Forward TopCo A/S

Egegårdsvej 61, 2610 Rødovre

CVR no. 36 69 98 84

Annual report 2017

Approved at the Company's annual general meeting on 5 March 2018

Chairman:

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Contents

Management's statement

The Board of Directors and the Executive Board have today discussed and approved the annual report of Forward TopCo A/S for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Danish disclosure requirements applying to reporting class C large enterprises.

It is our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2017 and of the results of the Group's and parent company's operations and cash flow for the financial year 1 January – 31 December 2017.

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 parent company's operations and financial position.

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

Rødovre, 26 February 2018
Executive Board:

Steen Albrechtslund
CEO

Board of Directors:

Thomas Broe-Andersen Chairman	Dag Weining Herseth Lee	Kasper Sørensen
Jesper Bo Jørgensen	Henrik Bensimon Rossing	Sophie Caroline Bensimon Rossing

Independent auditor's report

To the shareholders of Forward TopCo A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Forward TopCo A/S for the financial year 1 January – 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Independent auditor's report

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the 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.

Independent auditor's report

- 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.

Copenhagen, 26 February 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Steen Skorstengaard State Authorised Public Accountant MNE no. mne19709	Ole Becker State Authorised Public Accountant MNE no. mne33732

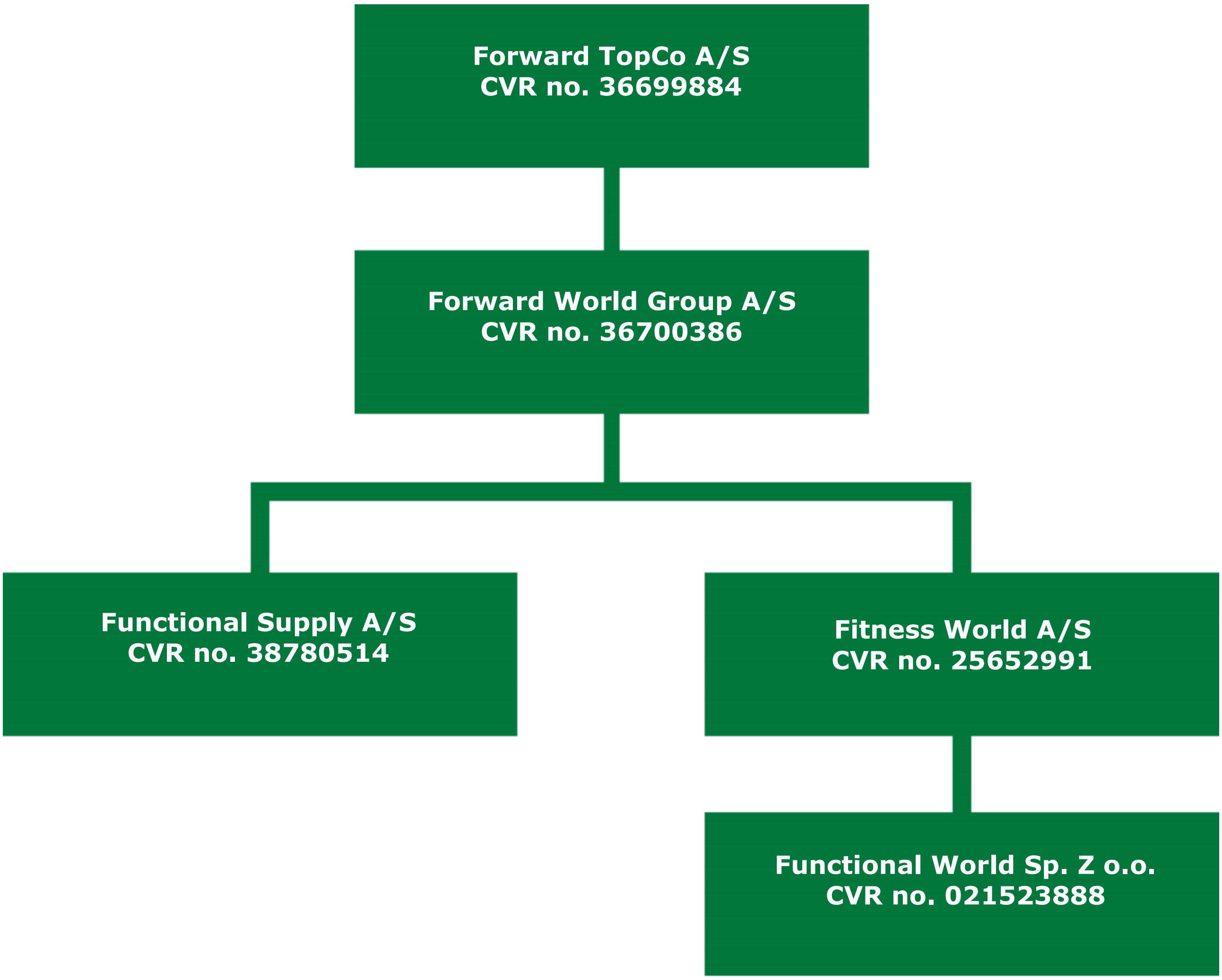
Management's review

Company details

Name	Forward TopCo A/S
Address, zip code, city	Egegårdsvej 61, 2610 Rødovre
CVR no.	36 69 98 84
Established	30 March 2015
Registered office	Copenhagen
Financial year	1 January – 31 December
Telephone	+45 88 88 76 00
Board of Directors	Thomas Broe-Andersen, Chairman Dag Weining Herseth Lee Kasper Sørensen Jesper Bo Jørgensen Henrik Bensimon Rossing Sophie Caroline Bensimon Rossing
Executive Board	Steen Albrechtslund, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, 2000 Frederiksberg

Management's review

Group chart



Management's review

Letter from the CEO

In 2017, Fitness World built on its position as Denmark's leading fitness retailer. Delivering revenue growth of 12,5% (vs. 5,1% in 2016) and members growth of 4% (20,000 members), we are providing an even larger platform for living a healthy lifestyle to more consumers in Denmark and Poland.

While strengthening our aim to increase the professionalism of people and processes and thus gear our organisation for further expansion, we were at the same time able to grow EBITDA by 1%. Progress was made to improve profitability in mature clubs, at the same time as opening 18 new clubs in 2017.

The financial result falls well within our expectations and forms a solid platform for continued growth in the years to come.

BEST-IN-CLASS MULTI-BRAND FITNESS RETAILER

In 2017, we continued transforming the Company from a fitness operator into a branded fitness and health retailer – all in line with our strategy framework "Fuel19". Our direction is still to drive profitable growth in the Danish market and, at the same time, create a strong proposition in Poland with sufficient runway for growth. Thus, our strategy remains the same.

In Denmark, we further strive towards retail excellence, both in terms of operations and in terms of creating branded environments. In 2017, we introduced a new interior design concept that will, over time, be applied to all new clubs under the Fitness World brand and clubs due for renovation. The design underlines the Danish heritage of the brand and enhances our members' training experience. 2017 was also the year when we stepped up efforts in the digital area. We rolled out our Bodytracker, which enables our members to track their progress in terms of muscle mass, weight, body fat percentage, BMI and so on, for free. Currently, 60,000 members use the Bodytracker regularly. Towards the end of the year, we also updated our app with a wide range of digital training programmes tailored to individual needs. After only 10 days, we had more than 50,000 members following a tailored programme. At the same time as providing an even better product, service and experience, we are also able to collect valuable insights into the dynamics of our members, enabling us to create even better services.

URBAN GYM BRAND

Urban Gym was introduced in 2016 as a value flanker brand in the growing low-price, high-volume segment. With an entirely new facility proposition (no showers, no staff, but quality equipment) to ensure a competitive price point and groundbreaking interior design, we targeted a large market segment of younger and more price sensitive fitness consumers. We are ahead of our estimate in terms of number of members, and clubs are ramping up better than estimated. With our multi-brand approach, we will be able to cover the various fitness clusters in Denmark more efficiently and further spur growth in our home market.

Poland

In Poland, we had like-for-like member growth of 52% vs. 2016, while continuing to further fine-tune our brand (Polish consumers resonate well with and aspire to the Scandinavian lifestyle), calibrate the product to the local market and consumer dynamics, and improve profitability in 2017.

Outlook

In 2018, the overall market outlook remains positive, both in the Danish and Polish markets. Fitness penetration levels will continue to grow, albeit at a slower rate in Denmark given the market's maturity. We expect to expand our position in the home market while creating a strong platform for growth outside Denmark, and therefore remain on course to become a leading multi-brand and multi-market fitness retailer.

I would like to thank our passionate employees for their contribution to a great result in 2017. In addition, we appreciate the strong cooperation of our suppliers and investors and, last but not least, our loyal members for continuing to support our brands and services.

Kind regards,
Steen Albrechtslund

CEO

Management's review

Financial highlights for the Group

DKK'000	2017	2016	2016 (12 months Proforma**)	2015 (7 months*)
Key figures				
Revenue	1,242,283	1,103,972	1,050,915	611,283
Gross profit	552,531	497,403	470,391	262,538
EBITDA, before special items	254,449	226,824	218,484	114,341
EBITDA	223,150	226,824	218,484	114,341
Ordinary operating profit/loss	-15,087	25,579	-	-27,794
Loss from financial income and expenses	-44,791	-48,929	-	-30,338
Loss for the year	-54,898	-21,447	-	-54,694
Total assets	1,760,277	1,838,813	-	1,997,993
Investment in property, plant and equipment	116,565	84,639	-	86,453
Equity	649,440	698,188	698,188	723,129
Cash flow from operating activities	170,753	87,085	87,539	172,043
Cash flow from investing activities	-94,238	-76,269	-76,722	-1,384,146
Cash flow from financing activities	-73,233	-69,772	-69,773	-1,322,938
Total cash flows	55,661	52,379	-58,956	110,835
Financial ratios				
Gross margin	44.5 %	45.1 %	44.8 %	43.1 %
Solvency ratio	36.9 %	38.0 %	-	36.2 %
Average number of full-time employees	963	892	-	898

*) Including seven-month operations

**)Proforma figures are based on consolidated figures for Fitness World A/S for the year 2015, including expenses in Fitness World Group A/S.

For terms and definitions, please see the accounting policies.

Management's review

Mission and strategy

Based on a strong home market position, Fitness World's goal is to be one of Europe's five largest fitness operators. We intend to achieve this by providing as many people as possible with the opportunity to live a healthier life through fitness, at a price that is accessible to all.

Better health for all is our mission

Fitness World plays an integral part in improving the nation's health in Denmark. We are mindful and aware of our public health responsibility, with around 460,000 members, which is equal to more than 10% of the Danish population over the age of 15. With our 168 clubs in prime locations across Denmark, we have a strong market position.

Good health for all is our reason for existing, and "for all" is a critical democratic component of our set of values and very descriptive of the way we see ourselves. We were founded to enable as many people as possible from all walks of life to live a healthier lifestyle through fitness training and thus actively contribute to a society that is healthier in mind and body.

Fitness World is committed to being the number one provider of a "healthy life for all" in Denmark and to expanding internationally by taking advantage of our extensive fitness knowledge built up over the years. The ability to adapt quickly to market changes is a critical success factor for Fitness World and, with the Company's strong brand portfolio and solid membership base in Denmark and Poland, Fitness World is determined to continue to grow.

Strategy: Fuel19

Combining more than 10 years' experience with a clear strategy, the course is set for Fitness World. Fitness World's growth strategy, Fuel19, was launched in 2016 with a strategic priority to ensure profitable growth in the Danish home market and secure a winning proposition abroad. Clearly defined targets for 2019 have been implemented throughout the organisation. Supporting strategic initiatives are identified continuously, most recently in September 2017, including:

- INTENSIFIED GROWTH OF GROUP FITNESS: this is at the core of Fitness World's value proposition

- INTENSIFIED GROWTH OF PERSONAL TRAINING: we have significantly improved our personal training business; however, there is an additional opportunity in the growing market for personal training, as demonstrated by our Scandinavian competitors

- ENSURING STRONG PROFITABILITY IN POLAND: demonstrating our ability to establish a strong market presence in the cities we target, driving value in the lower-end segment

Multi-pronged growth potential
The fitness industry has seen rapid growth in the past 10 years and is expected to continue growing in the years to come, driven by strong awareness of and interest in health as well as demographics, urbanisation and niche formats.

The projected volume for the fitness user segments indicates growth in the age brackets 26-35, 56-65 and 66+ between 2017 and 2015, generating and opportunity for additional growth for Fitness World.

- Dedicated focus
- Strong market position
- Large and growing client base
- In-depth fitness expertise
- Solid business model

Management's review

In a constantly evolving industry where new training concepts and supplementary technologies are emerging, Fitness World is uniquely positioned to develop and capitalise on these trends, both in our Danish home market and abroad.

Urban Gym – The Successful low-cost Fitness brand in Denmark

In September 2016, Fitness World launched the first five Urban Gym clubs in Copenhagen (2), Odense, Aarhus and Viborg as a strategic growth initiative targeted at cost-conscious and self-reliant fitness consumers. In 2017, we added another five Urban Gym clubs in Copenhagen, Kolding, Vejle, Herning and Aalborg, bringing the total to 10 clubs.

To create a new low-cost fitness brand, we removed the manned reception desk, shower facilities and fitness classes, which were services that our cost-conscious consumers did not use anyway. Do less, but do it well is our mantra. Urban Gym is the smart choice for this consumer segment.

We have built a 100% digital concept based on selling memberships via online e-commerce and in-club self service only via a branded app. Inspired by a global urban fitness lifestyle, all Urban Gym clubs have been created with an innovative, new design and high-quality equipment.

Nine of the existing Urban Gym locations are former Fitness World clubs that were renovated and converted to the Urban Gym concept. We will continue to work on optimising the Urban Gym cost structure and expect to improve profitability. In 2017, membership grew from about 8,000 to more than 20,000. A milestone during the year was the first club achieving a membership base of more than 3,000 members.

We will continue to expand the reach of Urban Gym and have great expectations for the future roll-out of the concept, as the low-cost fitness segment continues to be the fastest growing in Europe.

Financial Performance

Our financial results for 2017 showed strong earnings, and we were able to increase our EBITDA margin before special items despite significant continued investments in growing a new low-price brand in Denmark and expanding our business in Poland.

2018 will be a year of sustained investments in new fitness clubs and upgrading our existing Fitness World clubs.

Income statement

Revenue

Revenue was DKK 1,242 million, against revenue of DKK 1,104 million in 2016, an increase of DKK 138 million or a growth of 12.5%.

The increased revenue came from a combination of the increased membership base and higher average revenue per unit. The increased revenue is in line with the expectations for the year.

Sale of goods and sales from personal training services amounted to DKK 131 million, against DKK 99 million in 2016, an increase of DKK 32 million or 32%, driven by a sharper focus on personal training and expanding the product portfolio and the introduction of "Functional", our own brand of shakes and energy bars.

Gross profit

The gross profit amounted to DKK 553 million, against DKK 498 million in 2016, an increase of DKK 55 million equivalent to an increase of 11%. The gross margin was 44.5% in 2017, against 45.1% in 2016. Average revenue per unit was up compared to 2016, and increased capacity utilisation of our clubs due to the increased membership base had a positive impact on margins, offset partly by an adverse country mix due to expanding our business in Poland and partly by introducing our low-price brand, Urban Gym.

EBITDA before special items

EBITDA before special items amounted to DKK 254 million (equivalent to an EBITDA margin before special items of 20.5%), against an EBITDA before special items of DKK 227 million (equivalent to an EBITDA margin before special items of 20.5%) in 2016.

Management's review

The increase in EBITDA before special items was due to higher average revenue per unit and the increased membership base. Advertising expenses were higher than in 2016, mainly as a result of growing a new brand in Denmark and the roll-out of Fitness World in Poland.

The increased EBTIDA before special items is in line with the expectations for the year.

Special items included in EBITDA

2017 brought negative special items amounted to DKK 31 million, mainly due to significant reorganisation costs, both in Finance and IT. Some of these costs will continue into 2018, but at a lower level.

Operating result (EBIT)

Operating loss was DKK 15 million in 2017, against a profit in 2016 of DKK 26 million. The result was negatively impacted by both special items recognised in the year and the change in estimate for depreciation of leasehold improvements (DKK 25 million).

Excluding the change in estimate for leasehold improvements, the operating profit is in line with the expectations.

Financial items

Net financials totalled DKK -45 million in 2017, against DKK -49 million in 2016. Besides interest expenses and foreign exchange adjustments, the figure includes amortisation of borrowing costs and payments for an unused committed credit facility.

Taxation

Tax for 2017 was an income of DKK 5 million, against an income of DKK 2 million in 2016.

Operating activities

Cash flow from operating activities amounted to DKK 171 million against DKK 87 million in 2016. The increased cash flow from operating activities was mainly impacted by the change in net working capital.

Investing activities

Net investments of DKK 94 million were made during 2017, against net investments of DKK 76 million in 2016. Investments was mainly related to establishment of new clubs in both Denmark and Poland, and investments in IT. The investments are largely in line with the expectations for the year.

Free cash Flow

Free cash flow amounted to DKK 76 million, an increase of DKK 66 million. Free cash flow was positively impacted by the positive change in net working capital, partly offset by higher investments.

New subsidiary of Fitness World Group

In 2017, Fitness World Group established a new 100% owned subsidiary: Functional Supply A/S. The purpose of this entity is to develop tasty and functional sports products and dietary supplements, mainly for the fitness industry.

Balance sheet

The balance sheet total at 31 December 2017 was DKK 1,760 million, against DKK 1,839 million at year-end 2016. The decrease in the balance sheet is mainly impacted by amortisation of intangible assets and the change in accounting estimate for leasehold improvements, which provided additional depreciations in 2017 compared to 2016. Operating working capital was impacted by increased trade payables mainly reflected by a higher level of activity and changed payment terms.

Investing

Cash flow used for investing activities amounted to DKK 94 million in 2017, which was in line with the expected level for 2017. Investments were mainly driven by investments in new club openings and investments in existing clubs due to refurbishment. Furthermore, investments were made for software development etc.

Financing

Net interest-bearing debt ended at DKK 772 million at 31 December 2017, against DKK 811 million in 2016, a decrease in net interest-bearing debt of DKK 39 million. The decrease in the net interest-bearing debt was mainly impacted by ordinary repayment of instalment related to the senior debt Facility A agreement.

Fitness World will continue to be dependent on debt financing in the coming years. Maintenance of the committed credit facility is conditional upon compliance with a number of financial covenants.

Equity

Equity ended at DKK 649 million at 31 December 2017 compared to an equity of DKK 698 million in 2016, a decline of DKK 51 million, of which approx. DKK 25m are due to change in depreciation on leasehold improvements.

Events after the balance sheet date

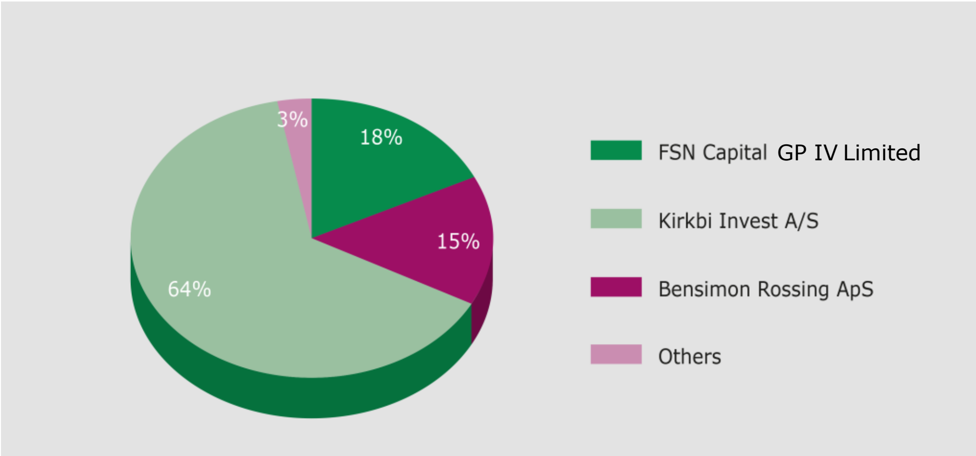
After the balance sheet date until todays date, no subsequent event had occurred, which could influence the evaluation of this annual report.

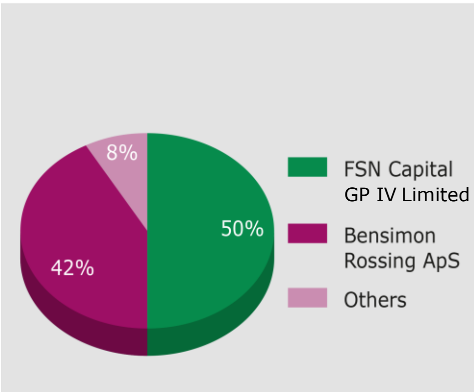
Management's review

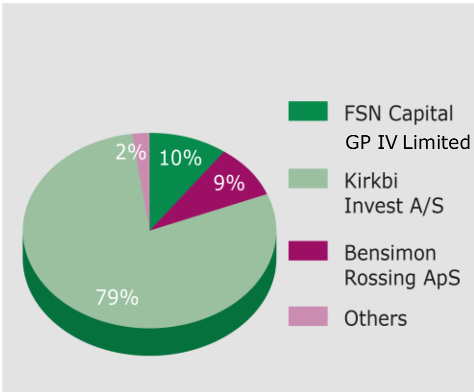
Ownership Structure

During 2017, the current shareholders FSN Capital GP IV Limited and Bensimon Rossing ApS sold 64% of their shares in Forward TopCo A/S to Kirkbi Invest A/S; however, control of the Group is unchanged.

Forward TopCo A/S has common stock A shares (157,933,850) and preferred stock B shares (627,119,200). Only the common stock of A shares has voting rights.







Outlook for 2018
The financial results are expected to continue to improve in 2018

Investments excluding acquisitions and divestments are expected to be in the region of DKK 130 million.

The expectations for Fitness World's financial performance in 2018 are based on the following specific assumptions:

- Exchange rates, primarily for USD, EUR and PLN, hold at their mid-May 2017 levels.
- Member levels continue to rise
- Price competition remains unchanged
- General developments in the fitness markets where we operate continue as expected

Management's review

Risk management

Risk management is an ongoing process at Fitness World, involving the identification of risks and an assessment of their potential impact on earnings and equity. We aim to mitigate identified risks through internal business procedures, insurance and/or follow-up. Procedures, guidelines and various control systems have been developed to monitor and mitigate the risks identified, ensuring optimal management of all key risks.

Fitness World uses long-term scenarios as part of an annual evaluation of opportunities for and barriers to future growth - conducted during the strategy process. The scenarios are used to evaluate the impact of major decisions and the potential impact of major risks.

The Board of Directors has ultimate responsibility for the Group's risk management process and establishes the overall framework for it, whereas the duty to monitor compliance with policies has been delegated to the CFO.

Risk	Scenario	Probability	Impact factor	Action
Market	With significant operational gearing and fixed costs, demand has a noticeable effect on Fitness World's financial performance. Developments in the local economy and especially the consumer sector, as well as political initiatives such as taxes or VAT deductions targeting the fitness industry, have a significant direct and indirect impact on Fitness World.	High	High	Monitoring economic and political developments in the two markets, Denmark and Poland, and effective sales follow-up on a weekly basis.
Revenue	Numerous factors could lead to a decline in existing membership levels or prevent us from increasing membership levels, including competition from other gym operators and other health and fitness club operators in the locations in which we already operate our clubs or would like to open new clubs, harm to our reputation or brand and failure to deliver high-quality services at a competitive cost.	Medium	Medium/ high	Monitoring competitors to the extent possible. Strong market visibility to maintain market position. Price monitoring in the two markets.
Brand value	Our success depends in large part upon our ability to maintain and enhance the value of our brand and our members' and the public's connection to our brand.	High	Medium	Maintaining, promoting and positioning our brand.
Interest & foreign exchange rates	Fitness World's earnings are in DKK and PLN, while its borrowings are in DKK. Any developments in the financial markets, especially interest rate rises, could have a significant impact on Fitness World.	High	Medium/ high	Exchange and interest rate risks are mitigated under established policies and are subject to ongoing follow-up and reporting. Fitness World does not hedge currency exposure, but tries to match assets and liabilities within the country when possible.
Capital structure & cash flow	Net interest-bearing debt amounted to DKK 773 million at the end of 2017, and Fitness World will remain dependent on external financing in the future.	Low	High	The current bank agreement has a credit facility of DKK 875 million. The bank can terminate the facility prematurely if Fitness World fails to meet certain financial covenants. In 2017, there was no breach of the financial covenants.
Contractors	We rely on third-party contractors and suppliers for various aspects of our business, including provision and servicing of fitness equipment, member payment processing, certain IT services and certain marketing functions.	Medium	Low	We have strengthened our control environment around our contractors and we have been implementing new software systems that should limit this risk.

Management's review

Corporate Governance

Fitness World has defined corporate governance as responsible and efficient management to the benefit of Fitness World's members and the surrounding world.

The Board of Directors is responsible for ensuring the overall strategic management and for making sure that the financial and managerial control of the Company is conducted adequately.

The Board of Directors consists of 6 members:

- Thomas Broe-Andersen, Chairman
- Kasper Sørensen
- Dag Weining Herseth Lee
- Jesper Bo Jørgensen
- Henrik Bensimon Rossing
- Sophie Caroline Bensimon Rossing

Executive board and Group management

Management is responsible for the day-to-day operation of Fitness World. The management level consists of CEO Steen Albrechtslund (Executive Board) and six heads of departments (Group Management).

In 2017, several organisational initiatives were decided to strengthen the overall management of Fitness World. The Management Group was extended by employing Allan Kristiansen as COO, and Klaus Neess as Country manager in Poland. A full overview of group management can be found on page 20-21.

At the end of 2017, the total number of employees was approximately 4,500. It is crucial that Fitness World is able to attract and retain qualified employees.

Diversity

The Company aims to appoint candidates with the best profiles and qualifications. In so doing, the Company takes gender into consideration only after ensuring that its other recruitment criteria, including requirements relating to professional qualifications, industry experience and educational background, have been met, as its most important consideration is to ensure that its board members and top executives have the right profiles.

The Company pursues the aim of having one female member of the Board of Directors. Since 2016, the Company have one female member of the Board of Directors. Fitness World has a policy to offer all employees equal opportunities and aims for a more equal distribution of gender among employees in leadership positions. Fitness World will, in the future, in connection with the recruitment of managers, focus on gender equality if there are qualified applicants. But, Fitness World does not compromise on qualifications and will continue to employ the most qualified candidate regardless of gender, political, religious, or personal orientation.

The Company also intends to increase the proportion of women in Group Management as well as in general management, so that this reflects the proportion of women employed by Fitness World, which is 62%. In 2017, the general management comprised 37% men and 63% women (including fitness club managers).

Risk management

The Board of Directors has the overall responsibility of ensuring that Fitness World maintains appropriate procedures to monitor, measure and manage the Company's risks and that such procedures are firmly embedded in the Company's organisation. A general description of risks is provided in the section "Risk Management" on page 15.

Management’s review

Capital structure and dividend

The Board regularly assesses whether the Company's capital structure is in line with the interests of the Company and its stakeholders. The overall objective is to ensure a capital structure that supports long-term profitable growth.

The Company's capital is divided into 15,701 shares with a nominal value of DKK 0.02. FSN Capital has control over the Company through its parent company, FSN Capital GP IV Limited.

The Board of Directors proposes to the Annual General Meeting that no dividend be declared in respect of the financial year 2017 and that the consolidated loss of DKK 55 million be transferred to retained earnings.

Corporate Social Responsibility

Fitness World considers corporate social responsibility to be important. Fitness World’s commitment to the sustainable development of the Company is based on combining financial performance with socially responsible behaviour and environmental awareness.

In 2017, Fitness World focused in particular on minimising its consumption of water and energy. As a result, costs were reduced in a number of areas, and the environmental impact was also reduced.

Fitness World does not have an explicit CSR policy including human rights, environment and climate but aims to maintain and enhance its professional and commercial relations with internal and external stakeholders based on mutual respect. Fitness World endeavours to comply with applicable local and international legislation.

Fitness World is also very aware of the risks of corruption, but since the Company operates in mature markets, a separate anti-corruption policy is not compiled.

See FSN Capital's website, www.fsncapital.com, for a detailed description of social responsibility and ethical guidelines.

Environment, Social and Governance (ESG)

ESG impacts through the value chain

Fitness Worlds main social impact centres around the health benefits of living an active lifestyle via fitness training. With almost 456,000 members in Denmark (15% of the total population between 15 and 60 years of age) and 25,000,000 annual visits, Fitness World is a major contributor to public health and lifetime expectancy in Denmark.

The use of heavy weights in plate loading, free weight and weight stack machines in our clubs expose us for safety around members and employees.

The main environmental impact relates to the use of chemicals in leather tanneries and other parts manufacturing in China (colour plating of metals) for final assembly of fitness equipment in USA and Italy.

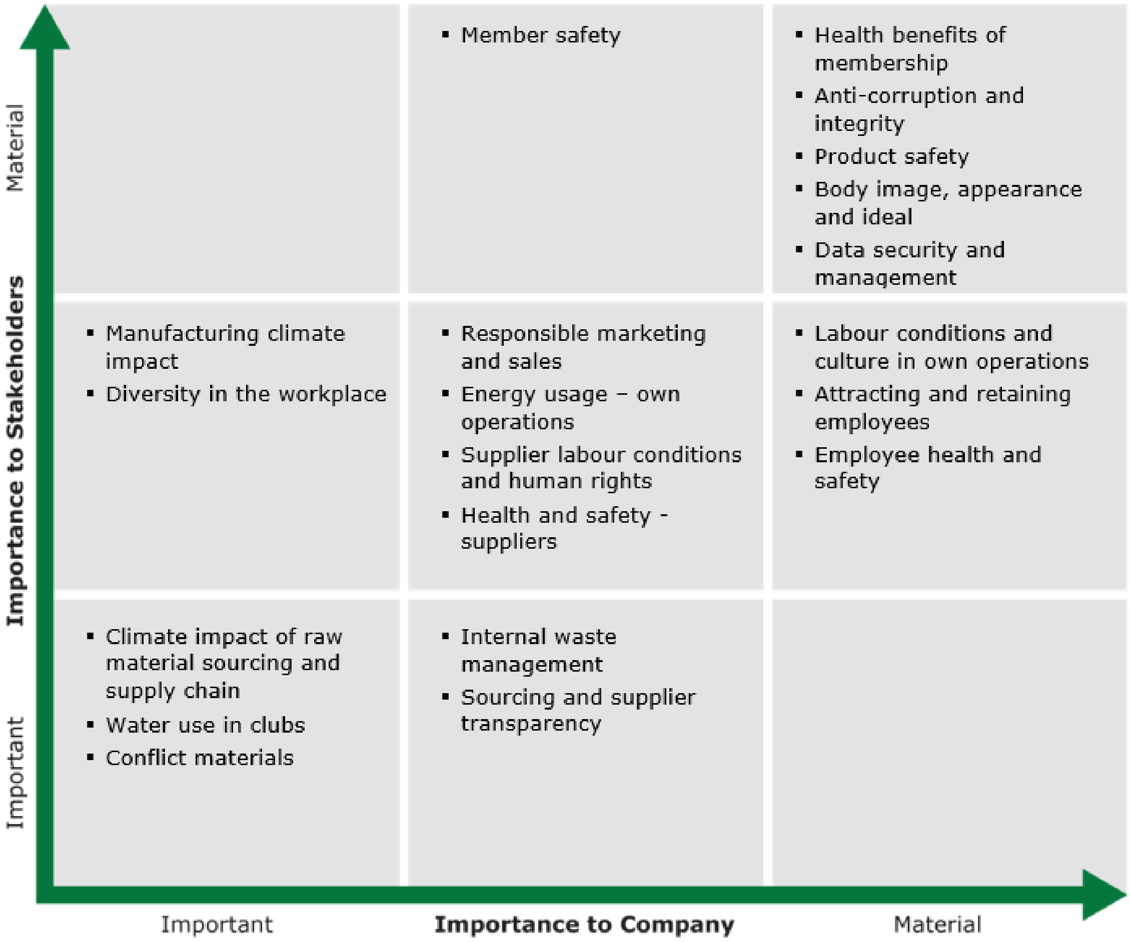
Management's review

ESG RISKS AND OPPORTUNITIES

The fitness industry has had some tailwind in the last 10-15 years. In Europe alone, close to 60 million people are doing fitness activities on a regular basis in one of 55,000 fitness clubs. In 2017, it is estimated that gym membership grew by 4% in Europe. From being a "body temple" for a specific group of people who wanted to look strong and muscular, fitness has become mainstream for living an active lifestyle outside of traditional sports clubs. Given our more than 55% market share in Denmark, we are mindful of the role we play in terms of promoting natural self-confidence and working against abnormal body image. Therefore, we also have a zero-tolerance policy regarding illegal substances in our clubs and work closely with ADD (Anti-Doping Denmark) to proactively campaign against the use of doping by all shapes and sizes, both on and off site.

The fitness industry is currently transforming into a professional retail business with larger chain structures. However, there are still throwbacks to the traditional one-man fitness club management, with inadequate focus on governance and timely professionalism. As Fitness World continues to grow via bolt-on acquisitions, we also have to safeguard our integrity and swiftly institutionalise acquisitions.

With 456,000+ members and terabytes of personal data, including credit card information, in our hands, we naturally set standards for how we handle data security and comply with the EU GDPR regulation.



Management's review

Company ESG performance 2017

KEY ESG GOALS	EFFORTS 2017	PERFORMANCE	AMBITIONS 2018
1. Empower healthy bodies and minds	• We introduced a new communication platform called "Be good to yourself" distancing us from earlier creative platforms portraying almost unattainable aesthetics. • Optimizing our equipment configuration to avoid bottlenecks in the cardio area • Introducing 7 new class concepts totaling +80 different class concepts • 32,000 additional PT-sessions • Number of anti doping raids up in our clubs by 10 %. • Launch of a virtual training program in our app to guide members to do the right training based on their qualifications and needs	+20,000 new members + 2,200.000 more visits in our clubs totaling 25.8 million visits Member satisfaction up by 6 points from 174 in 2016 to 181 (Maze score)	Introduce a health fund called "Sundhedshjælpen" (Health-help) to underline our pledge to improve public health in Denmark Maze score of 190 Consider new concept to attract even more consumed to live an active life style Add 20.000 new members and 1.5 million extra visits
2. Motivated, safe and satisfied employees	• Creating a new go2market structure adding more management power in regions and districts = closer to club personnel • Launch of FW Learningbank • Roll out our company value program "Sundhed for alle" (Health for all) • Introduction of BI to build performance transparency • Salary levels to match market benchmarks	Employee turnover rate down from 37% in 2015 to 18% in 2017 Sick rate down from 1H to 2H 2017 by over 50% NPS score of 3% (in the upper level on similar retail/service companies)	Employee turnover rate from 18% down to below 15% Employees will continue to build our e-learning platform FW learningbank Sick days reduction by 10% in HQ and by 20% in field NPS score of 15%
3. Safe and inviting gyms	• ISE app introduction. In Store Excellence review of all clubs in a 3-week loop via an app that will feed results into a dashboard. The review includes hygienic standards, cleaning standards, equipment maintenance standards, VAS merchandising standards etc. All in all more than 130 review of 90 various criteria • Launch of a virtual training program on our app with videos to guide members to do the exercises in a safe manner • We have in 2017 documented 500 operational procedures in a cloud-based system (Gluu)	Member satisfaction up by 6 points from 174 in 2016 to 181 (Maze score) or 4% ISE score up by 5 pp in 2H 2017 from 79 to 84	Maze score of 190 New system for tickets to our technical support and maintenance team (Dalux) ISE score up from 84 to 87 Service days from technical team down from 5 to 4 days
4. Responsible management and business integrity	• Whistleblowing established • Supplier code of conduct • GDPR program initiated • Authorization policy implemented • A wide range of policies formulated and implemented	Club Manager termination due to fraudulent behaviour reduced from 10 to 5 in 2017	Anti corruption training Supplier code of conduct signed Supplier audits twice a year Terminations due to fraudulent behavior reduced to 0

Executive Board and Group Management

Strengthening the leadership at Fitness World was a high priority in 2017.

Executive Board

Steen Albrechtslund

CEO, position held since October 2015

Born: 1965

Work experience: Senior Vice President at Fossil Inc., APAC (2012-2015), Group Managing Director at Skagen Designs (2007-2012), Commercial Director at Carlsberg Breweries (1995-2007).

Board memberships: Performance Group Scandinavia A/S, Forward TopCo A/S, Pilgrim A/S, PILGRIM EXPORT ApS, Det rytmiske musikhus' fond, Tali Metals.

Group Management

Niels Eldrup Meidahl

CFO, position held since January 2017

Born: 1973

Educational background: M.Sc. in Finance and Accounting from the University of Southern Denmark and LL.M. (Master of Laws) from the University of Copenhagen.

Work experience: CFO positions at Saint-Gobain Distribution Denmark (2014-2016), H+H International A/S (2009-2014), DSV Miljø A/S (2006-2009) and a position as Investor Relations manager at Novozymes A/S (2002-2006).

Board memberships: Frandsen EL A/S (Chairman), Soundear A/S (Chairman), Fitness World Group A/S, DanWEEE Recycling A/S.

Rikke Sigdal

Business Development Director, position held since December 2016

Born: 1980

Educational background: M.Sc. in Economics and Business Administration from Copenhagen Business School.

Work experience: Principal Consultant at PA Consulting Group (2011-2016), Strategy Consultant at IBM (2007-2011).

Philip Philipson

CMO, position held since June 2016

Born: 1969

Educational background: M.Sc. in Marketing and Commercial Law from Copenhagen Business School.

Work experience: Marketing Director at Boxer TV A/S (2011-2016), Nordic Marketing Manager at Coca-Cola (2001-2011), Digital & CRM Manager at Mercedes-Benz DK/SE (1999-2001).

Board memberships: Functional Supply A/S.

Lars Frødstrup

Value Added Sales Director, position held since April 2016

Born: 1984

Educational background: Copenhagen Business School.

Work experience: Business & Sales Manager at Red Bull (2015-2016), Samsung Electronics (2012-2015), Mondelēz International (2011-2012) and Innocent Drinks (2009-2011), Sales & Marketing at Toms Confectionery Group (2005-2009).

Gitte Glentborg Ingwersen

HR Director, position held since September 2015

Born: 1975

Educational background: Academy Profession in Human Resources from Business Academy Aarhus – a part of Aarhus Business School.

Work experience: HR coordinator at Fitness World (2009-2015), Club Manager and HR assistant at Equinox Fitness (2006-2009).

Allan Kristiansen

COO, position held since July 2017

Born: 1965

Educational background: Candidate from Copenhagen Business School – Economics and logistics

Work experience:
Facility Director at Saint Gobain (2010-2017), Logistic Director at Optimera (2008-2010), Logistic Director at Dalhoff, Larsen & Hornemann (2002-2008), Scandinavian Logistic Manager at L'Oréal (1998-2002), Logistic Manager at Widex (1994-1998), Trader at Statoil (1991-1994).

Klaus Ness

Country Manager Poland, position held since April 2017

Born: 1971

Educational background: Market Economist specialising in International Marketing (for consistency, it needs say where and what he studied (establishment and qualifications), like for the previous directors]

Work experience: 21 years as Executive Assistant at Dansk Supermarked Group and Manager and Director positions in Denmark, Sweden, the UK and Poland.

Consolidated financial statements 1 January – 31 December

Consolidated income statement

Note	DKK'000	2017	2016
1	**Revenue**	**1,242,283**	**1,103,972**
	Cost of sales	-77,133	-59,147
3	Other external costs	-612,619	-547,422
	Gross profit	**552,531**	**497,403**
2	Employee expenses	-301,368	-268,034
4	Amortisation, depreciation and impairment	-238,237	-201,245
	Other operating income	3,286	1,754
	Other operating expenses	-	-4,299
	Operating profit before special items	**16,212**	**25,579**
5	Special items	-31,299	-
	Operating profit/loss	**-15,087**	**25,579**
6	Finance income	1,153	20
7	Finance costs	-45,944	-48.949
	Loss before tax	**-59,878**	**-23,350**
8	Income tax	4,980	1,903
	Loss for the year	**-54,898**	**-21,447**
	Attributable to:		
	Shareholders of the parent	-54,898	-21,447
		-54,898	**-21,447**

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

Note	DKK'000	2017	2016
	Loss for the year	**-54,898**	**-21,447**
	Other comprehensive income		
	Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
	Exchange differences in translation of foreign entities	622	-381
	Net gain/loss on cash flow hedges	3,056	-3,861
8	Income tax	-673	748
	Other comprehensive income/(loss) for the year, net of tax	**3,005**	**-3,494**
	Total comprehensive income for the year, net of tax	**-51,893**	**-24,941**
	Attributable to:		
	Shareholders of the parent	-51,893	-24,941
		-51,893	**-24,941**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated financial statements 1 January – 31 December

Consolidated balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Non-current assets		
10	Intangible assets	1,099,387	1,166,146
12	Property, plant and equipment	439,835	476,627
14	Trade receivables, non-current	5,532	-
	Other receivables, non-current	43,804	40,081
	Total non-current assets	**1,588,558**	**1,682,854**
	Current assets		
13	Inventories	21,821	18,276
14	Trade receivables	22,728	23,465
	Income tax receivable	-	10
	Other receivables	60,862	54,483
	Prepayments	10,647	7,346
15	Cash	55,661	52,379
	Total current assets	**171,719**	**155,959**
	TOTAL ASSETS	**1,760,277**	**1,838,813**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated financial statements 1 January – 31 December

Consolidated balance sheet

Note	DKK'000	2017	2016
	LIABILITIES		
	Equity		
26	Share capital	15,701	15,660
	Hedging reserve	-5,907	-8,290
	Foreign exchange reserve	241	-381
	Retained earnings	639,405	691,199
	Total equity	**649,440**	**698,188**
	Non-current liabilities		
9	Deferred tax liabilities	34,165	51,681
19	Credit institutions	748,315	794,109
16	Provisions	16,067	15,500
	Total non-current liabilities	**798,547**	**861,807**
	Current liabilities		
19	Credit institutions	79,349	68,874
	Trade payables	72,707	46,117
16	Provisions	62,602	73,520
	Income tax payable	11,484	20,095
	Other liabilities	60,760	49,944
	Deferred income	25,388	20,268
	Total current liabilities	**312,290**	**278,818**
	TOTAL LIABILITIES	**1,760,277**	**1,838,813**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated financial statements 1 January – 31 December

Consolidated statement of changes in equity

DKK'000	Issued capital	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
Equity 1 January 2017	15,660	-8,290	-381	691,199	698,188
Loss for the year	-	-	-	-54,898	-54,898
Other comprehensive income					
Foreign currency translation of foreign entities	-	-	622	-	622
Value adjustment of hedging instruments	-	3,056	-	-	3,056
Tax of other comprehensive income	-	-673	-	-	-673
Total other comprehensive income	-	2,383	622	-	3,005
Total comprehensive income for the year	-	2,383	622	-54,898	51,893
Transactions with owners					
Capital increase	41	-	-	3,104	3,145
Equity 31 December 2017	**15,701**	**-5,907**	**241**	**639,405**	**649,440**

DKK'000	Issued capital	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
Equity 1 January 2016	15,660	-5,177	-	712,646	723,129
Loss for the year	-	-	-	-21,447	-21,447
Other comprehensive income					
Foreign currency translation of foreign entities	-	-	-381	-	-381
Value adjustment of hedging instruments	-	-3,861	-	-	-3,861
Tax of other comprehensive income	-	748	-	-	748
Total other comprehensive income	-	-3,113	-381	-	-3,494
Total comprehensive income for the year	-	-3,113	-381	-21,447	-24,941
Equity 31 December 2016	**15,660**	**-8,290**	**-381**	**691,199**	**698,188**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated financial statements 1 January – 31 December

Consolidated cash flow statement

Note	DKK'000	2017	2016
	Loss for the year	-54,898	-21,447
17	Adjustments for non-cash transactions	268,182	284,467
	Financial expenses paid	-37,915	-49,414
	Income tax paid	-21,818	-49,440
	Cash flow from operating activities before changes in working capital	153,551	-164,166
18	Change in net working capital	17,201	-77,081
	Cash flow from operating activities	**170,753**	**87,085**
	Purchase of intangible assets	-16,755	-
	Purchase of property plant and equipment	-77,282	-63,931
	Proceeds from disposal of property, plant, and equipment	659	916
	Acquisition of activities	-	-14,279
	Change in rental deposits	-860	1,025
	Cash flow from investing activities	**-94,238**	**-76,269**
	Free cash flow	**76,422**	**10,816**
	Repayment of long-term debt	-50,000	-35,000
	Repayment of financial lease	-26,378	-34,771
	Capital increase	3,145	-
	Cash flow from financing activities	**-73,233**	**-69,772**
	Cash flow for the year	**3,282**	**-58,956**
15	Cash at 1 January	52,379	111,335
	Cash 31 December	**55,661**	**52,379**

The above consolidated cash flow statement should be read in conjunction with the accompanying notes. The above cash flow statement cannot be derived directly from the income statement and the balance sheet.

Notes to the consolidated financial statements

Consolidated financial statements 1 January – 31 December

Notes

	DKK'000	2017	2016
1	**Revenue**		
	Revenues from subscriptions	1,111,669	1,005,058
	Sales of goods	103,518	83,182
	Sale of personal training services	27,096	15,732
		1,242,283	1,103,972
2	**Employee expenses**		
	Wages and salaries	276,319	248,008
	Pensions, defined contribution plans	18,622	14,487
	Other expenses for social security	6,427	5,539
		301,368	268,034
	Average number of full-time employees	963	892
	Remuneration to the Executive Board and the Board of Directors		
	Wages and salaries	4,008	4,078
	Pensions, defined contribution plans	-	-
		4,008	4,078
	Key management personnel		
	Wages and salaries	8,832	8,129
	Pensions, defined contribution plans	-	-
		8,832	8,129

Key management personnel comprise the CFO, Business Development Director, COO, CMO, Value added sales Director, Country Manager Poland, and HR Director.

The Executive Board and key management personnel are eligible for bonuses, depending on result of operations and personal KPI's.

		2017	2016
3	**Fees paid to auditors appointed at the annual general meeting**		
	Statutory audit	701	636
	Other assurance services	44	0
	Tax and VAT advisory services	88	1,015
	Other services	728	1,016
		1,561	2,667
4	**Amortisation and depreciation**		
	Amortisation of intangible assets	84,731	84,038
	Depreciation of property, plant and equipment	153,506	117,207
		238,237	201,245

Depreciation of property, plant and equipment has increased in 2017 due to the change in depreciation period for leasehold improvements from 10 years to 8 years, ref. to note 28.

Consolidated financial statements 1 January – 31 December

Notes

DKK'000		2017	2016
5	**Special items**		
	Deferred obligation related to rents	12,760	-
	Deferred invoice handling fee	2,866	-
	Other external assistance	15,673	-
		31,299	-

		2017	2016
6	**Finance income**		
	Interest income	2	20
	Total interest income from receivables measured at amortised cost	2	20
	Currency gain, net	1,151	-
	Total finance income	**1,153**	**20**

		2017	2016
7	**Finance costs**		
	Interest on debts and borrowings, etc.	41,468	44,377
	Amortisation of borrowing costs	4,476	4,476
	Total interest expense on debts and borrowings at amortised cost	45,944	48,853
	Currency loss, net	-	96
	Total finance costs	**45,944**	**48,949**

8 Income tax

The major components of income tax for the year ended 31 December:

Consolidated income statement

DKK'000	2017	2016
Current income tax:		
Current income tax charge	-15,322	-29,190
Prior year adjustment to income tax charges	2,787	
Deferred tax:		
Changes in temporary differences	20,547	26,468
Changes prior year	-3,032	4,625
Income tax in the income statement	**4,980**	**1,903**

Consolidated statement of other comprehensive income

Income tax (actual and deferred tax) related to items recognised directly in other comprehensive income:		
Net gain/loss on value adjustment on hedging instruments, actual tax	-673	748
Income tax charged to other comprehensive income	**-673**	**748**

Loss before tax	-59,878	-23,350
Calculated at Denmark's statutory income tax rate of 22.0%	13,173	5,137
Tax rate deviations in foreign entities, net	-	-
Tax impact from acquisition-related costs	2,787	-
Tax impact from other permanent differences etc. net	-7,948	-7,855
Impact adjustment deferred tax prior year	-3,032	4,625
Income tax reported in the consolidated income statement	**4,980**	**1,903**

Consolidated financial statements 1 January – 31 December

Notes

9 Deferred tax

Deferred tax in 2017 related to the following:

DKK'000	Consolidated statement of financial position	Consolidated income statement/other comprehensive income
Intangible assets	-92,088	-14,102
Property, plant and equipment	-37,406	-8,410
Provisions	34,320	5,834
Debt	28,156	-2,265
Other items	-1,312	1,427
Deferred tax expense (income)		**(17,516)**
Net deferred tax assets (liabilities)	**-34,165**	
Reflected in the statement of financial position as follows:		
Deferred tax assets	-	
Deferred tax liabilities	-34,165	
Deferred tax liabilities, net	**-34,165**	

Deferred tax in 2016 related to the following:

DKK'000	Consolidated statement of financial position	Consolidated income statement/other comprehensive income
Intangible assets	-60,146	-21,742
Property, plant and equipment	-27,113	-4,388
Provisions	22,994	-11,884
Debt	11,813	5,114
Other items	771	395
Deferred tax to be refunded and has decreased other receivables	-	1,412
Deferred tax expense (income)		**-31,093**
Net deferred tax assets (liabilities)	**-51,681**	
Reflected in the statement of financial position as follows:		
Deferred tax assets	0	
Deferred tax liabilities	-51,681	
Deferred tax liabilities, net	**-51,681**	

The Group has carried forward losses on financial instruments with a taxable value of DKK 2m (2016: DKK 2m), which is not recognized, as its future utilization is associated with uncertainty. The carry-forward period is limited to 2-3 years.

Consolidated financial statements 1 January – 31 December

Notes

10 Intangible assets

DKK'000	Goodwill	Customer base	Trademark	Software	Total
Cost 1 January 2017	887,717	337,695	77,921	450	1,303,783
Additions	-	1,100	-	16,872	17,972
Cost 31 December 2017	887,717	338,795	77,921	17,322	1,321,755
Amortisation and impairment 1 January 2017	-5,323	-107,507	-24,807	-	-137,755
Amortisation	-	-67,539	-15,584	-1,608	-84,731
Amortisation and impairment 31 December 2017	-5,323	-175,046	-40,391	-1,608	-222,368
Carrying amount 31 December 2017	**882,394**	**163,749**	**37,530**	**15,714**	**1,099,387**
Amortisation period	-	5 years	5 years	5 years	
Cost 1 January 2016	886,803	337,695	77,921	0	1,302,419
Additions from acquisitions	914	0	0	450	1,364
Cost 31 December 2016	887,717	337,695	77,921	450	1,303,783
Amortisation and impairment 1 January 2016	-4,409	-39,968	-9,222	0	-53,599
Amortisation	0	-67,539	-15,585	0	-83,124
Impairment	-914	0	0	0	-914
Amortisation and impairment 31 December 2016	-5,323	-107,507	-24,807	0	-137,637
Carrying amount 31 December 2016	**882,394**	**230,188**	**53,114**	**450**	**1,166,146**
Amortisation period	-	5 years	5 years	5 years	

Consolidated financial statements 1 January – 31 December

Notes

11 Impairment test

Except for goodwill, all other intangible assets have finite useful lives and are amortised according to the Group's accounting policies. Goodwill is tested for impairment annually.

Goodwill acquired through business combinations with indefinite lives has been allocated to two CGUs, which are tested for impairment:

- Denmark
- Poland

Other intangible assets comprising customer base, trademark and software all relate to the activities in Denmark.

At 31 December 2017, Management performed the annual impairment test of the carrying amount of goodwill. No basis for impairment was found for 2017 (2016: DKK 0.9m related to Poland). In the impairment tests, the carrying amount of the assets is compared to the discounted value of future cash flows.

The main part of the carrying amount of goodwill in the Group arose in connection with the acquisition of Fitness World A/S in 2015.

Estimates used to measure recoverable amount

The recoverable amount of each CGU is determined on the basis of its value in use. The value in use is established using certain key assumptions as described below. These are revenue growth, EBITDA and discount rates.

Value-in-use cash flow projections are based on financial budgets approved by Management covering the subsequent financial year. The assumptions applied in the short to medium term are based on Management's expectations regarding the operational development and growth in product contribution. The terminal growth rates applied for the period beyond the projections do not exceed an expected weighted long-term average growth rate, including inflation, for the countries in which the Group operates. Management has used a budget period of 8 years, as it expects continuing growth in Denmark followed by a stable period after 8 years.

Discount rates represent the current market assessment of the risks, taking into consideration the time value of money and individual risks for the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the Group's specific circumstances and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investments by investors.

The specific discount rates, which are calculated net of tax, are generally based on a 10-year Danish government bond. The cost of debt is based on the yield to maturity on 10-year Danish government bonds plus a credit risk premium measured by the spread between the yield to maturity of 10-year EUR-denominated corporate bonds issued by comparable companies and the yield to maturity of 10-year EUR-denominated German government bonds. A capital structure with a ratio of 70% between the market value of debt and equity value has been applied in the calculation based on the capital structure of comparable companies. A long-term market equity risk premium of 7.6% has been applied to reflect an expected long-term stock market return of 8%.

Uncertainties reflecting historical performance and possible variations in the amount or timing of the future cash flows are generally reflected in the discount rates.

Consolidated financial statements 1 January – 31 December

Notes

11 Impairment test (continued)

Carrying amount of goodwill allocated to each of the CGUs and key assumptions

The carrying amount of goodwill and the key assumptions used in the impairment testing at 31 December are presented below for each CGU:

		2017 - Key assumptions applied			
DKK'000	**Goodwill**	**Long-term growth in revenue**	**Long-term growth in EBITDA**	**Discount rate, net of tax**	**Discount rate, pre-tax**
Denmark	882,394	2 %	2 %	9.6 %	11.6 %
	882,394				

		2016 - Key assumptions applied			
DKK'000	**Goodwill**	**Long-term growth in revenue**	**Long-term growth in EBITDA**	**Discount rate, net of tax**	**Discount rate, pre-tax**
Denmark	882,394	2 %	2 %	9.6 %	11.6 %
Poland	-	N/A	N/A	N/A	N/A
	882,394				

Sensitivity analysis

A sensitivity analysis has not been carried out, as negative changes in the fundamental assumption that will result in impairment of goodwill, are remotely unlikely to become a reality.

Other intangible assets

Other intangible assets comprising customer base, trademarks and software did not show any evidence of impairment.

Consolidated financial statements 1 January – 31 December

Notes

12 Property, plant and equipment

DKK'000	Other fixtures and fittings	Leasehold improvements	Leasehold improvements in progress	Total
Cost 1 January 2017	336,392	302,947	11,259	650,598
Exchange differences	931	891	12	1,834
Additions	72,654	38,452	5,459	116,565
Disposals	-1,472	-124	-	-1,596
Transfers	-	11,049	-11,049	-
Cost 31 December 2017	408,505	353,215	5,681	767,401
Depreciation and impairment 1 January 2017	-109,907	-64,064	-	-173,971
Exchange differences	-355	-98	-	453
Depreciation	-67,807	-85,699	-	-153,506
Disposals	359	5	-	364
Depreciation and impairment 31 December 2017	-177,710	-149,856	-	-327,566
Carrying amount 31 December 2017	**230,795**	**203,359**	**5,681**	**439,835**
Additions on finance lease contracts	34,530	-	-	34,530
Property, plant and equipment includes finance lease assets with a total carrying amount of	86,909	-	-	86,909
Cost 1 January 2016	285,555	282,087	5,976	573,618
Additions from acquisitions	-633	-347	0	-980
Additions	49,281	24,099	11,259	84,639
Disposals	-4,406	-6,771	0	-11,177
Transfer	6,595	3,879	-5,976	4,498
Cost 31 December 2016	336,392	302,947	11,259	650,598
Depreciation and impairment 1 January 2016	-40,172	-23,336	-	-63,508
Exchange rate adjustments	321	23	-	344
Depreciation	-66,196	-45,849	-	-112,045
Disposals	1,390	4,346	-	-5,736
Transfers	-5250	752	-	-4,498
Depreciation and impairment 31 December 2016	-109,907	-64,064	-	-173,971
Carrying amount 31 December 2016	**226,485**	**238,883**	**11,259**	**476,627**
Additions on finance lease contracts	14,918	-	-	14,918
Property, plant and equipment includes finance lease assets with a total carrying amount of	80,621	-	-	80,621

Consolidated financial statements 1 January – 31 December

Notes

DKK'000

13 Inventories

	2017	2016
Trading goods	21,821	18,276

Inventories consumed in the year:	77,133	59,147
Write-down of inventories:		
Write-down of inventories in the year	1,623	2,200
Utilised inventories in the year	-	-
Reversal of write-down in the year	-	-

14 Trade receivables, current

Trade receivables	28,260	23,465
Current receivables	22,728	23,465
Non-current receivables	5,532	-
Write-downs included in trade receivables, developed as follows:		
Write-downs at 1 January	5,850	2,862
Write-downs in the year	4,700	2,988
Write-downs realised	-5,850	-
	4,700	5,850

The total write-downs of trade receivables of DKK 4,700 thousand at 31 December 2017 (2016: DKK 5,850 thousand) are based on an individual assessment of each receivable.

At 31 December, the age distribution of receivables was as follows:

	Total	Neither past due nor impaired	< 30 days	30-60 days	61-90 days	> 91 days
2017	28,260	21,513	4,922	1,052	469	304
2016	23,465	-	14,594	3,884	1,785	3,202

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DKK'000

15 Cash

	2017	2016
Cash	55,661	52,379

Cash at banks earns interest at floating rates based on daily bank deposit rates. There are no restrictions on the usage of cash.

At 31 December 2017, the Group's undrawn, committed borrowing facilities totalled DKK 100 million (2016: DKK 100 million).

16 Provisions

There is an ongoing VAT dispute with the Danish tax authorities, covering the years 2013-2014 with subsequent impacts on the financial years 2015-2016, for which Management has made a provision under other provisions; see overview below. Management's assessment is based on the best estimate of the costs required to settle the obligation, as of the reporting date.

	Restoration provision	Other provisions	Total
Provisions 1 January 2017	15,500	73,520	89,020
New provision in the year	567	-	567
Reversal of provision in the year		-10,000	-10,000
Utilised provision		-918	-918
Provisions 31 December 2017	**16,067**	**62,602**	**78,669**
Distributed as follows in the balance sheet:			
Current	-	62,602	62,602
Non-current	16,067	-	16,067
	16,067	62,602	78,669

	Restoration provision	Other provisions	Total
Provisions 1 January 2016	15,500	35,000	50,500
New provision in the year	-	38,520	38,520
Provisions 31 December 2016	**15,500**	**73,520**	**89,020**
Distributed as follows in the balance sheet:			
Current	-	73,520	73,520
Non-current	15,500	-	15,500
	15,500	73,520	89,020

Notes

17 Non-cash transactions

	2017	2016
Amortisation and impairment of intangible assets	84,731	84,038
Depreciation of property plant and equipment	153,506	117,207
Provisions in the year	-10,918	38,520
Exchange rate adjustments	-666	381
Financial income	-1,153	-20
Financial expenses	45,944	48,949
Other non-cash transactions	1,718	-7,866
Income tax for the year	-4,980	-1,903
	268,182	279,306

18 Changes in net working capital

	2017	2016
Change in inventories	-5,379	3,722
Change in trade and other receivables	-12,595	3,256
Change in trade and other payables	35,175	-84,059
	17,201	-77,081

19 Interest-bearing loans and borrowings

The Group has taken out the following interest-bearing loans and borrowings:

Interest-bearing loans and borrowings	Expiry	Floating rate	Carrying amount 2017
Facility A	Expire up till 2020	3.5 %	225,000
Facility B	Expire up till 2021	4.0 %	550,000
Finance lease liabilities	Expire up till 2020	2-4 %	70,651
Total interest-bearing loans and borrowings			**845,651**
Capitalised borrowing cost			-17,987
			827,664
Non-current			748,315
Current			79,349
Total			**827,664**

Interest-bearing loans and borrowings	**Expiry**	**Floating rate**	**Carrying amount 2016**
Facility A	Expire up till 2020	3.5 %	275,000
Facility B	Expire up till 2021	4.0 %	550,000
Finance lease liabilities	Expire up till 2020	2-4 %	60,446
Total interest-bearing loans and borrowings			885,446
Capitalised borrowing cost			-22,463
			862,983
Non-current			794,109
Current			68,874
Total			**862,983**

Interest on the Facility A and Facility B loans is partly hedged with interest rate swaps for 67% of the loans (2016: 68%).

CASH FLOW
During 2017 principle amount of DKK 50,000 thousand was paid related to Facility A, as an ordinary payment (2016: DKK 35,000 thousand).

Capitalised borrowing costs amounted to DKK 17,987 thousand (2016: DKK 22,463 thousand) at 31 December 2017 and were amortised until the expiry dates. Amortisation in 2017 amounted to DKK 4,476 thousand (2016: DKK 4,476 thousand).

The amortisation of capitalised finance lease debt amounted to DKK 21,348 thousand (2016: DKK 30,275 thousand) and the lease agreements entered into in 2017 amounted to DKK 39,568 thousand (2016: DKK 19,460 thousand).

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20 Financial assets and liabilities

Financial assets at amortised cost	2017	2016
Trade receivables	28,260	23,465
Other receivables	60,862	54,483
Cash	55,661	52,379
	144,783	130,327
Financial assets at fair value		
Financial instruments measured at fair value	7,573	10,629
Financial liabilities at amortised cost		
Interest-bearing loans and borrowings	757,013	802,537
Finance lease liabilities	70,651	60,446
Trade payables	72,707	46,117
Other payables (excluding financial instruments at fair value)	53,187	39,315
	953,558	948,415

The fair value of the assets and liabilities listed above is not materially different from the carrying amount except from interest-bearing loans and borrowings:

Interest-bearing loans and borrowings (fair value)	775,000	825,000

Fair values

Financial instruments measured at fair value

Financial instruments measured at fair value are limited to derivative instruments. As described below, the fair value of derivatives is based on observable market data and valuation techniques (level 2). The financial instruments are measured at fair value on a recurring basis.

Financial instruments measured at amortised cost

The carrying amounts of the Group's financial instruments, measured at amortised cost, are reasonable approximations of fair values.

Valuation techniques

Management has assessed that cash, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values of other financial instruments:

Floating-rate borrowings are evaluated by the Group based on parameters such as interest rates and Forward TopCo A/S' individual creditworthiness. The fair value is estimated using a discounted cash flow model. The own non-performance risk at 31 December 2017 was assessed to be insignificant.

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20 Financial assets and liabilities (continued)

Derivative financial instruments with various counterparties are principally financial institutions with investment grade credit ratings. The applied valuation techniques are discounted cash flow models, which incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, and interest rate curves. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate at the end of the reporting period. The own non-performance risk at 31 December 2017 was assessed to be insignificant.

21 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks. Management identifies and evaluates the financial risks based on principles for overall risk management. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance. Management is of the opinion that the Group's exposure to financial risks is limited.

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loans, trade and other receivables and cash that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

It is the Group's policy not to trade in derivatives for speculative purposes.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group manages its cash flow interest rate risk by mostly using floating-to-fixed interest rate swaps and an interest rate cap. Under the swap agreements, the Group agrees with another party to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk arises from cash, cash equivalents and deposits with banks and financial institutions, as well as credit exposures to outstanding receivables for membership subscriptions or other membership services that could not be collected upfront. The carrying amounts of these financial instruments as disclosed in the table below, represent the Group's maximum credit exposure.

Credit risk from balances with banks and financial institutions is managed by Group Management on a regular basis. The cash balances are mainly concentrated with a single A-rated counterparty.

Customer credit risk

Customer credit risk is managed at Group level subject to the Group's established policy, procedures and controls relating to customer credit risk management. The credit quality of customers is assessed based on analysis and individual credit limits are set for each customer.

The Group's policy is that all members must pay the membership subscription upfront, and credit risk for membership subscription is therefore limited to those fees which could not be collected upfront. The first measure to limit credit risk is that access to the services provided by the Group is no longer granted to customers with overdue receivables until the receivables have been fully paid.

The Group does not hold collateral as security for the membership receivables. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions. As a result of the Group's prepayment policy, any account receivables balances related to membership subscriptions are automatically past due.

The Group considers the concentration of risk with respect to trade receivables to be low, as its customers are multiple individuals.

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21 Financial risk management objectives and policies (continued)

Foreign currency risk

The Group is exposed to foreign currency risks arising from its operating and financing activities, as the Group has sales, purchases and financing in foreign currencies. In accordance with the Group's risk management policy.

Liquidity risk

The Group’s funding strategy is focused on ensuring that it has continuous access to capital. Management prepares a cash flow forecast on a monthly basis to identify the cash needs for the medium term and on a quarterly basis for the longer term. Additionally, Management monitors the intra-month cash needs on a daily basis by assessing the cash in- and outflows.

The liquidity risk is reduced by the revolving credit facility of DKK 100 million with a maturity date of 29 May 2021.

The facilities can only be cancelled by the lenders upon the receipt of a timely notice after an event of default (including non-payment, breach of (financial) covenants or breach of other obligations, in each case subject to materiality thresholds, qualifications and cure periods).

The tables below analyse the Group’s financial assets and liabilities into relevant maturity groupings, based on the contractual maturities for all non-derivative financial assets and liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Financial assets and liabilities by maturity and category:

DKK’000	Carrying amount	Fair value	Total cash flow	0-1 year	1- 5 years	5 years
Financial assets, 31 December 2017						
Trade receivables	28,260	28,260	28,260	22,728	5,532	-
Other receivables	60,862	60,862	60,862	60,862	-	-
Cash	55,661	55,661	55,661	55,661	-	-
	144,783	144,783	144,783	144,783	5,532	-
Financial assets, 31 December 2016						
Trade receivables	23,465	23,465	23,465	23,465	-	-
Other receivables	54,483	54,483	54,483	54,483	-	-
Cash	52,379	52,379	52,379	52,379	-	-
	130,327	130,327	130,327	130,327	-	-

DKK'000	Carrying amount	Fair Value	Total cash flow including interest	0-1 year	1-5 years	5 years
Financial liabilities, 31 December 2017						
Non-derivates						
Interest-bearing loans and borrowings	757,013	775,000	889,050	89,350	799,700	-
Finance lease liabilities	70,651	71,954	73,393	25,010	48,383	-
Trade payables	72,707	72,707	72,707	72,707	-	-
Other liabilities	60,760	60,760	60,760	60,760	-	-
Derivates						
Interest rate swap	7,573	7,573	7,573	4,248	3,325	
Total	**968,704**	**987,994**	**1,103,376**	**251,968**	**851,408**	-
Financial liabilities, 31 December 2016						
Non-derivates						
Interest-bearing loans and borrowings	802,537	825,000	970,238	895,788	328,050	561,000
Finance lease liabilities	60,446	61,125	62,259	29,734	29,735	-
Trade payables	46,117	46,117	46,117		-	-
Other liabilities	49,944	49,944	49,944	1,571	-	-
Derivates						
Interest rate swap	10,629	10,629	10,629		4,667	-
Total	**969,723**	**969,723**	**1,133,847**	**213,491**	**359,356**	**561,000**

Interest rate hedging

The amount recognised in other comprehensive income as of 31 December 2017 is DKK 7,573 thousand (2016: DKK 10,629 thousand).

31 December 2017

DKK'000	2017	
Fair value of derivatives	**Assets**	**Liabilities**
Interest rate swaps	-	7,573

31 December 2016

DKK'000	2016	
Fair value of derivatives	**Assets**	**Liabilities**
Interest rate swaps	-	10,629

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22 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders.

In order to achieve this overall objective, the Group's capital management aims, for example, to ensure that it meets financial covenants connected with the interest-bearing loans and borrowings that define capital structure requirements. Failure to meet the financial covenants would permit the bank to call in loans and borrowings.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing loans and borrowings, finance lease liabilities, less cash.

The net debt at 31 December 2017 and at 31 December 2016 was as follows:

DKK'000	2017	2016
Interest-bearing loans and borrowings	757,013	802,537
Finance lease liabilities	70,651	60,466
Less cash	-55,661	-52,379
Net debt	**772,003**	**810,624**
Equity	649,405	698,188
Total capital and net debt	**1,421,408**	**1,508,812**
Gearing ratio	0.54	0.54

Loan covenants

Under the terms of the senior debt facilities, as at 31 December 2017, the group is required to comply with certain financial covenants as defined in the facilities agreement, which include debt and interest coverage ratios and cash flow and investment ratios.

The Group has complied with these covenants throughout the reporting period.

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23 Leases

Finance leases

The Group has entered into finance leases in regards to fitness equipment.

Liabilities in regards to finance leases are included under debt to credit institutions:

DKK'000	**2017**	**2016**
0-1 year	25,010	31,577
1-5 years	48,383	30,682
>5 years	-	-
Total minimum lease payments:	73,393	62,259
Interest element	2,742	1,813
Carrying amount	70,651	60,466
Present value of minimum lease payments:		
0-1 year	24,520	31,577
1-5 years	47,434	29,548
	71,954	61,125

Operating leases

The Group leases spaces and cars under operating leases. The leasing period is typically between 3 and 10 years with the possibility of extending the contracts.

Non-cancellable operating lease payments are as follows:

DKK'000	**2017**	**2016**
0-1 year	240,517	248,468
1-5 years	697,252	695,117
>5 years	303,859	252,350
	1,241,628	1,195,935

For 2017, DKK 284 million was recognised (2016: DKK 278 million) in the income statement with regard to operating leases.

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24 Commitments, contingencies, commitments and pledges etc.

Contingent liabilities

The Company is jointly taxed with the Danish companies in the Group. The Company, together with the other companies in the Group, is liable for corporate taxes and withholding taxes on dividends, interest and royalties within the joint taxation.

There is an ongoing tax audit in the Group, for which Management has recognised DKK 61 million (2016: DKK 71 million) as a provision to cover the costs related to 2013-2016; see note 16 Provisions. This is subject to uncertainty.

The Group are parties to a few pending disputes. The management assesses that the outcome of the disputes will not have a negative impact on the Group's financial position and any positive impact cannot currently be measured reliably.

Pledges and securities

The Company is jointly and severally liable for the Group's bank loans of DKK 775 million (2016: DKK 825 million).

The Company has executed a share pledge over its shares in its subsidiaries as security for loans under the Facility Agreement.

The Group has provided securities for several lease premises, for a total amount of DKK 36 million (2016: DKK 36 million).

Other fixtures and fittings, where the carrying amount at 31 December 2017 amounts to DKK 87 million (2016: 81 million) are financed by finance leases, where the lease obligation at 31 December 2017 amounts to DKK 71 million (2016: DKK 60 million).

25 Related party disclosures

The financial statements include the financial statements of the Group and the subsidiaries in the following table:

Name	Principal activities	Country of incorporation	% equity interest 2016
Fitness World Group A/S	Sub-holding	Denmark	100%
Fitness World A/S	Gym activities	Denmark	100%
Functional Supply A/S, established 6 July 2017	Retailer of food and non-food products	Denmark	100%
Fitness World Sp.Z.o.o.	Gym activities	Poland	100%

Transactions with Executive Board, key management personnel and other related parties

The Group did not enter into any transactions with members of the Board or the Executive Management, except for compensation and benefits received as a result of their membership of the Board, employment with the Group or shareholdings in the Group. Ref. to note 2.

Fitness World A/S leases certain premises used for fitness centre facilities under normal lease agreements which expire at various dates between 2018 and 2028. Some of the lease agreements are with related parties, and related-party rent expenses for the financial year 2017 were DKK 8.8 million (2016: DKK 13.4 million).

The ultimate parent

The parent company of the Group is FSN Capital GP IV Limited, 11-15 Seaton Place, St. Helier, JE4 0QH Jersey, England. There were no transactions between the Group and FSN Capital GP IV Limited in 2017 or 2016.

Consolidated financial statements are prepared for FSN Capital GP IV Limited, as the ultimate parent company and can be obtained by contacting the Company.

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26 Issued capital

Authorised shares

DKK'000	**2017**	**2016**
A shares	3,173	3,132
B shares	12,528	12,528
	15,701	15,660

Ordinary shares are fully paid in.

DKK'000	**Share capital**
At 30 March 2015	500
Capital increase, 29 May 2015	7,634
Capital increase, 29 May 2015	7,446
Capital increase, 19 June 2015	80
At 1 January 2016	**15,660**
Capital increase	-
At 1 January 2017	15,660
Capital increase	41
At 31 December 2017	**15,701**

Each class of A and B share carries 1 vote per DKK 0.02. The shares nominal value is DKK 0.02 pr. Share.

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27 Standards issued, but not yet effective

The Group has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2017 financial year, including:

Annual Improvements to IFRSs 2014 – 2016 (effective date 1 January 2017)

None of these new or amended accounting standards and interpretations resulted in any changes to the accounting policies for the Group or had significant impact on recognition, measurement or disclosures in the consolidated financial statements in 2017.

Management does not anticipate any significant impact on future periods from the adoption of these new or amended accounting standards and interpretations.

New accounting standards not yet adopted

The IASB has issued a number of new accounting standards and interpretations with effective date after 31 December 2017. The Group will implement the following new accounting standards and interpretations when they become mandatory:

IFRS 9 – Financial instruments

The Group will adopt the IFRS 9 on the required effective date. The impact of the new standard changes the classification, measurement and impairment of financial assets, furthermore the standard introduces new rules for hedge accounting.

During 2017, the Group has performed a detailed impact assessment of IFRS 9. Based on the current portfolio of financial assets and liabilities there will be no significant changes to the classification and measurement of financial assets, by implementing the new IFRS 9 standard.

The current portfolio consists of loans and trade receivables held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal. As such, it is concluded that these meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification of these are not required.

IFRS 9 requires the Group to record expected credit losses on all its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables.

Based on the historically low realised loss on loans and trade receivables in the range of DKK 0 - 5 million, the new approach will not have a significant impact on The Groups consolidated financial statements.

The Group has determined that all existing hedge relationships that are currently designated as effective hedging relationships will continue to qualify for hedge accounting under IFRS 9.

While IFRS 9 changes the accounting treatment for cost of hedging, hedge of risk components etc., The Group does not currently have any hedging relationships which will be impacted by the changes to the hedge accounting requirements. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on The Group's consolidated financial statements.

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IFRS 15 – Revenue form contracts with customers

Effective from 1 January 2018, the new IFRS 15 standard introduces a five-step model to account for revenue arising from contracts with customers, where revenue is recognised as an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 will be implemented in the consolidated financial statements for the financial year beginning on 1 January 2018. The Group will apply IFRS 15 using modified retrospective application, with the cumulative effect of initially applying the standard to be adjusted to the opening balance of retained earnings 2018.

Consequently, 2017 comparative figures will be reported according to IAS 11/IAS 18 and will not be restated to reflect the numbers according to IFRS 15. Note disclosures will be available stating 2018 numbers according to both IFRS 15 and IAS 11/IAS 18, to provide comparability between 2017 and 2018 and to disclose the effect from the changed regulation.

We have finalised our estimate made on the transition impact and the opening equity will be impacted negatively in the range of DKK 2-4m as at 1 January 2018.

Deferred income will be reclassified to contract liabilities, amounting to DKK 25,388 thousand at 1 January 2018. This reclassification will not impact equity as of January 2018.

The presentation and disclosure requirements in IFRS 15 are more detailed than under the current standards, which are to increase the volume of disclosures required. In particular, the Group expects that the notes will be expanded because of the disclosure of significant judgements in relation to variable consideration as explained above.

IFRS 16 - Leases

Effective from 1 January 2109, the new IFRS 16 – Leases will be implemented. The new IFRS 16 standard will result in almost all leases being recognised in the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, a lease asset (the ‘right-of-use’ asset) and a financial liability to pay rentals are recognised. There are only few exceptions which are related to short-term and low-value leases.

As lessee, the Group will be required to separately recognise interest expenses on the finance lease liability and depreciation expenses on the right-of-use asset. Further, the Group will also be required to account for lease modifications such as changes to the lease term as well as changes in the future lease payments resulting from a change in an index or rate used to determine those payments. The amount of the re-measurement will be recognised as an adjustment to the lease liability and right-of-use asset.

As a result of the new standard, EBITDA as the primary performance measure in the Group will be impacted by the reclassification of expensed rent to depreciation and interest expenses. Cash flow from operating activities will be impacted positively as the classification of the lease payments related to rent premises changes from operating cash flow to cash flow from financing activities.

Aside from EBITDA, IFRS 16 will also impact the balance sheet and balance sheet-related ratios such as net interest-bearing debt due to the recognition of the lease asset and finance liability.

At the reporting date, the Group had non-cancellable operating lease commitments of DKK 1,242 million. During 2017, the Group performed a preliminary assessment and it is expected that most of the current leases will qualify as leases to be recognised in the balance sheet under IFRS 16 and only insignificant commitments may be covered by exceptions. Based on the preliminary assessment, The Group expects a positive impact on the EBITDA margin between 20-25%.

In 2018, The group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements, including the impact from the change in the definition of the lease term, extension and termination options. As a result, no reliable amounts have been calculated which are expected to have any quantitative effect on the Group’s profit and classification of cash flows.

The Group intends to adopt the standard on 1 January 2019 applying the simplified transition approach without restating comparative amounts for the year prior to first adoption. All other new or amended standards and interpretations not yet effective are not expected to have a material impact on the Group’s Annual Report.

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28 Accounting policies

The Group is incorporated and domiciled in Denmark. The registered office is located in Copenhagen.

The consolidated financial statements of Forward TopCo A/S and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements according to the Danish Financial Statements act.

The financial statements are prepared based on the standards and interpretations that are effective as of 31 December 2017. There have been no impact of the implementation of the standards and interpretations.

The consolidated financial statements are presented in DKK, which is the Parent Company's functional currency and the presentation currency of the Group, and all values are rounded to the nearest thousand (DKK'000), except when otherwise indicated.

The Board of Directors considered and approved the 2017 Forward TopCo A/S annual report on 26 February 2018. The annual report will be submitted to the shareholders of Forward TopCo A/S for approval at the annual general meeting on 5 March 2018.

Change in accounting estimate

Effective from 1 January 2017, the Group changed its accounting estimate for leasehold improvements. Leasehold improvements continue to be measured at cost less accumulated depreciations and impairment losses. Prior to 1 January 2017, the Group depreciated of leasehold improvement over a 10-year period, using the straight-line method. Effective from 1 January 2017, the Group changed the depreciation period from 10 years to 8 years. Management deemed the change preferable because the 8-year depreciation period will more accurately reflect the pattern of usage and the expected benefits of the assets going forward. The change was accounted for as a change in accounting estimate. The net book value of assets acquired prior to 1 January 2017, with useful lives remaining will be depreciated using the new depreciation period of 8 years prospectively. If the Group had continued to be using the 10-year depreciation, the effect would increase the result before tax by DKK 25,279 thousand.

Materiality in the financial reporting

For the preparation of the consolidated financial statements, the Group discloses the information required according to IFRS, unless such information is deemed immaterial or irrelevant. A judgement is made of whether more detailed specifications are necessary in the presentation of the Group's assets, liabilities, financial position, and results. All judgements are made with due consideration of legislation and the consolidated financial statements as a whole presenting a true and fair view.

A number of comparative numbers have been restated, for presentation purpose, affecting financial statement line items in the consolidated income statement, balance sheet and cash flow. None of the restated numbers impacted net result nor equity. The restated numbers were made in order to apply same classification applied in 2017 and to present a more true and fair view of the financial statement.

Non-IFRS measures

The Group presents financial measures in the Annual Report that are not defined according to IFRS. The Group believes these non-GAAP measures provide valuable information to investors and the Group's management when evaluating performance.

Since other companies may calculate these differently from the Group, they may not be comparable to the measures used by other companies. These financial measures should therefore not be considered to be a replacement for measures defined under IFRS.

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28 Accounting policies (continued)

Term	Definition
EBITDA	Profit/(loss) before interest, taxes, depreciation and amortisation
EBITDA margin	EBITDA divided by revenue
EBIT	Earnings before interest and taxes
EBITDA, special items	Profit/(loss) before interest, taxes, depreciation, amortisation, and before special items

Foreign currency translation

For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

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

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the end of the reporting period. The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or the exchange rate in the latest consolidated financial statements is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of entities with a functional currency other than the presentation currency of Forward TopCo A/S (DKK), the income statement is translated at the exchange rates at the transaction date, and the statement of financial position items are translated at the exchange rates at the end of the reporting period. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange differences arising on translation of the opening balance of equity of foreign entities at the exchange rates at the end of the reporting period and on translation of the income statement from the exchange rates at the transaction date to the exchange rates at the end of the reporting period are recognised in other comprehensive income and attributed to a separate translation reserve in equity.

Foreign exchange adjustment of balances with foreign entities which are considered part of the investment in the entity is recognised in the consolidated financial statements in other comprehensive income if the balance is denominated in the functional currency of the parent or the foreign entity.

Derivative financial instruments

The Group recognises derivatives as at the transaction date. Derivate financial instruments are measured at fair value at initial recognition and at each reporting date.

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging exposure to variability in future cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

Consolidated financial statements 1 January – 31 December

Notes

28 Accounting policies (continued)

Cash flow hedges which meet the criteria for hedge accounting are accounted for as follows:

- The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement as finance costs.
- The Group uses foreign exchange contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as finance costs.
- Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged finance income or finance cost is recognised or when a forecast sale occurs. Amounts previously recognised in OCI are transferred to the same item as the hedged item when the hedged item impacts the income statement.

Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Consolidated financial statements 1 January – 31 December

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Income statement

Revenue

Revenue from subscriptions is recognised in the income statement over the subscription period. Revenue is measured at 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.

The sale of goods and merchandise is recognised in the income statement provided risks and rewards have been transferred to the buyer before year-end and provided the income can be reliably measured and is expected to be received, excluding VAT and taxes charged on behalf of third parties.

Revenue from sale of personal training services is recognised in the income statement as the service are rendered, excluding VAT and taxes charged on behalf of third parties.

Cost of sales

Cost of sales comprise expenses incurred in generating the revenue for the year.

Other external costs

Other external expenses comprise sales expenses, advertisement, administration, premises, operating leases, etc.

Employee expenses

Employee expenses comprise wages and salaries, including holiday allowance and pensions as well as other expenses for social security, etc. of the employees.

Other operating income and expenses

Other operating income and expenses comprises income and expenses not directly related to the daily operation.

Special items

Special items include significant non-recurring income and expenses which management does not consider to be part of the Group's ordinary operations such as strategy costs, fundamental structural costs and other cost related to change in organization. These items are classified separately in the income statement in order to give a more true and fair view of the Group's operating profit.

Financial income and expenses

Financial items comprise interest income and expenses on debts and borrowings, gains and losses on receivables, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Taxes of profit/loss

Tax for the year consists of current tax and deferred tax for the year including adjustments to previous years and changes in provision for uncertain tax positions. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The tax expense relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate the amount are those that are enacted, or substantively enacted, at the reporting date in the countries in which the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

Consolidated financial statements 1 January – 31 December

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28 Accounting policies (continued)

Statement of comprehensive income

Other comprehensive income consists of income and costs not recognised in the income statement, including exchange rate adjustment arising from the translation from functional currency to presentation currency and fair value adjustments of hedging instruments.

In the event of the disposal of an entity, the accumulated exchange rate adjustment relating to the relevant entity is reclassified to the income statement.

Balance sheet

Intangible assets
Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The recoverable amount is usually calculated as the net present value of expected future net cash flows from the operating segments to which the goodwill has been allocated. Alternatively, the recoverable amount is calculated as fair value less costs to sell. Impairment losses on goodwill are recognised in a separate line in the income statement.

Goodwill is allocated to cash generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs, or groups of CGUs, that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Impairment losses on goodwill are not reversed.

Customer base and trademarks
Customer base and trademarks acquired in a business combination are recognised at fair value at the acquisition date. Separately acquired customer base and trademarks are recognised at historical cost. Customer base and trademarks have a finite useful life of 5 years and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the costs of customer base and trademarks over their estimated useful lives.

Other intangible assets

Other intangible assets acquired separately are mostly software-related and are measured on initial recognition at cost. Following initial recognition, other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the statement of profit or loss when incurred.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Other intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the income statement when the asset is derecognised.

Other intangibles comprising customer base, trademarks and software are also tested for impairment when circumstances indicate that the carrying amount may be impaired.

Summary of the policies applied to the Group's intangible assets:
Goodwill – indefinite

Customer base – amortised on a straight-line basis over 5 years

Trademarks – amortised on a straight-line basis over 5 years

Software – amortised on a straight-line basis over 5 years

Property, plant and equipment

Other fixtures and fittings and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

The cost of assets held under finance leases is recognised at the lower of fair value of the assets and the present value of the future minimum lease payments. For the calculation of the net present value, the interest rate implicit in the lease or the Group's incremental borrowing rate is used as discount rate.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are de-recognised in the statement of financial position, and the carrying amount is recognised in the income statement. All other expenses relating to ordinary repairs and maintenance are recognised in profit or loss as incurred.

Where individual components of an item of property, plant and equipment have different useful lives, they are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:

Other fixtures and fittings	3-7 years
Leasehold improvements	8 years

Depreciation is calculated on the basis of the residual value and impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When the depreciation period or the residual value is changed, the effect on depreciation is recognised prospectively as a change in accounting estimates.

Depreciation charges are recognised in the income statement as amortisation and depreciation.

Consolidated financial statements 1 January – 31 December

Notes

28 Accounting policies (continued)

Leases

For financial reporting purposes, lease liabilities are classified as finance lease liabilities and operating lease liabilities.

A finance lease is classified as a lease which in all material respects transfers the risk and benefits associated with ownership of the leased asset to the lessee. All other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and lease liabilities is described under property, plant and equipment and financial liabilities, respectively.

Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

Impairment testing of non-current assets

Goodwill

Goodwill is subject to an annual impairment test, initially before the end of the acquisition year.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit or group of cash-generating units to which goodwill is allocated. The assets of the cash-generating units are written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount of a cash-generating unit is generally determined as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which the goodwill relates.

Other non-current assets

The carrying amount of other non-current assets is tested annually for evidence of impairment. When there is evidence that assets may be impaired, the recoverable amount of the asset is calculated. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use.

Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

Recognition of impairment losses in the income statement

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses on goodwill are recognised in the income statement as amortisation, depreciation and impairment.

Impairment of goodwill is not reversed. Impairment losses recognised in respect of other assets are reversed in so far as the assumptions and estimates underlying the impairment losses have changed. Impairment losses are reversed only in so far as the new carrying amount of the asset does not exceed the carrying amount that would have resulted (net of amortisation or depreciation) had no impairment loss been recognised in respect of the asset in prior years.

Inventories
Trading goods are measured at cost in accordance with the First-In-First-Out method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Trading goods are measured at cost, comprising purchase price plus delivery costs.

Receivables

Trade receivables are measured at amortised cost or net realisable value equivalent to nominal value less allowances for doubtful receivables, whichever is lower.

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

Consolidated financial statements 1 January – 31 December

Notes

28 Accounting policies (continued)

Prepayments

Prepayments comprise expenses incurred concerning subsequent financial years.

Equity

Hedge transaction reserve

The hedge transaction reserve contains the accumulated net change in the fair value of hedging transactions that meet the criteria for hedging future cash flows and for which the hedged transaction has yet to be realised.

Foreign currency translation reserve

The exchange adjustment reserve in the consolidated financial statements comprises exchange differences arising on the translation of the financial statements of foreign enterprises from their functional currencies into Danish kroner, including exchange differences on financial instruments considered to be a part of the net investment or as hedging of the net investment. On realisation, accumulated value adjustments are taken from equity to financial items in the income statement.

Dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity.

Provisions

Provisions are recognised when the Group has a current legal or constructive obligation and include warranty and restoration provisions. Provisions are recognised on the basis of best estimates.

Consolidated financial statements 1 January – 31 December

Notes

28 Accounting policies (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses, can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss.

Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances arises. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed the goodwill) if it was incurred during the measurement period and relates to new information about facts and circumstances at the acquisition date, or recognised in the income statement.

Consolidated financial statements 1 January – 31 December

Notes

28 Accounting policies (continued)

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities on initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, after initial recognition at amortised cost. This includes directly attributable transaction and borrowing costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments.

Trade and other payables, bank overdrafts, loans and borrowings are subsequently measured at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Deferred income

Prepayments recognised under liabilities comprise received payments concerning revenue in the subsequent years.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from corporate acquisitions are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income taxes paid.

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

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

Cash flows from assets held under finance leases are recognised as payment of interest and repayment of debt.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less, which without any hindrance can be converted to cash, and which are subject to only minor risks of changes in value.

Consolidated financial statements 1 January – 31 December

Notes

28 Accounting policies (continued)

Financial ratios

The financial ratios have been calculated in accordance with Danish Finance Society's guidelines on the calculation of financial ratios.

Financial ratio	Definition
Revenue growth, %	This year's revenue - last year's revenue/ Last year's revenue
Gross margin, %	Gross profit/ revenue
Equity ratio, %	Equity/ total assets
Solvency ratio, %	Equity / Total liabilities
EBITDA growth, %	This year's EBITDA - last year's EBITDA/ Last year's EBITDA
EBITDA margin, %	EBITDA/revenue

Consolidated financial statements 1 January – 31 December

Notes

29 Significant accounting estimates and judgements

When preparing the consolidated financial statements for the Group, Management undertakes a number of accounting estimates and judgements to recognise, measure and classify the Group's assets and liabilities.

Determining the carrying amounts of some assets and liabilities requires estimates and assumptions concerning future events. Estimates and assumptions are based on historical experience and other factors, which Management assesses to be reasonable, but which by their nature involve uncertainty and unpredictability. These assumptions may have to be revised, and unexpected events or circumstances may occur.

The Group is subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively. Specific risks for the Group are discussed in the relevant sections of the Management’s review and in the notes.

The most significant areas subject to estimates and judgements are mentioned below.

Valuation of goodwill

At 31 December 2017, Management performed the annual impairment test of the carrying amount of goodwill. No basis for impairment was found for 2017 (2016: DKK 0.9m related to Poland). In the impairment tests, the carrying amount of the assets is compared to the discounted value of future cash flows.

The main part of the carrying amount of goodwill in the Group arose in connection with the acquisition of Fitness World A/S in 2015. Ref. to note 11 for impairment test.

Valuation of intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as amortisation.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated value in use is calculated on the basis of the expected free cash flow from the relevant cash-generating unit based on updated budgets for the next 8 years. The calculated value in use is based on a number of assumptions and is, by nature, subject to uncertainty.

Other intangible assets

Other intangible assets comprising customer base, trademark and rights show no evidence of impairment.

Inventories

Write-down for obsolete inventories is carried out on the basis of an assessment of their recoverability at the reporting date. Inventories are analysed and written down, if necessary. Movements in inventory write-downs are reflected in note 13.

Receivables

Impairment and write-downs of receivables are carried out on the basis of an assessment of objective evidence of impairment and their recoverability at the reporting date. Trade receivables are analysed and impaired, if necessary. An analysis of overdue trade receivables and movements in the provisions for bad debts appears from note 14.

Provisions

There is an ongoing VAT dispute with the Danish tax authorities, covering the years 2013-2014 with subsequent impacts on the financial years 2015-2016, for which Management has made a provision under other provisions; see overview below. Management's assessment is based on the best estimate of the costs required to settle the obligation, as at the reporting date.

Parent company

Financial Statements 1 January – 31 December

Parent company financial statements 1 January – 31 December

Income statement

Note	DKK'000	2017	2016
	Other external costs	-320	-313
	Operating loss	**-320**	**-313**
2	Finance costs	-95	-18
	Loss before tax	**-415**	**-331**
3	Income tax	79	71
	Loss for the year	**-336**	**-260**
	Proposed distribution of loss:		
	Retained earnings	-336	-260
		-336	**-260**

Statement of comprehensive income

Note	DKK'000	2017	2016
	Loss for the year	-336	-260
	Other comprehensive income		
	Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
	Exchange differences in translation of foreign entities	-	-
	Net gain/loss on cash flow hedges	-	-
3	Income tax	-	-
	Other comprehensive income/(loss) for the year, net of tax	-	-
	Total comprehensive income for the year, net of tax	**-336**	**-260**

Parent company financial statements – 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
4	**Non-current assets**		
	Investment in subsidiaries	778,500	778,500
	Total non-current assets	**778,500**	**778,500**
	Current assets		
	Receivables from subsidiaries	-	-
	Income tax receivable	17,626	20,208
	Prepayments	22	22
	Cash	788	3,901
	Total current assets	**18,436**	**24,131**
	TOTAL ASSETS	**796,936**	**802,631**
	LIABILITIES		
	Equity		
5	Share capital	15,701	15,660
	Retained earnings	769,644	766,876
	Total equity	**785,345**	**782,536**
	Current liabilities		
	Trade payables	107	-
	Income tax payable	11,484	20,095
	Total current liabilities	**11,591**	**20,095**
	TOTAL LIABILITIES	**796,936**	**802,631**

Parent company financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Issued capital	Retained earnings	Total equity
Equity 1 January 2017	15,660	766,876	782,536
Loss for the year	-	(336)	(336)
Other comprehensive income			
Foreign currency translation of foreign entities	-	-	-
Value adjustment of hedging instruments	-	-	-
Tax of other comprehensive income	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	(336)	(336)
Transactions with owners			
Capital increase	41	3,104	3,145
Total transactions with owners	41	2,768	2,809
Equity 31 December 2017	**15,701**	**769,644**	**785,345**

DKK'000	Issued capital	Retained earnings	Total equity
Equity 1 January 2016	15,660	767,136	782,796
Loss for the year	-	-260	-260
Other comprehensive income			
Foreign currency translation of foreign entities	-	-	-
Value adjustment of hedging instruments	-	-	-
Tax of other comprehensive income	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	-260	-260
Transactions with owners			
Capital increase	-	-	-
Total transactions with owners	-	-	-
Equity 31 December 2016	**15.660**	**766,876**	**782,536**

Parent company financial statements 1 January – 31 December

Cash flow statement

Note	DKK'000	2017	2016
	Operating loss	-320	-313
	Other adjustments of non-cash operating items	-	-
	Cash flow from operating activities before changes in working capital	-320	-313
	Change in working capital	-5,843	390
	Cash flow from operations	-6,163	77
	Interest expenses, paid	-95	-18
	Cash flow from ordinary activities	-6,258	59
	Income tax paid	-	-
	Cash flow from operating activities	-6,258	59
	Acquisition of subsidiaries	-	-
	Cash flow from investing activities	-	-
	Proceeds from share issue	3,145	-
	Cash flow from financing activities	**3,145**	**-**
	Cash flows for the year	**-3,113**	**59**
	Cash 1 January	3,901	3,842
	Cash 31 December	**788**	**3,901**

Parent company financial statements 1 January – 31 December

Notes to the parent financial statement

Parent company financial statements 1 January – 31 December

Notes

1 Employee expenses

For information regarding remuneration to the Board of Directors and to the Executive Board for the parent company ref. note 2 to the consolidated financial statements.

DKK'000	2017	2016
2 Finance costs		
Other interest expenses	-94	-18
Total financial expenses	-94	-18
3 Income tax		
Major components of the income tax expense for the year ended 31 December:		
Current income tax charge	79	71
	79	71
Loss before tax	-415	-331
Calculated at Denmark's statutory income tax rate of 22.0%	91	73
Tax impact from other permanent differences etc.	-12	-2
	79	71
4 Investments in subsidiaries		
Cost 1 January	778,500	778,500
Cost 31 December	778,500	778,500
Impairment 1 January	-	-
Impairment	-	-
Impairment 31 December	-	-
Carrying amount 31 December	778,500	778,500

Name	Principal activities	Country of incorporation	% equity interest	Net result	Equity
Fitness World Group A/S	Holding	Denmark	100%	56,036	811,592
Fitness World A/S subsidiary of Fitness World Group A/S	Gym activities	Denmark	100%	19,147	458,725
Functional Supply A/S subsidiary of Fitness World Group A/S	Retailer of food - and non-food products	Denmark	100%	-266	658
Fitness World Sp. Z.o.o. subsidiary of Fitness World A/S	Gym activities	Poland	100%	-15,689	2,082

For more information on the acquisition of subsidiaries refer to note 21 in the consolidated financial statements.

Parent company financial statements 1 January – 31 December

Notes

5 Issued share capital

For information on issued share capital, please refer to note 26 in the consolidated financial statements.

6 Financial risk management objectives and policies

The Company has only investment in the subsidiary Fitness World Group A/S and does not have any significant receivables or debt. Risk related to currency, credit and liquidity is maintained on group level. Please refer to note 21 to the consolidated financial statements for further information on the Group's exposure to the risk.

7 Capital management

The primary objective of the Company's capital management is to maximise shareholder value which is maintained on group level. Please refer to note 22 to the consolidated financial statements for further information on the Group's capital management.

8 Related parties

Related parties are described in note 25 to the consolidated financial statements. Remuneration to Board of Directors are listed in note 2 to the consolidated financial statements held by the subsidiary. Further the company has intercompany group balances re balance sheet. The Company does not have any other related party transactions.

9 Contractual commitments and contingencies, etc.

Contingent liabilities

The Company is taxed jointly with the Danish companies in the Group. The Company is, together with the other companies in the Group, liable for corporate taxes and withholding taxes on dividends, interests and royalties within the joint taxation.

Pledges and securities

As security for the debt to credit institutions, DKK 775 million (2016: DKK 825 million), collateral has been taken in the investments in subsidiaries, where the carrying amount at 31 December 2017 was DKK 779 million (2016: DKK 779 million).

10 Standards issued, but not yet effective

Standards issued, but not yet effective are described in note 27 to the consolidated financial statements.

Parent company financial statements 1 January – 31 December

Notes

11 Accounting policies

The parent company is without activities and main purpose is to hold investment in subsidiaries.

Basis of preparation

The parent company financial statements of Forward TopCo A/S are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

The parent company financial statements are presented in DKK, which is the Parent Company's functional currency, and all values are rounded to the nearest thousand (DKK'000), except when otherwise indicated.

The functional currency of the parent company is DKK and the financial statements of the parent company are presented in DKK thousand.

The financial statements have been prepared on a historical cost basis.

The accounting policies of Forward TopCo A/S are the same as for the consolidated financial statements with the additions below. For a description of the accounting policies for the consolidated financial statements, note 28 to the consolidated financial statements.

Supplementary accounting policies for the Parent Company

Investments in subsidiaries

Investments in subsidiaries are measured using the cost method in the parent company's financial statements. If an indication of impairment is identified, an impairment test is carried out as described in the accounting policies of the consolidated financial statements. If the carrying amount of investments exceeds the recoverable amount, a corresponding impairment loss is recognised. Impairment losses are recognised in the parent company's income statement as financial items.

Critical accounting estimates and assumptions

In connection with the preparation of the parent company financial statements, Management has made accounting estimates and judgements that affect the assets and liabilities reported at the balance sheet date as well as the income and expenses reported for the financial period. Management continuously reassesses these estimates and judgements based on a number of other factors in the given circumstances.

Management assesses that, in respect of the financial reporting for the parent company, no accounting estimates or judgements are made when applying the parent company's accounting policies which are significant to the financial reporting apart from those disclosed in note 30 to the consolidated financial statements.