

ARCA ApS

Griffenfeldsgade 7 A
2200 København N

Business Registration No 31254418

Annual report

1. januar 2022 - 31. december 2022

The Annual General Meeting adopted the annual report
on 4. juli 2023

Peder Andreas Bang
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management on the annual report	3
Independent auditor's extended review report	4
Management commentary	7
Income statement for 2022	9
Assets as at 31.12.2022	10
Liabilities and equity as at 31.12.2022	11
Statement in changes in equity	12
Notes	13
Accounting policies	16

Entity details

Entity

ARCA ApS
Griffenfeldsgade 7 A
2200 København N

Registered in: København
Central Business Registration No (CVR): 31254418
Financial year: 1. januar 2022 - 31. december 2022

Executive Board

Peder Andreas Bang
Klaus Vesti Andersen

Board of Directors

Peder Andreas Bang
Klaus Vesti Andersen

Auditors

Dansk Revision Søborg
Statsautoriseret revisionsaktieselskab
Generatorvej 8D
2860 Søborg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of ARCA ApS for the financial year 1. januar 2022 - 31. december 2022.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31. december 2020 and of the results of its operations for the financial year 1. januar 2022 - 31. december 2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

København, 4. juli 2023

Direktion:

Peder Andreas Bang

Klaus Vesti Andersen

Bestyrelsen:

Peder Andreas Bang
Formand

Klaus Vesti Andersen

Independent auditor's extended review report

To the shareholders of ARCA ApS

Conclusion

We have performed an extended review of the financial statements of ARCA ApS for the financial year 1. januar 2022 - 31. december 2022, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31. december 2022 and of the results of its operations for the financial year 1. januar 2022 - 31. december 2022 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR – Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements". We are independent of the Entity 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 requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Significant uncertainty regarding continued operations

We draw attention to note 5 in the accounts, which states that the company's continued operations are dependent on the company's financing via bank connection, debt instruments, etc. can be maintained and that the funding can be expanded either by increasing the credit facilities, or by adding the necessary liquidity in other ways, as the need arises. In addition, it is a prerequisite that the company's earnings will be improved in the future.

On that basis, the management's assessment that the company has sufficient credit facilities available to continue its operations as a going concern in 2022.

In addition, the management has assumed that the shareholders or others by additional debt financing will provide the necessary liquidity, as the need arises, which will ensure that the company can continue its operations in the coming year. In this connection, the management has attached crucial importance to the fact that in recent years the shareholders have provided the liquidity that has been needed.

Based on the above, the financial statements have been prepared on the assumption of the company's continued operations.

Independent auditor's extended review report

Highlighting of matters in the accounts

We draw attention to note 6 in the accounts, which describes the significant uncertainty associated with the recognition and measurement of receivables from group enterprises and receivables from scheme in relation to Covid-19.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the financial statements our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the extended review or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's extended review report

Based on the work we have performed, we conclude that the management commentary is in accordance with 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 commentary.

Søborg, 4. juli 2023

Dansk Revision Søborg

Statsautoriseret revisionsaktieselskab, CVR-nr. 14649905

Michael Wienberg
Registreret revisor
mne18012

Management commentary

Primary activities

The Company's activity consists in giving classes in gyms.

Uncertainty connected with recognition and measurement

The company has receivables of TDKK 22,377 from group enterprises whose equity is negative. It is the management's expectation that the equity in these companies will be reestablished via their own operations. If the reestablishment of the equity in the companies is not possible, it will affect the valuation of the company's receivables.

Receivable compensation has been recognized in relation to the schemes of TDKK 2,358. This receivables cannot be measured precisely, as adjustments have been made to the receivable based on the expectation of the Danish Business Authority's final statement and payment.

Development in activities and finances

The company's main purpose is to make the world healthier and stronger by offering team training. At the end of 2022, ARCA has 21 "boxes".

The revenue in ARCA is increased by 26% compared to 2021 and the operating profit is improved with more than 13 million compared to 2021 (before support schemes). The operations before depreciations and support schemes are again positive in 2022. However, the year's result for 2022 is considered dissatisfactory.

The management had expected that 2022 would be the year when we returned to "business as usual", but high consumer prices, inflation, historically low consumer confidence have delayed this and therefore 2022 became a "transformation year", where the company has been geared for the future. We have invested in new IT infrastructure, which has cost both time and money. However, we are sure that this investment will prove very important in the years to come when we grow again.

Furthermore, we have chosen to cut the number of locations from 26 to 21 in order to meet the higher expenses for both consumption and premises rent.

All decisions and initiatives have produced a noticeable result on earnings from Q4 2022 and have continued into 2023, where in both Q1 and Q2 we have positive EBIDTA and positive result. We are looking at a total EBIDTA for the first half of the year of more than 3 million.

We have managed in the first half of the year to have a higher activity compared to 2022, despite cutting back on locations. We also see a positive accession of members in 2023 and operations are as good as "back to normal". We expect a positive result for operations in 2023, also after depreciation.

Our financial partners are still supporting us and the company is now in a phase where there is positive free cash flow and the debt we have had to take on during COVID is being heavily paid off. We currently see no reason to seek additional financing and look forward to consolidating the business and reducing debt during 2023 and 2024.

Management commentary

We still need to be paid a significant amount in COVID schemes in relation to the final settlements. This will also help consolidate the company further.

The company has lost more than 50% of its contributed capital. Management has launched initiatives to reestablish the contributed capital through the Company's operations. Management expects the contributed capital to be reestablished through operating profits over the next few years.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Expected development

It is expected that the result for the coming year will be significantly improved when the implementation of various savings in several areas of the company is affected 100%. At the same time, it is expected that the membership base and revenue will grow again in 2023.

		2022	2021
Note	Income statement	DKK	1.000 DKK
The period 1. januar - 31. december			
	Gross profit	22.602.359	26.087
1	Staff costs	-18.392.546	-21.783
	Depreciation and amortisation of non-current assets	-5.380.787	-6.659
	Impairment of receivables	0	-12.586
	Income or loss before net financials	-1.170.974	-14.940
2	Financial income	2.561.057	420
	Financial expenses	-2.168.800	-1.589
	Profit before tax	-778.717	-16.110
3	Tax on the income or loss for the year	-975.536	749
	Net income or loss for the year	-1.754.253	-15.361
Proposal for distribution of net income:			
	Retained earnings	-1.754.253	-15.361
	Total distribution of net income	-1.754.253	-15.361

Note	Balance	2022 DKK	2021 1.000 DKK
Assets as at 31. december			
	Completed development projects	559.123	796
	Goodwill	0	193
	Intangible assets	559.123	989
	Leasehold improvements	7.424.851	10.230
	Other fixtures and fittings, tools and equipment	1.679.123	3.007
	Property, plant and equipment	9.103.974	13.237
	Receivables from group enterprises	22.376.519	15.200
	Deposits	1.429.213	1.437
	Fixed asset investments	23.805.732	16.637
	Fixed assets	33.468.829	30.863
	Trade receivables	252.759	143
	Receivables from group enterprises	5.895	0
	Deferred tax assets	0	976
	Other receivables	2.519.272	3.009
	Prepayments	1.424.203	1.701
	Receivables	4.202.129	5.829
	Cash	62.326	70
	Total current assets	4.264.455	5.898
	Total assets	37.733.284	36.762

Note	Balance	2022 DKK	2021 1.000 DKK
Liabilities and equity as at 31. december			
	Contributed capital	125.000	125
	Retained earnings	-6.987.888	-5.234
	Total equity	-6.862.888	-5.109
	Finance lease liabilities	7.533.859	719
	Other creditors	9.934.656	5.167
4	Non-current liabilities other than provisions	17.468.515	5.886
	Bank loans	13.150.669	17.840
	Prepayments received from customers	2.552.026	3.424
	Trade payables	3.088.860	3.268
	Payables to group enterprises	1.027.060	1.000
	Other payables	7.292.406	10.433
	Payables to shareholders and mangement	16.636	20
	Current payables	27.127.657	35.984
	Total payables	44.596.172	41.870
	Total liabilities and equity	37.733.284	36.762
5	Uncertainty of going concern		
6	Uncertainty connected with recognition and measurement		
7	Contingent liabilities		
8	Charges and securities		
9	Special items regarding Covid-19 compensation		

Statement in changes in equity

Equity	Contri- buted ca- pital 1.000 DKK	Retained earnings 1.000 DKK	Total 1.000 DKK
The period 1. januar - 31. december			
Equity begning of year	125	-5.234	-5.109
Profit/loss for the year	<u>0</u>	<u>-1.754</u>	<u>-1.754</u>
Equity end of year	<u>125</u>	<u>-6.988</u>	<u>-6.863</u>

Notes

1 Staff costs

Pay and remuneration	17.412.242	20.648
Pensions	165.140	326
Social security contributions and staff costs	634.737	724
Other staff costs	180.428	85
Staff costs	18.392.546	21.783

The average number of employees in the financial year is 40 (last year 45).

2 Financial income

Interest income, group enterprises	2.512.071	420
Interest income, associates	48.987	0
Financial income	2.561.057	420

3 Tax on the income or loss for the year

Adjustment of deferred tax	975.536	-749
Tax on the income or loss for the year	975.536	-749

4 Non-current payables

Outstanding after 5 years	5.119.977	3.236
---------------------------	-----------	-------

5 Uncertainty of going concern

The company's continued operations are dependent on the company's financing via bank connection, etc. can be maintained and that the funding can be expanded either by increasing the credit facilities, or by adding the necessary liquidity in other ways, as the need arises. The management has assumed that the shareholders or others by additional debt financing will provide the necessary liquidity, as the need arises, which will ensure that the company can continue its operations in the coming year. In this connection, the management has attached crucial importance to the fact that in recent years the shareholders have provided the liquidity that has been needed, and that the company's operations and earnings are expected to improve significantly.

Based on the above, the financial statements have been prepared on the assumption of the company's continued operations.

Notes

6 Uncertainty connected with recognition and measurement

The company has receivables of TDKK 22,377 from group enterprises whose equity is negative. It is the management's expectation that the equity in these companies will be reestablished via their own operations. If the reestablishment of the equity in the companies is not possible, it will affect the valuation of the company's receivables.

Receivable compensation has been recognized in relation to the schemes of TDKK 2,358. This receivables cannot be measured precisely, as adjustments have been made to the receivable based on the expectation of the Danish Business Authority's final statement and payment.

7 Contingent liabilities

The Company has entered into tenancy agreements with non-cancellable periods of 6 and 24 months respectively. The total rental obligation amounts to DKK 13.226 thousand (2021: DKK 14,667 thousand) at the balance sheet date.

The Company has guaranteed for banking arrangements of the associated company Grundlagt ApS. At 31 December 2022, the associated company had no debt.

The Company has guaranteed for banking arrangements of the group company [jo:ga] ApS. At 31 December 2022, the total bank arrangement amounted to DKK 2,181 thousand.

The Company has guaranteed for banking arrangements of the associated company KVA Invest ApS. At 31 December 2022, the associated company has no debt.

The Company has guaranteed for banking arrangements of the associated company Bang ApS. At 31 December 2022, the associated company has no debt.

The Company has guaranteed for banking arrangements of the associated company KVA Invest ApS. At 31 December 2022, the total bank agreement amounted to DKK 7 thousand.

The Company has guaranteed for banking arrangements of the associated company OurTribe GmbH.

The Company is jointly registered for VAT with the affiliated company [jo:ga] ApS. Therefore, the Company is jointly and severally liable for VAT liabilities.

The Company participates in a Danish joint taxation arrangement in which OurTribe ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation

Notes

Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

8 Charges and securities

As security for engagement with the company's bank connection and The Export and Investment Fund of Denmark, a registered company mortgage of TDKK 12,000 is registered with deposit in simple claims, trade receivables, inventories, vehicles never registered, intangible assets and property, plant and equipment and company mortgage of TDKK 888 with deposit in the compensation scheme for fixed costs.

9 Special items regarding Covid-19 compensation

In the gross profit for 2022, the company has included Covid-19 compensation from the scheme for temporary salary compensation for repatriates of TDKK 531 and from the compensation scheme for fixed costs of TDKK 2,250.

Receivables include Covid-19 compensations of TDKK 2,358.

Receivable compensation relates to compensation which the management assesses that the company is entitled to, but which has not yet been paid by the authorities.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Accounting policies

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Other operating income

Other operating income includes accounting items of a secondary nature in relation to the company's main activity. Covid-19 compensations are recognized with the part relating to the financial year when the conditions for obtaining compensation have been met and the company has applied or has planned to apply for compensation before the expiry of the application deadline..

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Other financial income

Other financial income comprises interest income as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually 5 years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated. Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5 years

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Accounting policies

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset. Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.