- 13 Collateral
- 14 Interest rate risks and use of derivative financial instruments
- 15 Related parties

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

Statement of changes in equity

		Group			
Note	DKK'000	Share capital	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2019	50	26,678	34,000	60,728
	Transfer through appropriation of profit	0	33,055	15,000	48,055
	Adjustment of investments through foreign exchange adjustments	0	-189	0	-189
	Other value adjustments of equity	0	-4,377	0	-4,377
	Tax on items recognised directly in equity	0	963	0	963
	Dividend distributed	0	0	-34,000	-34,000
	Equity at 31 December 2019	50	56,130	15,000	71,180

		Parent company				
Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2019	50	0	26,678	34,000	60,728
16	Transfer, see "Appropriation of profit"	0	48,809	-15,754	15,000	48,055
	Adjustment of investments through foreign exchange adjustments	0	-189	0	0	-189
	Other value adjustments of equity	0	-3,046	-472	0	-3,518
	Tax on items recognised directly in equity	0	0	104	0	104
	Dividend distributed	0	0	0	-34,000	-34,000
	Equity at 31 December 2019	50	45,574	10,556	15,000	71,180

The parent's share capital has remained DKK 50,000 the past 4 years.



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

Cash flow statement

Note	DKK'000	Group	
		2019	2018
	Profit for the year	48,055	35,863
17	Adjustments	18,008	12,439
	Cash generated from operations (operating activities)	66,063	48,302
18	Changes in working capital	-16,689	-16,634
	Cash generated from operations (operating activities)	49,374	31,668
	Income taxes paid	-12,891	-9,310
	Non-cash transactions, recognised directly in equity	-4,566	2,755
	Cash flows from operating activities	31,917	25,113
	Additions of intangible assets	0	-400
	Additions of property, plant and equipment	-4,112	-11,227
	Disposals of property, plant and equipment	0	14
	Changes in deposits and other securities	-180	-289
	Cash flows to investing activities	-4,292	-11,902
	Dividends paid	-34,000	-19,000
	Proceeds from new bank loans	35,000	0
	Changes in debt to credit institutions	-11,674	22,648
	Cash flows from financing activities	-10,674	3,648
	Net cash flow	16,951	16,859
	Cash and cash equivalents at 1 January	28,698	11,867
	Foreign exchange adjustments	2	-28
19	Cash and cash equivalents at 31 December	45,651	28,698

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 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Changes in accounting policies

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

Because of a clarifying interpretation, the Group has reclassified short-term bank facilities in the cash flow statement. Previously bank facilities were presented as cash. Hence forward the bank facilities will be presented as a part of the financing activities. As a result, the comparative figures for 2018 have been adjusted accordingly in order to comply with the interpretation.

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 included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity. If the hedged 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 hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

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.

Gross profit/loss

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/loss 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.

Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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

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

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:

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.



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

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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.

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.



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Notes to the financial statements

1 Accounting policies (continued)

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.

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Notes to the financial statements

	Group		Parent company	
	2019	2018	2019	2018
DKK'000				
2 Staff costs				
Wages/salaries	46,294	33,901	0	0
Pensions	4,307	2,737	0	0
Other social security costs	3,386	2,874	0	0
Other staff costs	44	652	0	0
	<u>54,031</u>	<u>40,164</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	<u>144</u>	<u>118</u>	<u>0</u>	<u>0</u>

Group

Remuneration for the Executive Board totalled DKK 1,586 thousand (2018: DKK 1,583 thousand).

	Group		Parent company	
	2019	2018	2019	2018
DKK'000				
3 Financial income				
Interest income, group entities	0	0	534	0
Other financial income	24	3,881	0	0
	<u>24</u>	<u>3,881</u>	<u>534</u>	<u>0</u>
4 Financial expenses				
Interest expenses, group entities	10	0	0	0
Other financial expenses	3,817	999	1,197	276
	<u>3,827</u>	<u>999</u>	<u>1,197</u>	<u>276</u>
5 Tax for the year				
Estimated tax charge for the year	15,376	11,937	-181	-85
Deferred tax adjustments in the year	-1,460	-2,046	0	0
Tax adjustments, prior years	280	0	0	0
	<u>14,196</u>	<u>9,891</u>	<u>-181</u>	<u>-85</u>

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Notes to the financial statements

6 Intangible assets

DKK'000	Group	
	Goodwill	
Cost at 1 January 2019	400	
Cost at 31 December 2019	400	
Impairment losses and amortisation at 1 January 2019	147	
Amortisation for the year	107	
Impairment losses and amortisation at 31 December 2019	254	
Carrying amount at 31 December 2019	146	

7 Property, plant and equipment

DKK'000	Group		
	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2019	1,133	15,606	16,739
Foreign exchange adjustments	0	-24	-24
Additions	512	3,600	4,112
Cost at 31 December 2019	1,645	19,182	20,827
Impairment losses and depreciation at 1 January 2019	321	3,462	3,783
Foreign exchange adjustments	0	-20	-20
Depreciation	269	3,436	3,705
Impairment losses and depreciation at 31 December 2019	590	6,878	7,468
Carrying amount at 31 December 2019	1,055	12,304	13,359

8 Investments

DKK'000	Group		
	Other securities	Deposits	Total
Cost at 1 January 2019	19	1,533	1,552
Additions	21	159	180
Cost at 31 December 2019	40	1,692	1,732
Carrying amount at 31 December 2019	40	1,692	1,732

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Notes to the financial statements

8 Investments (continued)

DKK'000	Parent company		
	Investments in group enterprises	Receivables from group enterprises	Total
Cost at 1 January 2019	33,788	26,517	60,305
Foreign exchange adjustments	0	-104	-104
Additions	5,385	2,743	8,128
Disposals	0	-5,224	-5,224
Cost at 31 December 2019	39,173	23,932	63,105
Value adjustments at 1 January 2019	40,436	0	40,436
Foreign exchange adjustments	-189	0	-189
Dividend received	-40,322	0	-40,322
Profit/loss for the year	54,426	0	54,426
Equity transactions in subsidiaries	-3,046	0	-3,046
Changes in internal profit	-5,731	0	-5,731
Value adjustments at 31 December 2019	45,574	0	45,574
Carrying amount at 31 December 2019	84,747	23,932	108,679

Parent company

Name	Domicile	Interest
Subsidiaries		
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%

9 Prepayments

Group

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

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Notes to the financial statements

DKK'000	Group		Parent company	
	2019	2018	2019	2018
10 Deferred tax				
Deferred tax at 1 January	-2,046	-19	0	0
Foreign exchange rate adjustments	0	19	0	0
Deferred tax adjustment in the year	-1,460	-2,046	0	0
Deferred tax at 31 December	-3,506	-2,046	0	0

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

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

11 Non-current liabilities other than provisions

DKK'000	Group			Outstanding debt after 5 years
	Total debt at 31/12 2019	Repayment, next year	Long-term portion	
Bank debt	35,000	0	35,000	0
Other payables	908	0	908	0
	35,908	0	35,908	0

Long-term other payables comprises holiday pay for employees and falls due within 5 years.

12 Contractual obligations and contingencies, etc.

Other financial obligations

Group

The Group has entered rent agreements for head office, showrooms and 29 retail stores in the Nordics with remaining contract terms up to 10 years. The total rent obligation amounts to DKK 96,945 thousand, of which DKK 24,243 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 2,471 thousand, of which DKK 1,285 thousands fall due within one 1 year.

The Group has provided bank guarantees of DKK 14,731 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.



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Notes to the financial statements

13 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 77,168 thousand at 31 December 2019 has been put up as security for bank debt, totalling DKK 61,606 thousand.

Parent company

The Company has provided an unlimited surety for group enterprises's bank debts, etc. The bank debts totalled DKK 61,606 thousand at 31 December 2019.

14 Interest rate risks and use of 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 472 thousand as of 31 December 2019 (2018: DKK 0 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 162,697 thousand and a negative market value of DKK 191 thousand at 31 December 2019 (2018: positive DKK 3,786 thousand).

15 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	2019	2018
Group		
Interest expenses, group enterprises	10	0
Receivables from group enterprises	0	229
Parent Company		
Interest income, group enterprises	534	0
Receivables from group enterprises	24,119	26,704
Payables to group enterprises	35,000	4,665

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

All transactions, besides a group contribution from the parent company to Skechers Retail Norge AS, have been carried out on an arm's length basis.

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Notes to the financial statements

DKK'000	Parent company	
	2019	2018
16 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	15,000	34,000
Net revaluation reserve according to the equity method	48,809	-19,857
Retained earnings/accumulated loss	-15,754	21,720
	<u>48,055</u>	<u>35,863</u>
17 Adjustments		
Amortisation/depreciation and impairment losses	3,812	2,548
Tax for the year	14,196	9,891
	<u>18,008</u>	<u>12,439</u>
18 Changes in working capital		
Change in inventories	-7,822	-23,963
Change in receivables	-5,713	-2,400
Change in trade and other payables	-3,154	9,729
	<u>-16,689</u>	<u>-16,634</u>
19 Cash and cash equivalents at year-end		
Cash according to the balance sheet	45,651	28,698
	<u>45,651</u>	<u>28,698</u>