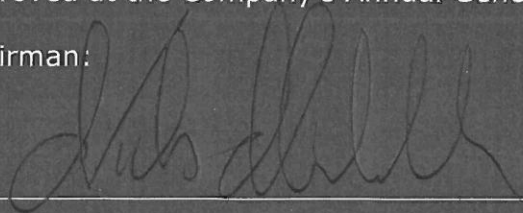


Annual Report 2019

Forward TopCo A/S

Approved at the Company's Annual General Meeting on 31st August 2020

Chairman:



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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 2019.

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act applying to reporting class C large enterprises.

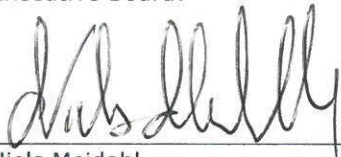
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2019 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the parent company's operations and financial matters and of 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, 31st August 2020

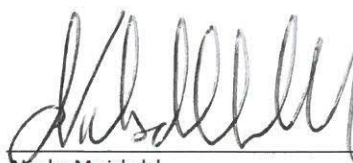
Executive Board:



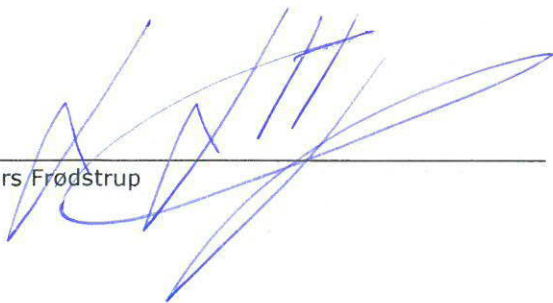
Niels Meidahl
CEO

Board of Directors:

Humphrey Cobbold
Chairman



Niels Meidahl



Lars Frødstrup

Management's statement

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The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act applying to reporting class C large enterprises.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2019 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2019.

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

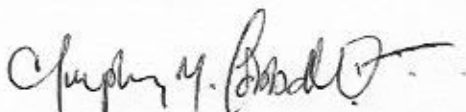
We recommend that the Annual Report be approved at the Annual General Meeting.

Rødovre, 31st August 2020

Executive Board:

Niels Meidahl
CEO

Board of Directors:



Humphrey Cobbold
Chairman

Niels Meidahl

Lars Frødstrup

Independent auditor's report

To the shareholder 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 2019, 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 2019 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 2019 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.

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.
- 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, 31 August 2020

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Steen Skorstengaard
State Authorised Public Accountant

mne19709



Ole Becker
State Authorised Public Accountant

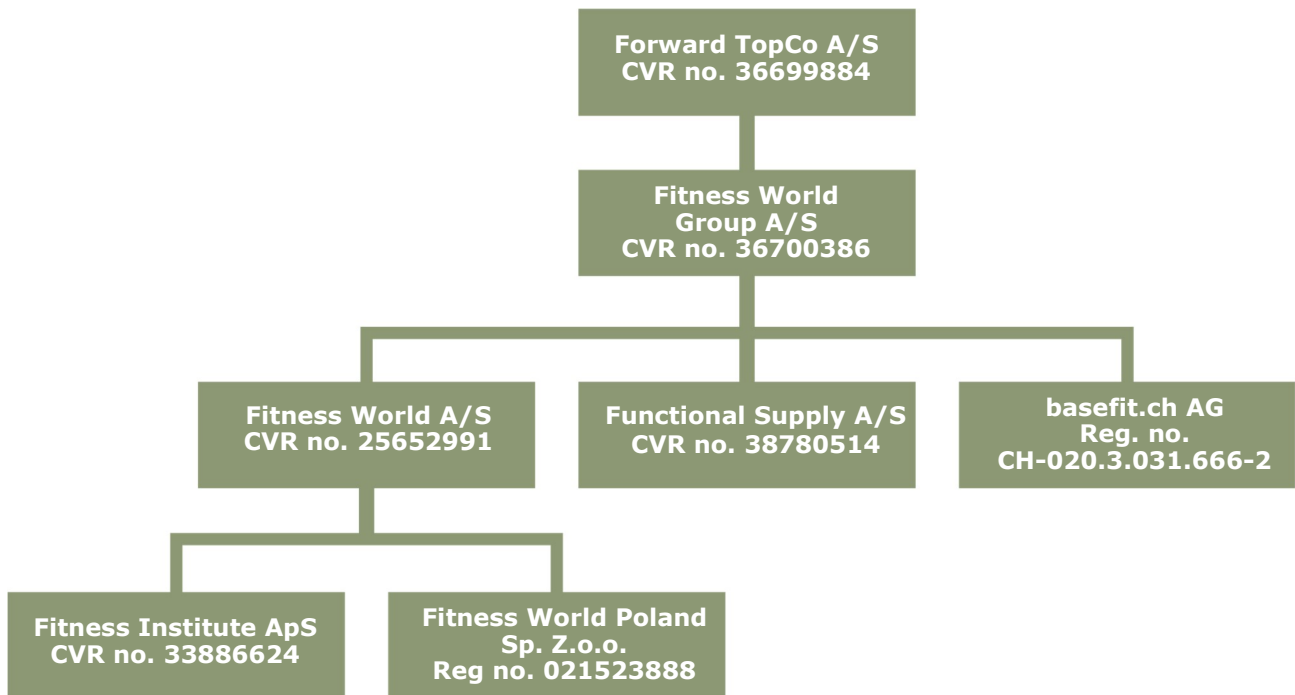
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Management's review

Company details

Company name and address	Forward TopCo A/S Egegårdsvej 61, 2610 Rødovre, Denmark
Comp. Reg. 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	Humphrey Cobbold, Chairman Niels Meidahl Lars Frødstrup
Executive Board	Niels Meidahl, CEO
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, 2000 Frederiksberg, Denmark

Group chart



All ownerships are 100%

Letter from Management

New owners

At the beginning of 2019, FSN Capital decided to initiate a sales process for Fitness World. In December we published an agreement whereby Pinnacle Europe Holdings Limited ("PureGym") acquired Fitness World at a price of DKK 3.1 billion. Final closing took place on 14 January 2020.

Founded in 2008, PureGym is the UK's leading gym chain and a pioneer in the low cost, high quality fitness proposition. PureGym operates over 250 gyms with more than 1 million members, making it the largest operator of gyms in the UK.

Combined, PureGym and Fitness World become the second-largest European fitness operator in terms of size of fully-owned club network, with more than 1.7 million members and close to 500 gyms across the UK, Denmark, Poland and Switzerland.

Combining the strengths of the two companies will give us an industry-leading operating model.

COVID-19

Over the last couple of years, we have worked hard to build an industry leading position in the gym market. Fitness World had a strong year in 2019 and a robust start to 2020, so we entered the COVID-19 crisis from a position of real strength.

In March 2020, the governments of the countries in which we operate imposed total lockdown measures to control the spread of COVID-19 and in doing so forced the temporary closure of all our gyms. Our first priority during this time was to take care of our staff and our members. We reacted quickly as the situation developed, following government guidance and implementing it effectively to protect the health and wellbeing of all concerned.

In tandem, we carried out thorough financial modelling to assess the impact of, and respond to, a rapidly evolving situation. This has allowed us to reduce our cash burn rate quickly, preserve cash and maximise liquidity throughout this period of ongoing uncertainty.

Significant work was undertaken to ensure that we were well prepared for reopening and our hard efforts to secure a smooth and safe reopening have paid off well. We opened all our 39 gyms in Switzerland on May 11, 2020, all of 17 gyms in Poland on June 6, 2020, and all our 186 gyms in Denmark on June 11, 2020. As of end of June 2020, we had 560,000 members across the Combined Group, which this represents 96% versus the prior year membership level. The fact that we are almost back on last year member numbers demonstrates our ability in securing safe training environment after the reopening, see note 30 for further description of the impact of COVID-19.

Fitness World Group performance

In 2019 Fitness World consolidated its leading position in Denmark, while expanding operations in Poland and Switzerland. During the year we opened three new clubs in Poland and six in Switzerland. Reported revenue growth was 20.5% (compared to 9.7% in 2018), while organic revenue growth came in at 5.7%. Membership grew by 4.3 % (24,000 members), and our EBITDA margin before IFRS 16 was 20.1% (18.6% in 2018).

We generated revenue of DKK 1.6 billion and EBITDA before special items of DKK 717 million, implying an EBITDA margin before special items of 43.7%. Excluding the effect of IFRS 16, EBITDA before special items ended at DKK 359 million, implying an EBITDA margin before special items of 21.9%. This is an increase of DKK 69 million, or 23.8%, compared to 290 million in 2018. The increase in EBITDA before special items was due to higher average revenue per member and the increased membership base, reduction of cost to serve have also impacted earnings positively and as a result of the full period effect of basefit.ch acquisition from October 2018. Furthermore, a growth in the number of gyms, the full period effect of gyms opened in the prior period.

The financial results comfortably met our expectations.

Focus areas

During the year we succeeded in increasing profitability in all our markets, offering more value-added products and implemented several effective cost initiative programmes.

We continue to strengthen our investment in digitalization and were awarded the accolade "Best Digital Customer Experience". Our Fitness World app passed 1 million downloads with more than 300,000 active monthly users in Denmark. The app has been developed further during 2019 making Fitness World a digital frontrunner in a European perspective.

Our successful sports nutrition brand, Functional Nutrition, continued to grow. Revenue exceeded DKK 68.5 million and we introduced more than 60 proprietary products. In 2019 we launched our own webshop and started to offer the products to customers outside the Fitness World clubs. The next step is to look beyond our own borders, already with demonstrated success in Switzerland and we are ready for more expansion.

Sustainability

Given the nature of the business, our operations have a limited impact on the environment. We use raw materials in the form of fitness machines and spare parts, but our main sustainability focus has been on energy savings related to the fitness clubs. In 2019 we finalised a project to replace all conventional light bulbs with LED bulbs. As well as substantially reducing energy consumption, our CO2 emissions have been reduced by more than 15%. The next step is to optimise our ventilation systems in the clubs as a new energy-saving initiative.

The future

We would like to thank all our passionate employees in Denmark, Poland and Switzerland for their contribution to the strong performance in 2019 and all the hard work around the reopening of our business again after the Covid19 closedown. In addition, we would like to express our appreciation for the excellent cooperation with our suppliers and thank our loyal members for continuing to support our brands and services. The support that you have given us during the last 18 months has been extraordinary and have secured that we have open up again more successfully than almost any other fitness chain in the world.

We have cemented our position in Denmark, expanded into Poland and established a strong position in Switzerland, while at the same time increasing profitability. Together with our new owners, we certainly have an appetite for more.

We look forward to joining forces with PureGym and stimulating healthy habits for individuals, not only in Denmark but all over Europe.

Best regards,

Niels Meidahl & Lars Frødstrup

Financial highlights for the Group

DKK'000	2019	2018 ³	2017 ^{1,3}	2016 ^{1,3}	2015 ^{1,3,4}
Key figures					
Revenue	1,641,684	1,362,594	1,242,283	1,103,972	611,283
Gross profit	1,139,632	628,420	552,531	497,403	262,761
EBITDA, before special items ²	716,638	290,156	254,449	226,824	114,341
EBITDA ²	688,181	253,807	223,150	226,824	114,341
EBITDA, before special items and IFRS 16 ²	359,245	290,156	254,449	226,824	114,341
EBITDA, before IFRS 16 ²	330,788	253,807	223,150	226,824	114,341
Ordinary operating profit/loss	86,114	33,471	-15,087	25,579	-27,794
Loss from financial income and expenses	-143,916	-48,407	-44,791	-48,929	-30,338
Loss for the year	-53,706	-31,493	-54,898	-21,447	54,694
<hr/>					
Total assets	4,187,353	2,299,646	1,760,277	1,838,813	1,997,993
Investment in property, plant and equipment	86,904	116,046	116,565	84,639	86,453
Additions from business combinations	5,190	113,380	-	-	-
Investments in right-of-use assets	406,190	-	-	-	-
Investments in intangible assets	68,653	39,121	17,972	1,364	-
Equity	654,580	694,684	649,440	698,188	723,129
<hr/>					
Cash flow from operating activities	534,148	138,972	170,753	87,085	172,043
Cash flow from investing activities	-164,039	-483,210	-94,238	-76,269	-1,384,146
Cash flow from financing activities	-385,599	333,637	-73,233	-69,772	-1,332,938
Total cash	29,570	45,060	55,661	52,379	110,885
<hr/>					
Financial ratios					
Gross margin	69.4%	46.1%	44.5%	45.1%	43.0%
EBITDA before special items, margin	43.7%	21.3%	20.5%	20.5%	18.7%
EBITDA margin	41.9%	18.6%	18.0%	20.5%	18.7%
EBITDA, before special items and IFRS 16, margin	21.9%	21.3%	20.5%	20.5%	18.7%
EBITDA, before IFRS 16, margin	20.1%	18.6%	18.0%	20.5%	18.7%
Solvency ratio	15.6%	30.2%	36.9 %	38.0 %	36.2%
<hr/>					
Average number of full-time employees	1,379	1,286	963	892	898

¹⁾ Not restated for IFRS 9 and 15.

²⁾ For a definition of the non-IFRS measures, see note 31 Accounting policies.

³⁾ Comparative figures have not been restated for the impact of implementing IFRS 16 from 1 January 2019.

⁴⁾ Actual figures for seven months of operations.

Financial ratios

The financial ratios have been calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios. For other non-IFRS measures please see note 31 (page 77). The financial ratios stated are calculated as follows:

Financial ratio	Definition
Gross margin, %	Gross profit/revenue
Solvency ratio, %	Equity/total liabilities

Mission and strategy

Based on strong positions in the UK, Denmark, Poland and Switzerland, PureGym and Fitness World combined have created a European Champion fitness operator. We have achieved this position by giving as many people as possible the opportunity to live a healthier life through fitness training at an affordable price.

Better health for all is our mission

Fitness World plays an integral part in improving the Danish nation's health. With around 485,000 members – close to 10% of the population over the age of 15 – we are mindful of our public health responsibility. Our 185 clubs are in prime locations across Denmark, giving us a strong market position.

Our ambition is to boost public health by helping the population to become healthier. The idea that there should be room for everybody – whatever their fitness, age, weight, size, etc. – is deeply embedded in our DNA. We want to create a non-judgemental community, where everybody feels safe. Better health for all is our mission, and "for all" is a critical democratic component of our values and highly descriptive of the way we see ourselves.

Strategy

The Danish fitness market has been growing by around 2% per year, driven by a healthy increase in penetration – the value-for-money segment is capturing the majority of the market. When it was founded, Fitness World disrupted the market, and we have since grown through M&A and greenfield projects, clearly outperforming the market and sustaining our leading position. The value proposition is clear: to offer "everything to everyone" through the broadest fitness offerings and club network at attractive prices.

The Company's growth strategy is to ensure profitable growth in the Danish home market and secure a winning proposition abroad. Clearly defined focus areas have been implemented throughout the organisation, including the following main areas.

Growth in Denmark

Denmark is Fitness World's home market and the main platform for future success. It is vital that we continually consolidate our position in the Danish market. We will do this not only through new club openings, but more importantly through robust like-for-like growth in our existing clubs. We believe this can be achieved through an enhanced focus on personalised fitness offerings locally, taking into consideration differences in trends and the habits of individual members. To be the most relevant fitness operator in the Danish market, Fitness World has a keen focus on every decision being data-driven to ensure that our offerings match up with our members. We will accelerate digitisation to offer a personalised experience for members, empowering them to make the choice that is right for them, whether that is personal training, group training or individual fitness.

Furthermore, we will continue to expand our sports nutrition brand, Functional Nutrition, to ensure that more people can enjoy quality products and a healthy lifestyle.

International expansion

In 2018, we entered the Swiss market through the acquisition of basefit.ch, Switzerland's second-largest and fastest-growing fitness chain. During 2019 we added six new clubs, taking us to a total of 39. We expect to expand further going forward. Switzerland represents an interesting market for Fitness World, as it is less well penetrated than Scandinavia.

In Poland, we expanded our strong regional presence with three new clubs, bringing the total to 17. We plan to continue to open new clubs after having successfully built up our local organisation. Although PureGym and Fitness World combined form the second-largest fitness group in Europe, we have an appetite for more.

Reduce churn

We are aiming to reduce churn through a stronger focus on the customer journey, i.e. through marketing automation. We want to create healthy habits among our members, and motivate and inspire them with relevant information. Our club staff will increase their focus on offering the right service and product throughout the customer journey.

About PureGym

On 14th January 2020, Pinnacle Europe Holding Limited ("PureGym") acquired the Group. PureGym is the largest operator of gyms in the United Kingdom, both by number of gyms and members. At year-end 2019, PureGym operated 250 gyms across the UK and had 1.1 million members.

PureGym has a powerful and highly disruptive customer proposition that is differentiated from traditional UK gym operators and appeals to a broad range of consumers. The key elements of the proposition include affordable membership fees, no fixed term contracts, and 24/7/365 access to high-quality gyms.

The proposition is underpinned by PureGym's differentiated low-cost, capital-efficient, and technology-enabled gym operating model, which enables its gyms to support high levels of membership, operate at low costs, and generate strong unit economics, cash flow conversion and ROCE.

The Group's strategy is to continue to roll out new gyms with high returns on capital, as well as driving the operational and financial performance of its existing gym estate.

The PureGym and Fitness World combination will create a diversified pan-European operator of scale with 1.7 million members and almost 500 gyms.

Fitness World

Fitness World Denmark

Fitness World was founded in 2005 and is headquartered in Rødovre, Denmark.

With 175 clubs and around 463,000 members in its domestic market visiting close to 25 million times per year, Fitness World is by far the largest fitness retailer in Denmark. Including part-time workers, we have approximately 4,600 employees in Denmark.

Fitness World offers well-invested fitness clubs with state-of-the-art equipment and a comprehensive range of group training classes in convenient locations and at non-binding affordable prices. At Fitness World, members can choose between more than 100 different types of fitness classes, ranging from yoga and dancing to cross-training and boxing.

Fitness World Poland

With 17 clubs and around 25,000 members, Fitness World is one of the largest fitness retailers in Poland. The Company entered the Polish market in January 2015. The plan for Poland is to open new clubs in the south-east of the country. Over the last two years, we have seen a positive development in our Polish operations. Fitness World has approximately 250 employees in Poland and is in a development phase, with seven of the clubs being in their introductory and ramp-up phases.

Urban Gym

Urban Gym was established in 2016 and currently has 10 clubs and around 22,000 members in Denmark. Urban Gym is our low-cost fitness brand and the smart choice for the super-discount segment.

To create a new low-cost fitness brand, we removed the staffed reception desks, 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.

We have built a 100% digital concept based on selling memberships solely via online e-commerce and in-club self-service using 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 clubs are former Fitness World clubs that were renovated and converted to the Urban Gym concept.

basefit.ch

In October 2018, Fitness World Group acquired basefit.ch AG, the leading low-cost fitness chain in Switzerland.

basefit.ch is the fastest growing fitness chain in Switzerland and is now the second largest, operating 39 clubs with 78,000 members.

basefit.ch opened its first club in 2008 and, up to 2014, pursued a strategy of opening one new club per year, mainly in the Zurich area. Since 2014, this growth has accelerated, with six new clubs opened in 2019.

The goal of basefit.ch is to make fitness training available to everyone, irrespective of social status, age, nationality, fitness level or health status.

Despite its low-cost strategy, basefit.ch does not compromise on quality, as reflected in its highly regarded certification. basefit.ch offers staffed reception desks, shower facilities, cyber group classes, supervision by trainers on the floor and high-quality equipment. basefit.ch is the smart choice for fitness consumers who want high quality at a low price.

We will continue to expand basefit.ch's reach. We have high expectations for the future roll-out of the chain, as the value-for-money segment remains the fastest-growing segment of Switzerland's fitness market.

Functional Nutrition

Established in July 2017

Functional Supply ("Functional Nutrition") strives to create and support healthy habits through innovative, relevant and honest sports nutrition products that never compromise on quality. The brand is deeply rooted in Fitness World Group, as this is where it matured and grew into an independent organisation – where passion for the mission overrides everything else. Functional Nutrition's vision is to become the most trusted sports nutrition brand for everyone with an active and performance-driven lifestyle.

We will achieve by creating innovative quality-tested sports nutrition products at great prices. To date, Functional Nutrition has developed more than 60 products.

In 2019 Functional Nutrition reached revenue of DKK 68.5 million.

Functional Nutrition launched its first products through Fitness World Denmark at the end of 2017. During 2018, the organisation expanded the distribution to Urban Gym as well as independent local gyms across Denmark. Through Fitness World Denmark and Urban Gym, Functional Nutrition managed to capture a market share in Fitness World of around 40% by value in 2019. This was primarily driven by strong performance within the ready-to-drink categories as well as the recently launched powder supplementation category. At year-end 2019, Functional Nutrition started an international expansion with distribution to basefit.ch clubs in Switzerland as well as continuing to expand the product range to meet new consumer demands. Functional Nutrition also launched an e-commerce platform, functionalnutrition.dk, to further expand sales outside Fitness World Group's distribution channels in Fitness World clubs as well as continuing to build distribution in independent local gyms.

As part of Functional Nutrition's overall strategy, a new visual identity was rolled out in April 2019. This transformation included new product design and a new communication platform, which have now been fully implemented.

Financial performance

Revenue

Revenue was DKK 1,642 million, against DKK 1,363 million in 2018, an increase of DKK 279 million or 20.5%. Organic revenue growth was 5.7%.

The higher revenue came from a combination of the increased membership base and higher average revenue per unit. Revenue has also increased due to the full-year effect of the acquisition of basefit.ch in October 2018.

Sales of goods and personal training services amounted to DKK 167 million, against DKK 142 million in 2018, an increase of DKK 25 million or 17.6%. This was driven by a sharper focus on personal training, further expansion of the product portfolio and the introduction of Functional Nutrition, our own brand of shakes, energy bars and other sports nutrition products.

Gross profit

Gross profit amounted to DKK 1,140 million, against DKK 628 million in 2018, an increase of DKK 512 million or 81.3%. Adjusted for the impact of implementing IFRS 16, gross profit was DKK 782 million, an increase of DKK 154 million against 2018. This increase was principally as a result of the full-period effect of basefit.ch acquisition from October 2018 and growth in the number of gyms, the full period effect of gyms opened in the prior period.

The gross margin before implementation of IFRS 16 was 47.7% in 2019, against 46.1% in 2018. Average revenue per member was up compared with 2018, 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 as a result of expanding our business in Poland and Switzerland.

EBITDA before special items

EBITDA before special items amounted to DKK 717 million (equivalent to an EBITDA margin before special items of 43.7%), against an EBITDA before special items of DKK 290 million (equivalent to an EBITDA margin before special items of 21.3%) in 2018. Excluding the effect of IFRS 16, EBITDA before special items amounted to DKK 359 million (equivalent to a margin of 21.9%), an increase of DKK 69 million or 23.8% against 2018. The increase in EBITDA before special items was due to higher average revenue per member and the increased membership base, reduction of cost to serve have also impacted earnings positively and as a result of the full period effect of basefit.ch acquisition from October 2018. Furthermore, a growth in the number of gyms, the full period effect of gyms opened in the prior period.

Special items included in EBITDA

2019 brought negative special items, net, of DKK 28.5 million, mainly due to significant M&A, sales process costs, provision for a disputed case, and adjustments to purchase price allocations from prior years.

Operating result (EBIT)

The operating profit was DKK 86 million in 2019, against a profit of DKK 33 million in 2018 an increase of DKK 53 million. Excluding the effect of IFRS 16, EBIT would have ended at DKK 61 million, an increase of DKK 28 million. The operation result is satisfying and comfortably met our expectations.

Financial items

Net financials totalled DKK -144 million in 2019, against DKK -48 million in 2018. Adjusted for the implementation of IFRS 16, net financials totalled DKK -82 million against DKK -48 million in 2018. Besides interest expenses and foreign exchange adjustments, the figure includes amortisation of borrowing costs and payments for an unused committed credit facility. The higher net financials in 2019 was mainly due to increased net debt, as a result of obtaining new loan to finance the acquisition of basefit.ch in 2018.

Taxation

Our income tax credit for the year ended December 31, 2019 was DKK 4.1 million compared to an expense of DKK 16.6 million in the year ended December 31, 2018. This decrease was principally a result of adjustment of prior year of DKK 8 million related to tax impact from a closed VAT audit in 2019 and

further impacted by changes in permanent differences, deductibles for interests and changes in taxable income etc.

Cash flow

Cash flow from operating activities

Cash flow from operating activities amounted to DKK 534 million against DKK 139 million in 2018. This increase was principally as a result of implementation of IFRS 16, which reclassifies all rent premises lease payments as financing activities. Excluding the effect from IFRS 16, cash flows from operating activities would have been DKK 240 million, an increase of DKK 101 million, or 73%, which is primarily a result of increased earnings following the maturation of gyms opened and the full period effect of basefit.ch acquisition from October 2018.

Cash flow from investing activities

Net cash flows used in investing activities for the year ended 31 December 2019 were DKK 164 million, which was a decline of DKK 319 million compared with DKK 483 million in the year ended 31 December 2018. This was mainly due to the acquisition of basefit.ch AG in 2018. Excluding the cash flow used for business acquisitions, net cash flow used in investing activities increased with DKK 52 million. The increased level reflects higher investing levels in both Denmark and Switzerland and in digital platform solutions. Net cash flows used in investing activities consist of expenditure on property, plant and equipment and intangibles, and amounts paid for acquisitions, less proceeds from disposals and the portion of any capital expenditure funded through leasing.

Cash flow from financing activities

The Group's net cash flows used in financing activities consists of the drawdown and repayment of bank loans, repayment of lease liabilities and change in overdraft facilities.

Net cash flows spent in financing activities for the year ended 31 December 2019 were DKK 386 million, which was primarily a result of the impact of IFRS 16, which reclassified rent premises payments as financing activities with an amount of DKK 294 million (outflow) in 2019. Our net payment on long-term and short-term debt facilities increased by DKK 59 million in 2019 compared with 2018 as a consequence of new loans raised in 2018 in connection with the acquisition of basefit.ch AG.

Net cash inflows from financing activities for the year ended 31 December 2018 were DKK 334 million, which was primarily a result of the new loans as part of the acquisition of basefit.ch AG and capital increase of DKK 71 million.

Balance sheet

Implementation of IFRS 16 impacted the balance sheet significantly in 2019; please refer to note 13. The balance sheet total at 31 December 2019 was DKK 4,187 million, against DKK 2,299 million at year-end 2018. Operating working capital was impacted by a higher level of activity.

Capital expenditure

Total capital expenditure in the year was DKK 226 million, excluding business combinations, which was an increase of DKK 71 million against 2018. Investments made during the year, was mainly related to new club openings in Denmark and Switzerland, refurbishment of existing clubs, and upgrading our equipment's in the clubs. An investment of DKK 69 million was made during 2019 to further strengthen our digitalisation. For a definition of capital expenditure please see note 31.

Net debt

Net interest-bearing debt ended at DKK 3,100 million at 31 December 2019, against DKK 1,125 million in 2018, an increase of DKK 1,975 million. This is mainly due to implementation of IFRS 16 at 1 January 2019. Excluding IFRS 16 in 2019, net debt would have been DKK 1,144 million, which is largely in line with 2018. As part of the sale of the Group to Pinnacle Europe Holdings Limited ("PureGym"), the financial debt was repaid on 14 January 2020 and converted into a long-term intercompany loan with roll-up interests.

Equity

Equity ended at DKK 655 million at 31 December 2019, against DKK 695 million in 2018. The DKK 40 million decline was mainly the result of the loss for the year, impacted by implementation of IFRS 16.

Events after the balance sheet date

Acquisition of Fitness World Group

In December 2019 we published an agreement where Pinnacle Europe Holdings Limited ("PureGym") acquired Fitness World at a price of DKK 3.1 Billion. Final closing took place at 14 January 2020. As part of the acquisition, the short term loan to credit institutions of DKK 1,036m was repaid and substituted with a new

long-term intercompany loan with roll-up interests from our new owners. Please refer to note 30 for further details.

COVID-19

As many other industries around the world, The Groups was, and still is, impacted by the COVID-19 pandemic. All of our gyms were closed since the governments in the countries of operations imposed a total lockdown to control the spread of COVID-19. Today, we have most of our employees back in the offices, and all gyms have reopened in the countries we operate within, but health and safety continue to be our first priority.

The Group meets its day to day working capital requirements, capex and funding of new gyms through its cash reserves. The Group has carried out extensive financial modelling, taking into account the potential impact of the COVID-19 pandemic on the cashflows and liquidity of the Group. This has included; significantly reduced revenue during the extended COVID-19 closure period, mitigation measures announced by our governments, measures put in place by the Group to preserve cash and to reduce discretionary expenditure and potential reductions in revenues resulting from changes in the behaviours of members after reopening. The Group has received government support packages in the countries we operate in for compensation of payroll expenses and fixed costs to limit the consequence of COVID-19.

During lockdown, the group's weekly cash burn has been reduced by nearly 50% and actions have been taken to preserve cash after reopening in June. This burn rate includes government mitigation. When compared to current available liquidity, the Management consider that the group has sufficient liquidity to allow the planned future operations and meet the required cash need. The Directors have also considered the impact of additional downside scenarios with longer closure lengths. Should it become clear that the closure period is to be prolonged, the business would be placed into hibernation allowing the mitigated cash burn to reduce further, thereby significantly extending the liquidity lifespan.

Significant work was undertaken to ensure that we were well prepared for reopening and our hard efforts to secure a smooth and safe reopening have paid off well. We opened all our 39 gyms in Switzerland on May 11, 2020, all of 17 gyms in Poland on June 6, 2020, and all our 186 gyms in Denmark on June 11, 2020. As of end of June 2020, we had 560,000 members across the Combined Group, this represents approx. 95% versus the prior year membership level. That we are almost back on last year member numbers shows that we are successful in securing a safe training environment after the reopening, see note 30 for further description of the impact from COVID-19.

Restructuring

In August 2020 it has been determined to implement restructuring initiatives, primarily related to the staff set-up in the gyms in Denmark. The restructuring is decided to implement a more streamlined service in the gyms and to strengthen the business model. Further two clubs are planned to be closed during fall 2020, as a result of low performance. The restructuring is not expected to have any significant influence on the member base, Groups operations and future earnings, except of cost savings in a long term.

No other events have occurred after the balance sheet date that could influence the evaluation of this Annual Report.

Outlook for 2020

As a consequence of the impact from COVID-19, we expect a positive EBITDA for the year 2020 in the range of DKK 100-150m and a negative result after tax for the year 2020. The Group continues to consider the macroeconomic environment and performance expectations are associated with significant uncertainty in the market of operations related to COVID-19 development. Despite an expected loss making year, our liquidity remains positive throughout the remainder of 2020, as all markets are open again, cash flows in from members, and cash outflows are carefully managed. See note 30 for further description of the impact from COVID-19.

The expectations for Fitness World's financial performance in 2020 are based on the following specific assumptions:

- Exchange rates, primarily for CHF, EUR and PLN, hold at their August 2020 levels
- Membership levels significantly impacted by the COVID-19
- Price competition remains unchanged
- Impact from the lockdown period in the countries of operation

The loss-making situation in 2020 is expected to be temporary and solely due to the impact of COVID-19.

Risk management

Risk management is an ongoing process at Fitness World involving identification of risks and 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 of monitoring 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, especially the consumer sector, as well as political initiatives such as taxes or VAT deductions targeting the fitness industry, have significant direct and indirect impact on Fitness World.	High	High	Monitoring economic and political developments in the three markets – Denmark, Poland and Switzerland – and effectively following up on sales on a weekly basis. With the acquisition of basefit.ch in 2018, Fitness World now has a more diversified geographic split.
Market	The effect of COVID-19 on our business and the wider fitness industry will ultimately depend on a number of factors, including, but not limited to, the duration and severity of the outbreak, the length of time it takes for demand and pricing to return and for normal economic and operating conditions to resume, and the potential for virus resurgence across the markets in which we operate. There are no comparable recent events that provide us with guidance, and so we cannot currently estimate this with any certainty nor can we provide any assurance that COVID 19 will not continue to have a material adverse effect on our business, financial condition and results of operations.	High	High	Monitoring global pandemic development and effectively following up on latest national lockdown and preventive actions. Secure in place health measures in all our gyms in order to prevent infected people visiting the gym. Furthermore limit the number of people within a facility to reduce density risk of transmission, in place cleaning and sanitation procedures.
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 brands, and failure to deliver high-quality services at a competitive price. Unusually high summer temperatures also have a negative impact on membership levels.	Medium	Medium/high	Monitoring competitors to the extent possible. Maintaining high market visibility to secure our market position. Monitoring prices in the three markets. Predicting consumer dynamics to deliver solutions that resonate with consumers.
Brand value	Our success depends in large part on our ability to maintain and enhance the value of our brands and our members’ and the public’s relationship to our brands.	High	Medium	Building, promoting and positioning our brands.

Risk	Scenario	Probability	Impact factor	Action
Interest & foreign exchange rates	Fitness World's earnings are in DKK, CHF 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	Mitigating exchange and interest rate risks in accordance with established policies and conducting ongoing follow-up and reporting. Fitness World does not hedge currency exposure, but tries to match assets and liabilities within the same country where possible.
Capital structure & cash flow	Net interest-bearing debt was DKK 3,142 million at year-end 2019 (Excluding the impact from IFRS 16, net debt would have been DKK 1,186 million).	Low	High	On 14 January 2020 all interest-bearing debt was converted into intercompany debt.
Contractors	We rely on third-party contractors and suppliers for various aspects of our business, including the provision and servicing of fitness equipment, member payment processing, and certain IT services and marketing functions.	Medium	Low	Strengthening our control environment around contractors and implementing new software systems to limit this risk.

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 the overall strategic management and for ensuring adequate financial and managerial control of the Company.

The Board of Directors of Forward TopCo A/S consists of three members:

- Humphrey Michael Cobbold, Chairman since 2020
- Niels Meidahl, member since 2020
- Lars Brøndum Hagedorn Frødstrup, member since 2020

Executive Committee and Group Management

Management is responsible for the day-to-day operation of Fitness World. The management level consists of Group CEO and CFO Niels Meidahl, and Group CCO Lars Frødstrup (Executive Committee) and three heads of department (Group Management).

A full overview of Group Management can be found on pages 26-27.

At the end of 2019, the total number of employees was approximately 5,200. It is crucial that Fitness World is able to attract and retain competent and motivated 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 primary consideration is ensuring 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 by 2024. Since 2020, the Company has not had any female member of the Board of Directors. Fitness World has a policy of offering all employees equal opportunities and aims for a more equal gender distribution among employees in leadership positions. When recruiting managers, Fitness World will in the future focus on gender equality if there are qualified applicants. However, Fitness World does not compromise on qualifications and will continue to employ the best-qualified candidate regardless of gender, or political, religious or personal orientation.

The Company also intends to increase the proportion of women in both Group Management and general management so as to reflect the proportion of women employed by Fitness World, which is currently 62%. In 2019, the general management (including fitness club managers) comprised 38% men and 62% women.

Environment, social and governance (ESG)

Risk management

The Board of Directors has overall responsibility for ensuring that the Group maintains appropriate procedures for monitoring, measuring and managing 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 pages 19-20.

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 16,168 shares with a nominal value of DKK 0.02. FSN Capital previously had control of the Company through its parent company, FSN Capital GP IV Limited until 14 January 2020. As of 14 January 2020, the ownership has changed, so that Pinnacle Europe Holdings Limited ("PureGym") now controls the Company.

The Board of Directors proposes to the Annual General Meeting that no dividend be declared in respect of the financial year 2019 and that the consolidated loss of DKK 54 million be transferred to retained earnings.

Corporate social responsibility

The Group considers corporate social responsibility to be important. The Group's commitment to the Company's sustainable development is based on combining financial performance with socially responsible behaviour and environmental awareness.

In 2019, the Group focused in particular on minimising its consumption of water and energy per visit. As a result, costs were reduced in a number of areas, and the environmental impact was also reduced. Among other things, we have changed nearly all light bulbs in the clubs to LED bulbs to significantly reduce energy consumption.

The Group runs charity events. One example is a collaboration with Team Rynkeby called "Bike for the kids", where 70 Group clubs arrange cycling events. The proceeds from the tickets sold are donated to the Child Cancer Foundation Denmark.

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

The Group is also very aware of the risks of corruption, but since the Company operates in mature markets, a separate anti-corruption policy has not been drawn up.

ESG impacts through the value chain

Fitness World's main social impact centres around the health benefits of living an active lifestyle via fitness training. Totalling 589,000 members in Denmark, Poland and Switzerland and over 28,000,000 annual visits, Fitness World is a major contributor to public health and life expectancy – especially in Denmark.

The use of heavy weights in plate loading, free weight and weight stack machines in the clubs may, however, impact the safety of members and employees. The main environmental impact relates to the manufacturing of equipment, such as the use of chemicals in leather tanneries and parts manufacturing in China (colour plating of metals) for final assembly of fitness equipment in the US and Europe. Governance impacts relate to integrity in sales and procurement, marketing and management of the business, as well as protection of customer and employee data.



ESG risks and opportunities

The fitness industry has grown over the last 10-15 years, and estimate that more than 60 million people in Europe are now doing fitness activities on a regular basis. Fitness has become mainstream for living an active lifestyle outside the traditional sports clubs. Given Fitness World’s market share in Denmark, it is important to be sensitive to the role the Company plays in terms of promoting natural self-confidence and working against an abnormal body image, as well as the opportunity to contribute to attitudes regarding illegal substances.

The fitness industry is currently transforming into a professional retail business with larger chain structures. However, there are still traces of the traditional system of managing independent fitness clubs, with its inadequate focus on governance and timely professionalism. As Fitness World continues to grow via bolt-on acquisitions, there will be a focus on integrity-related risks.

With around 589,000 members and terabytes of personal data, including sensitive health information, it is vital to set standards for data security and compliance with the EU’s data protection regulation (GDPR).

Fitness World is in a unique position to contribute to the WHO’s SDG 3 programme on health and well-being.



Company ESG performance 2019

KEY ESG GOALS	EFFORTS 2019	PERFORMANCE	AMBITIONS 2020
1. Empower healthy bodies and minds	<p>The FitIn programme for grades 7-9 in the Danish public school system was launched. The programme enables teachers to provide an introduction to basic fitness and healthy body image for teenagers.</p> <p>We optimised our equipment configuration to avoid bottlenecks in all areas of our clubs.</p> <p>We introduced five new class concepts, including outdoor running.</p> <p>We added new app functions: virtual training programme, PT bookings.</p> <p>We cooperated with ADD (Anti-doping Denmark).</p>	<p>17,000 new members and 28 million total visits in 2019.</p> <p>76,000 PT session (+2,000 vs. 2018). 4,407,588 total class participants (+28,000 vs. 2018).</p>	<p>Develop additional material and programmes for teachers to include fitness in the curriculum.</p> <p>Maze score of 183 (up from 185 in 2020). Add 15,000 new members and 0.5 million extra visits.</p> <p>Focus on healthy habits, and get more people to train and achieve a better lifestyle.</p>
2. Motivated, safe and satisfied employees	<p>We created a new go-to-market structure adding more management firepower in regions and districts – closer to club personnel.</p> <p>We expanded our FW Learning Bank.</p> <p>We introduced a performance-related C&B package with bonus payments.</p>	<p>NPS score of 25 (up 6 points vs. 2018). We added four new modules to Learning Bank.</p> <p>Sick days down to 3.6% from 5.0%.</p>	<p>We will continue to build our e-learning platform FW Learning Bank (25 modules). NPS score of 25.</p> <p>Turnover rate down to 20%. We will follow up on employer satisfaction on a monthly basis going forward.</p> <p>We will maintain the low level of sick days recorded in 2019.</p>
3. Safe and inviting gyms with improved carbon footprint	<p>We implemented the Dalux ticketing system on 2 February, enabling maintenance teams to prioritise all technical issues in the clubs.</p> <p>We rolled out the LED programme to improve our carbon footprint and ensure adequate lighting for safe workouts. We reduced our electricity consumption by 25% in 2019.</p>	<p>Member satisfaction up by 7 points from 189 EOP in 2018 to 196 EOP in 2019.</p> <p>Dalux and technical team handling 40,000 tickets.</p> <p>Service days worked by technical team down by 1.5 days to 3.31 days.</p>	<p>Mapping all energy consumption in our clubs and at HQ. Reduce energy consumption by 10% in 2020.</p>
4. Responsible management and business integrity	<p>Whistleblowing system established.</p> <p>Supplier code of conduct in place.</p> <p>GDPR programme finalised.</p> <p>Authorisation policy implemented.</p> <p>A wide range of policies formulated and implemented.</p> <p>Additional code of conduct modules in Learning Bank developed and implemented.</p> <p>Club manager handbook updated.</p>	<p>Club employee terminations due to fraudulent behaviour down from 11 to six.</p> <p>No whistleblower tickets in 2019 compared with two in 2018.</p> <p>Zero product hazard incidents (chemical or nickel release).</p>	<p>Anti-corruption training in Learning Bank.</p> <p>Supplier audit reviews for key SKUs.</p> <p>Terminations due to fraudulent behaviour down to five.</p>

Executive Committee and Group Management

Strong leadership at FITNESS WORLD

Executive Committee



Niels Meidahl

Group CEO, position held since June 2020, before this Group CFO 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) and DSV Miljø A/S (2006-2009), Investor Relations manager at Novozymes A/S (2002-2006)

Board memberships: Soundear A/S (Chairman), Reconor A/S (Chairman), Business Innovation & Marketing A/S, Hans Henning Nielsen A/S (Chairman), Fitness World Group A/S, Forward TopCo A/S, Functional Supply A/S, Fitness Institute ApS



Lars Frødstrup

Group CCO, CEO of Fitness World Denmark, position held since June 2020, before this Managing Director of Fitness World Denmark

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)

Board memberships: Fitness World Group A/S, Forward TopCo A/S and DFHO

Group Management

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)



Gitte Glentborg

HR Director, position held since September 2015

Born: 1975

Educational background: Academy Profession degree in Human Resources from Business Academy Aarhus, part of Aarhus Business School

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



Claus Nielsen

Chief Marketing & Digital Officer (CMDO), position held since August 2018

Born: 1983

Educational background: Diploma Marketing & Commercial Management (HD), Executive Management Program at INSEAD

Work experience: Sales & Marketing Director at Red Bull (2012-2018), Nordic Market Manager at Nordisk Film A/S (2011-2012), Trade Marketing Manager at PlayStation (2009-2010), Nordic Area Manager at Trendhouse Group A/S (2007-2010)

Board memberships: Functional Supply A/S, Fitness Institute ApS



Consolidated income statement 1 January – 31 December

Note	DKK'000	2019	2018 ¹
1	Revenue	1,641,684	1,362,594
	Cost of sales	-76,849	-63,058
3	Other external costs	-425,203	-671,116
	Gross profit	1,139,632	628,420
2	Employee expenses	-425,973	-339,984
4	Amortisation, depreciation and impairment	-602,067	-220,336
	Other operating income	2,979	1,720
	Operating profit before special items	114,571	69,820
5	Special items	-28,457	-36,349
	Operating profit	86,114	33,471
6	Finance income	1,809	315
7	Finance costs	-145,725	-48,722
	Loss before tax	-57,802	-14,936
8	Income tax	4,096	-16,557
	Loss for the year	-53,706	-31,493
	Attributable to:		
	Shareholders of the parent company	-53,706	-31,493
		-53,706	-31,493

¹⁾ Comparative figures have not been restated for the impact of implementing IFRS 16 from 1 January 2019.

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

Consolidated statement of comprehensive income

Note	DKK'000	2019	2018 ¹
	Loss for the year	-53,706	-31,493
	Other comprehensive income		
	Other comprehensive income to be reclassified to the income statement in subsequent periods (net of tax):		
	Exchange differences in translation of foreign entities	11,352	6,269
21	Gain on fair value adjustments of derivatives financial instruments that may be subsequently reclassified to the income statement	2,885	2,948
8	Income tax	-635	-628
	Other comprehensive income/(loss) for the year, net of tax	13,602	8,589
	Total comprehensive loss for the year, net of tax	-40,104	-22,904
	Attributable to:		
	Shareholders of the parent company	-40,104	-22,904
		-40,104	-22,904

¹⁾ Comparative figures have not been restated for the impact of implementing IFRS 16 from 1 January 2019.

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

Consolidated balance sheet at 31 December

Note	DKK'000	2019	2018 ¹
Assets			
Non-current assets			
10	Intangible assets	1,495,664	1,517,632
12	Property, plant and equipment	411,529	540,083
13	Right-of-use assets	2,068,406	-
15	Trade receivables, non-current	-	3,015
	Other receivables, non-current	48,475	50,469
	Total non-current assets	4,024,074	2,111,199
Current assets			
14	Inventories	34,276	24,057
15	Trade receivables	58,616	52,817
	Other receivables	26,990	54,719
	Prepayments	13,827	11,794
16	Cash	29,570	45,060
	Total current assets	163,279	188,447
	Total assets	4,187,353	2,299,646

¹⁾ Comparative figures have not been restated for the impact of implementing IFRS 16 from 1 January 2019.

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

Consolidated balance sheet at 31 December

Note	DKK'000	2019	2018 ¹
	Equity		
27	Share capital	16,168	16,168
	Hedging reserve	-1,337	-3,587
	Foreign exchange reserve	17,862	6,510
	Retained earnings	621,887	675,593
	Total Equity	654,580	694,684
	Liabilities		
	Non-current liabilities		
9	Deferred tax liabilities	34,539	51,612
20	Credit institutions	-	985,680
13	Lease liabilities	1,704,120	-
17	Provisions	42,521	41,107
	Other liabilities	5,585	-
	Total non-current liabilities	1,786,765	1,078,399
	Current liabilities		
20	Credit institutions	1,036,266	184,776
13	Lease liabilities	389,019	-
21	Trade payables	115,679	100,154
17	Provisions	13,500	22,527
	Income tax payable	16,754	13,900
	Other liabilities	53,587	77,579
	Deferred income	121,203	127,627
	Total current liabilities	1,746,008	526,563
	Total Liabilities	3,532,773	1,604,962
	Total Equity and Liabilities	4,187,353	2,299,646

¹ Comparative figures have not been restated for the impact of implementing IFRS 16 from 1 January 2019.

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

Consolidated statement of changes in equity

DKK'000	Issued capital	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
Equity 1 January 2019	16,168	-3,587	6,510	675,593	694,684
Result for the year	-	-	-	-53,706	-53,706
Other comprehensive income					
Foreign currency translation of foreign entities	-	-	11,352	-	11,352
Value adjustment of hedging instruments	-	2,885	-	-	2,885
Tax on other comprehensive income	-	-635	-	-	-635
Total other comprehensive income	-	2,250	11,352	-	13,602
Total comprehensive income for the year	-	2,250	11,352	-53,706	-40,104
Equity at 31 December 2019	16,168	-1,337	17,862	621,887	654,580
Equity at 1 January 2018	15,701	-5,907	241	639,405	649,440
Change in accounting policies (IFRS 15)	-	-	-	-4,232	-4,232
Tax-related adjustments	-	-	-	932	932
Adjusted equity at 1 January	15,701	-5,907	241	636,105	646,140
Result for the year	-	-	-	-31,493	-31,493
Other comprehensive income					
Foreign currency translation of foreign entities	-	-	6,269	-	6,269
Value adjustment of hedging instruments	-	2,948	-	-	2,948
Tax on other comprehensive income	-	-628	-	-	-628
Total other comprehensive income	-	2,320	6,269	-	8,589
Total comprehensive income for the year	-	2,320	6,269	-31,493	-22,904
Transactions with owners	-	-	-	-	-
Capital increase	467	-	-	70,981	71,448
Equity at 31 December 2018	16,168	-3,587	6,510	675,593	694,684

Consolidated cash flow statement 1 January – 31 December

Note	DKK'000	2019	2018 ¹
	Result for the year	-53,706	-31,493
18	Adjustments for non-cash transactions	736,152	250,345
	Financial costs, net, paid	-121,544	-43,152
	Income tax paid	-13,141	-20,227
	Cash flow from operating activities before change in net working capital	547,761	155,473
19	Change in net working capital	-13,613	-16,501
	Cash flow from operating activities	534,148	138,972
	Purchase of intangible assets	-39,398	-28,710
	Purchase of property plant and equipment	-93,382	-44,185
	Proceeds from disposal of property, plant, and equipment	1,746	599
28	Acquisition of business combination	-23,675	-394,715
	Acquisition of activities	-11,558	-15,621
	Change in rental deposits	2,228	-578
	Cash flow from investing activities	-164,039	-483,210
	Free cash flow	370,109	-344,238
20	Repayments of long-term debt	-98,800	-60,000
20	Repayments of short-term debt	-20,526	-
20	Proceeds from borrowings	-	360,000
20	Repayment of finance lease liabilities	-	-26,385
20	Financial costs paid	-	-11,426
20	Change in overdraft facilities	60,066	-
20	Repayment of lease liabilities	-326,339	-
27	Capital increase	-	71,448
	Cash flow from financing activities	-385,599	333,637
	Cash flow for the year	-15,490	-10,601
	Cash at 1 January	45,060	55,661
16	Cash at 31 December	29,570	45,060

¹⁾ Comparative figures have not been restated for the impact of implementing IFRS 16 from 1 January 2019.

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

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Notes

1 Revenue

Group accounting policies

The Group's principal sources of revenue are membership services (fitness club memberships, including joining fees and live group lessons). Other revenue includes revenues related to the sale of day passes, nutritional products and personal training sessions.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services rendered, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Sale of services

The Group provides fitness club services for its customers. For sale of services, revenue is recognised in the accounting period in which the services are rendered. Delivery of fitness club services extends throughout the term of membership.

Joining fees are recognised over the contract period (for one-year contracts) and over the expected duration of the membership ("average length of stay") for "flex contracts" (contracts that can be cancelled at any time). Membership revenues continue to be recognised on a monthly basis over the contract term.

Membership fees collected but not earned are included in deferred revenue. The Group's promotional offers often include a discount in the form of a free period (e.g. current month free or next month free), waiver of the joining fee (fully or partly) or a promotional item, or a combination of the three. The member's payment will be based on the applicable promotion, but the monthly revenue is determined for the entire period by taking into consideration the discounts granted, which are allocated using relative amounts.

Sale of goods

The sale of goods comprises revenue from sales of nutritional and other fitness-related products, such as ready-to-drink beverages, protein powders and merchandise. Sales of these products are recognised in the income statement, provided that risks and rewards have been transferred to the customer and that the income can be reliably measured and is expected to be received, excluding VAT and taxes charged on behalf of third parties.

Sale of personal training

The sale of personal training comprises revenue from sale of personal training service vouchers. Revenue from sale of personal training services is recognised in the income statement as the services are rendered, excluding VAT and taxes charged on behalf of third parties. Sale of vouchers for personal training sessions not used before year-end is recognised under contract liabilities, and will be recognised as revenue in the following financial years.

1.1 Breakdown of revenue

In the following table, revenue is broken down by revenue type, country and timing of revenue recognition:

DKK'000	2019	2018
Revenue from subscriptions	1,474,830	1,220,592
Sale of goods	117,849	104,177
Sale of personal training services	49,005	37,825
	1,641,684	1,362,594

Geographical markets DKK'000	2019	2018
Denmark	1,362,123	1,290,483
Poland	46,878	38,883
Switzerland	232,683	33,228
	1,641,684	1,362,594

Timing of revenue recognition DKK'000	2019	2018
Services transferred over time	1,523,835	1,258,417
Goods at a point in time	117,849	104,177
	1,641,684	1,362,594

1.2 Contract balances

The receivables relate to amounts due from customers for services performed in the past period(s), less provision for impairment. The contract liabilities primarily relate to the advance consideration received from customers, for which revenue is recognised over time. The following table provides information about receivables and contract liabilities from contracts with customers.

DKK'000	2019	2018
Receivables included in trade receivables	58,616	55,832
Deferred income	-121,203	-127,627
	-62,587	-71,795

2 Employee expenses

Group accounting policies

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

The Group operates a number of defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. In addition, the Group has a few defined benefit plans where the responsibility for the pension obligation to the employees lies with the Group. The Group's net obligation is calculated annually by an actuary.

The present value less fair value of any plan assets is recognised as pensions in the statement of financial position.

DKK'000	2019	2018
Wages and salaries	394,202	324,375
Pensions, defined contribution plans	12,272	9,104
Pensions, defined benefit plans	1,651	397
Other expenses for social security	17,848	6,108
	425,973	339,984
Average number of full-time employees*	1,379	1,286
Remuneration to the Executive Committee and the Board of Directors		
Wages and salaries	4,393	4,006
	4,393	4,006
Key management personnel		
Wages and salaries	9,260	10,690
Pensions, defined contribution plans	357	165
	9,617	10,855

*Includes 12-months average for full-time employees in basefit.ch for 2018

Key management personnel comprises the CFO, CCO, Business Development Director, COO, CMO, Country Manager Poland and HR Director.

The Executive Committee and key management personnel are eligible for bonuses, depending on results and personal KPIs.

3 Fees paid to auditors appointed at the Annual General Meeting

DKK'000	2019	2018
Statutory audit	1,107	1,020
Other assurance services	380	-
Tax and VAT advisory services	466	181
Other services	1,843	3,996
	3,796	5,197

4 Amortisation and depreciation

Group accounting policies

See also note 10 Intangible assets, note 12 Property, plant and equipment and note 13 Right-of-use assets and lease liabilities

DKK'000	2019	2018
Amortisation of intangible assets	131,571	92,445
Depreciation of property, plant and equipment	101,654	127,891
Depreciation of right-of-use assets	368,842	-
	602,067	220,336

5 Special items

Group accounting policies

Special items include significant non-recurring income and expenses that Management does not consider to be part of the Group's ordinary operations such as fundamental structural costs and other costs related to organisational changes. These items are classified separately in the income statement in order to give a truer and fairer view of the Group's operating profit.

DKK'000	2019	2018
Adjustment to purchase price allocation	-9,029	-
Provision for disputes	7,000	-
Post-merger integration costs	18,384	4,098
GDPR	-	4,799
Merger and acquisition cost	10,018	18,868
Reorganisation	-	8,584
Cancelled rental obligation	2,084	-
	28,457	36,349

6 Finance income

Group accounting policies

Financial items comprise interest income and expenses on debts and borrowings, interest on lease liabilities, 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.

DKK'000	2019	2018
Interest income	23	315
Total interest income from receivables measured at amortised cost	23	315
Currency gain, net	1,786	-
Total finance income	1,809	315

7 Finance costs

DKK'000	2019	2018
Interest on debt and borrowings, etc.	57,577	42,453
Interest paid on lease liabilities	63,991	-
Amortisation of borrowing costs	24,157	5,255
Total interest expense on debt and borrowings at amortised cost	145,725	47,708
Currency loss, net	-	1,014
Total finance costs	145,725	48,722

8 Income tax

Group accounting policies

Tax for the year consists of current tax and deferred tax, 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 have been 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.

DKK'000	2019	2018
Current income tax:		
Current income tax charge	-23,234	-17,636
Prior-year adjustment to income tax charges	7,895	-756
Deferred tax:		
Changes in temporary differences	19,435	1,835
Income tax in the income statement	4,096	-16,557
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	-635	-628
Income tax charged to other comprehensive income	-635	-628
Loss before tax	-57,802	-14,936
Calculated at Denmark's statutory income tax rate of 22.0%	12,716	3,286
Tax rate deviations in foreign entities, net	-485	-193
Prior year adjustment to income tax charges	7,895	-756
Interest ceiling rules	-5,660	-3,404
Write-down of deferred tax loan costs	-4,785	-2,604
Tax impact from other permanent differences etc. net	-5,585	-12,886
Income tax reported in the consolidated income statement	4,096	-16,557

9 Deferred tax

Group accounting policies

Deferred tax is calculated 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 be reversed 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 be reversed 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.

Deferred tax in 2019 related to the following:

DKK'000	Consolidated statement of financial position	Consolidated income statement/other comprehensive income
Intangible assets	-38,295	-16,241
Property, plant and equipment	3,295	-6,944
Provisions	5,940	2,976
Debt	-5,266	505
Other items	-213	269
Deferred tax expense (income)		-19,435
Net deferred tax assets (liabilities)	-34,539	
Reflected in the statement of financial position as follows:		
Deferred tax assets	-	
Deferred tax liabilities	-34,539	
Deferred tax liabilities, net	-34,539	

Deferred tax in 2018 related to the following:

DKK'000	Consolidated statement of financial position	Consolidated income statement/other comprehensive income
Intangible assets	-42,613	-22,580
Property, plant and equipment	-13,124	-5,573
Provisions	8,916	8,244
Debt	-4,761	18,839
Other items	-30	-765
Deferred tax expense (income)	-	-1,835
Net deferred tax assets (liabilities)	-51,612	
Reflected in the statement of financial position as follows:		
Deferred tax assets	-	
Deferred tax liabilities	-51,612	
Deferred tax liabilities, net	-51,612	

The Group has carried forward losses on financial instruments with a taxable value of DKK 1 million (2018: DKK 1 million), which has not been recognised, as its future utilisation is associated with uncertainty. The carry-forward period is limited to 2-3 years.

Deferred tax assets, mainly relating to tax losses of approx. DKK 10 million (2018: 13 million), have not been recognised due to uncertainty as to the future use.

10 Intangible assets

Group accounting policies

Intangible assets comprise goodwill, customer base, trademarks and software.

Goodwill

Goodwill on acquisition 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 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. Management monitors goodwill on a country basis.

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 bases and trademarks are recognised at historical cost. Customer base and trademarks have a finite useful life of 5-7 years and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the costs of customer base and trademarks over their estimated useful lives, as the pattern cannot be determined reliably.

Software

Software is initially measured at cost. Following initial recognition, software is 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 income statement as incurred.

Software development costs that are directly attributable to the design and testing of identifiable unique software products controlled by the Group are recognised as intangible assets if the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use.
- Management intends to complete the software and use or sell it.
- There is an ability to use or sell the software.
- It can be demonstrated how the software will generate probable future economic benefits.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the software.
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The useful lives of intangible assets are assessed as either finite or indefinite. The Group has assessed the remaining useful life to be finite for all recognised other intangible assets.

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.

Software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed five years.

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 intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Summary of amortisation of 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 5-7 years
- Software – amortised on a straight-line basis over maximum 3 years

The movement in intangible assets during the year was as follows:

DKK'000	Goodwill	Customer base	Trademark	Software	Development projects in progress	Total
Cost at 1 January 2019	1,261,672	429,430	93,633	45,982	1,728	1,832,445
Exchange rate adjustment	14,989	1,440	507	20	-	16,956
Additions	-	11,558	-	46,453	10,642	68,653
Additions from business combinations	15,300	8,100	600	-	-	24,000
Transfers	-	-	-	1,728	-1,728	-
Cost at 31 December 2019	1,291,961	450,528	94,740	94,183	10,642	1,942,054
Amortisation and impairment at 1 January 2019	-5,323	-245,377	-55,977	-8,136	-	-314,813
Exchange differences	-	-	-	-6	-	-6
Amortisation	-	-92,899	-17,853	-20,819	-	-131,571
Amortisation and impairment at 31 December 2019	-5,323	-338,276	-73,830	-28,961	-	-446,390
Carrying amount at 31 December 2019	1,286,638	112,252	20,910	65,222	10,642	1,495,664
Amortisation period	-	5 years	5-7 years	3 years		
Cost at 1 January 2018	887,717	338,795	77,921	17,322	-	1,321,755
Exchange rate adjustment	4,730	207	590	8	-	5,535
Additions	-	8,741	-	28,652	1,728	39,121
Additions from business combinations	369,225	81,687	15,122	-	-	466,034
Cost at 31 December 2018	1,261,672	429,430	93,633	45,982	1,728	1,832,445
Amortisation and impairment at 1 January 2018	-5,323	-175,046	-40,391	-1,608	-	-222,368
Amortisation	-	-70,331	-15,586	-6,528	-	-92,445
Amortisation and impairment at 31 December 2018	-5,323	-245,377	-55,977	-8,136	-	-314,813
Carrying amount at 31 December 2018	1,256,349	184,053	37,656	37,846	1,728	1,517,632
Amortisation period	-	5 years	5-7 years	3 years		

11 Impairment test

Group accounting policies

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 (CGU) or group of CGUs to which goodwill is allocated. The assets of the CGUs are written down to the recoverable amount in the income statement if the carrying amount is higher. The recoverable amount of a CGU is generally determined as the present value of the expected future net cash flows from the entity or activity (CGU) to which the goodwill relates.

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 three CGUs, which are tested for impairment:

- Denmark
- Poland
- Switzerland

Other intangible assets comprising customer base, trademarks and software all relate to the activities in Denmark and Switzerland; see note 10 Intangible assets.

Key accounting estimate

Impairment test of goodwill

At 31 December 2019, Management performed the annual impairment test of the carrying amount of goodwill. No basis for impairment was found for 2019 for Denmark and Switzerland (2018: DKK 0). The impairment tests compare the carrying amount of the assets with the discounted value of future cash flows.

The main part of the carrying amount of goodwill in Fitness World Group arose in connection with the acquisition of Fitness World A/S in 2015 (allocated to Denmark and Poland) and acquisition of basefit.ch AG in October 2018 (Switzerland)

Estimates used to measure recoverable amount

The recoverable amount of each CGU is determined based on 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 eight years, as it expects continuing growth in Denmark and Switzerland followed by a stable period after eight 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 10-year Danish government bonds. 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 90% 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%.

In addition, the Group was acquired by Pinnacle Europe Holdings Limited ("PureGym") as of 14 January 2020, which did not show any impairment.

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

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:

2019		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	909,454	2 %	2 %	11.3 %	14.5 %
Poland	-	n/a	n/a	n/a	n/a
Switzerland	377,184	2 %	2 %	13.1 %	15.4 %
	1,286,638				

* Long-term growth is the growth in the residual period

Goodwill of DKK 15.3 million was recognised as part of the acquisition of Fitness 1 ApS 2nd September 2019, see note 28 on Business combinations.

2018		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	894,154	2 %	2 %	9.6 %	11.6 %
Poland	-	n/a	n/a	n/a	n/a
Switzerland	362,195	n/a	n/a	n/a	n/a
	1,256,349				

Sensitivity analysis

No sensitivity analysis has been carried out for impairment of the business in Denmark and Switzerland, as negative changes in the fundamental assumptions that will result in impairment of goodwill are highly unlikely to materialise, and the calculation of recoverable amount showed significant headroom.

Other intangible assets

The Group determines whether other intangible assets, as well as property, plant and equipment have been impaired whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This requires an estimation of the recoverable amount of the relevant CGU. The recoverable amount is the higher of fair value less costs of disposal and value in use. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units (CGUs).

Impairment testing is an area involving Management judgement and requires assessment as to whether the carrying amount of assets can be supported by the net present value of future cash flows derived from such assets, using cash flow projections that have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions need to be made in respect of highly uncertain matters.

Useful lives

The useful lives and residual values of the Group's assets are determined by Management at the time the asset is acquired and reviewed annually for appropriateness. Estimated useful economic lives of property, plant and equipment, and intangible assets are based on Management's judgement and experience. If Management identifies that the actual useful life differs materially from the estimates used to calculate depreciation and amortisation, the charge is adjusted prospectively. Due to the significance of capital investment, variations between actual and estimated useful lives could impact operating results both positively and negatively.

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and Management's judgement as to the period over which economic benefits will be derived from the asset.

12 Property, plant and equipment

Group accounting policies

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

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.

Subsequent costs, for example 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 derecognised from the balance sheet, and the carrying amount is recognised in the income statement. All other expenses relating to ordinary repairs and maintenance are recognised in the income statement 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 as follows:

Other fixtures and fittings	3-10 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.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income in the consolidated income statement.

DKK'000	Other fixtures and fittings	Leasehold improvements	Leasehold improvements in progress	Total
Cost at 1 January 2019	537,542	435,064	20,613	993,219
Exchange differences	3,504	2,568	1	6,073
Additions	13,971	57,583	15,350	86,904
Additions from business combinations	2,708	2,482	-	5,190
Disposals	-11,804	-8,737	-	-20,541
Transfers to right-of-use assets	-151,160	-40,614	-	-191,774
Transfers from right-of-use assets	20,638	-	-	20,638
Transfers	-	20,608	-20,608	-
Cost at 31 December 2019	415,399	468,954	15,356	899,709
Depreciation and impairment at 1 January 2019	-240,369	-212,767	-	-453,136
Exchange differences	-1,489	-1,119	-	-2,608
Depreciation	-46,314	-55,340	-	-101,654
Disposals	11,199	6,072	-	17,271
Transfers from right-of-use assets	-7,529	-	-	-7,529
Transfers to right-of-use assets	42,375	17,101	-	59,476
Depreciation and impairment at 31 December 2019	-242,127	-246,053	-	-488,180
Carrying amount at 31 December 2019	173,272	222,901	15,356	411,529
Cost at 1 January 2018	408,505	353,215	5,681	767,401
Exchange differences	185	592	-	777
Additions	67,240	17,695	31,111	116,046
Additions from business combinations	59,105	54,275	-	113,380
Disposals	-4,299	-86	-	-4,385
Transfers	6,806	9,373	-16,179	-
Cost 31 December 2018	537,542	435,064	20,613	993,219
Depreciation and impairment at 1 January 2018	-177,710	-149,856	-	-327,566
Exchange differences	297	74	-	371
Depreciation	-64,897	-62,994	-	-127,891
Disposals	1,941	9	-	1,950
Depreciation and impairment at 31 December 2018	-240,369	-212,767	-	-453,136
Carrying at amount 31 December 2018	297,173	222,297	20,613	540,083
Property, plant and equipment includes finance lease assets with a total carrying amount of	108,785	-	-	108,785

13 Right-of-use assets and lease liabilities

Group accounting policies

The Group has applied IFRS 16 Leases using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

The Group has applied IFRS 16 to lease contracts related to fitness clubs, offices, cars and other equipment. The Group has elected not to recognise right-of-use assets and liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception of a contract entered into on or after 1 January 2019, the Group assesses whether a contract is, or contains, a lease, i.e. the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group has a large number of individual leases, primarily related to leasing of fitness club premises and offices. The lease terms vary between markets from a few years to rolling without a defined end date. Several of the lease contracts include extension and termination options. Most of the lease contracts include mechanisms for rent adjustments either as a fixed-percentage increase, as an adjustment based on local price indices or as market rent reviews.

Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

Right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use assets are periodically reduced by any impairment losses and adjusted to reflect remeasurement of the lease liability.

Depreciation is as follows:

Lease premises 1-20 years

Cars 1-3 years

Other equipment 5-10 years

Expense relating to short-term leases and low-value assets are recognised in the income statement as other external expenses.

Lease liabilities

The Group determines its incremental borrowing rate by adjusting the interest on various external financing sources using adjustments specific to the market related to the lease contract.

Previously, the Group classified property leases as operating leases under IAS 17. For these leases, lease liabilities are measured at the present value of the remaining lease payments on transition to IFRS 16, discounted at the Group's incremental borrowing rate as at 1 January 2019.

For contracts entered into on or after 1 January 2019, the Group initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate as at the commencement date.

At the lease commencement date, the Group assesses whether extension or termination options are reasonably certain to be exercised. If there is a significant event or significant changes in circumstances within the Group's control, the Group reassesses whether the options are reasonably certain to be exercised.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, if the Group changes its assessment of whether it will exercise an extension or a termination option or if there is a revised in-substance fixed lease payment.

Right-of-use assets and lease liabilities are presented separately in the balance sheet.

Significant accounting estimates and judgements

Right-of-use assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the recoverable amount of the asset.

Lease liabilities

The maturity analysis is based on all undiscounted cash flows, including estimated interest payments, which are estimated based on the current market conditions.

Right-of-use assets

DKK'000	Property	Cars	Other equipment	Total
Balance previously recognised as property, plant and equipment	23,513	-	108,785	132,298
Impact of implementation from 1 January 2019	1,893,185	5,094	-	1,898,279
Adjusted balance 1 January 2019	1,916,698	5,094	108,785	2,030,577
Exchange differences	18,222	2	112	18,336
Additions	334,309	1,263	70,618	406,190
Additions from business combinations	6,701	-	-	6,701
Remeasurement	-2,633	-	-	-2,633
Transfer to property, plant, and equipment	-	-	-20,638	-20,638
Disposals	-8,704	-110	-	-8,814
Cost at 31 December 2019	2,264,593	6,249	158,877	2,429,719
Depreciation and impairment at 1 January 2019	-	-	-	-
Exchange differences	-	-	-	-
Depreciation	-335,222	-2,374	-31,246	-368,842
Transfer to property, plant, and equipment	-	-	7,529	7,529
Depreciation and impairment at 31 December 2019	-335,222	-2,374	-23,717	-361,313
Carrying amount at 31 December 2019	1,929,371	3,875	135,160	2,068,406

Lease liabilities

DKK'000	Carrying amount	Total cash flow	< 1 year	1- 5 years	> 5 years
Lease liabilities	2,093,139	2,519,839	407,143	1,250,903	861,793
Lease liabilities recognised as:					
Non-current					1,704,120
Current					389,019
Lease liabilities					2,093,139

Amounts recognised in the income statement

DKK'000	2019
Interest related to lease liabilities (included in finance cost)	-63,991
Income from sub-leasing right-of-use-assets	971
Expense relating to short-term leases (included in other external expenses)	-333
	-63,353

In 2019, the Group paid DKK 390 million related to lease contracts, DKK 64 million of which related to lease interest and DKK 326 million related to repayment of lease liabilities.

14 Inventories

Group accounting policies

Goods for resale 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.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

Key accounting estimate

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

DKK'000	2019	2018
Trading goods	34,276	24,057
Inventories consumed during the year:	76,849	63,058
Write-downs of inventories:		
Write-downs of inventories during the year	-	-
Utilised write-downs inventories during the year	-1,107	-2,727
Reversal of write-down during the year	-	-

15 Trade receivables

Group accounting policies

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

The Group applies the simplified approach to measure expected credit losses, which uses lifetime expected credit losses for all trade receivables at each reporting date. The provision for expected credit losses is based on days past due for groups of customers with similar credit risk characteristics as well as an individual assessment.

DKK'000	2019	2018
Trade receivables	58,616	55,832
Current trade receivables	58,616	52,817
Non-current trade receivables	-	3,015
<u>Write-downs included in trade receivables developed as follows:</u>		
Write-downs at 1 January	10,575	4,700
Write downs from business combinations	-	3,166
Write-downs during the year	8,205	7,409
Write-downs realised	-9,554	-4,700
	9,226	10,575

Key accounting estimate

Impairment and write-down of receivables are carried out based on expected credit losses. This requires Management judgement.

The total write-downs of trade receivables of DKK 9,226 thousand at 31 December 2019 (2018: DKK 10,575 thousand) are based on an individual assessment of each receivable.

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

DKK'000	Total	Neither past due nor impaired	< 30 days	30-60 days	61-90 days	> 91 days
2019	58,616	28,907	9,257	3,975	3,122	13,355
2018	55,832	37,029	5,477	1,691	3,219	8,416

16 Cash

Group accounting policies

Cash and cash equivalents include cash and deposits less bank overdrafts.

DKK'000	2019	2018
Cash excluding bank overdrafts	29,570	45,060

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

At 31 December 2019, the Group's undrawn, committed borrowing facilities totalled DKK 40 million (2018: DKK 100 million).

17 Provisions

Group accounting policies

Provisions are recognised when, as a consequence of a past event, the Group has a legal or constructive obligation and it is probable that there will be an outflow of the Group's financial resources to settle the obligation.

Provisions are measured at Management's best estimate of the costs required to settle the obligation. Discounting is applied where relevant.

Restoration costs are recognised as liabilities when a legally binding lease contract obligation exists.

Provision for legal disputes is recognised where a legal or constructive obligation has been incurred as a result of past events and it is possible that there will be an outflow of resources that can be reliably estimated. In this case, the Group arrives at an estimate based on an evaluation of the most likely outcome.

Key accounting estimate

Provision for legal disputes

There are ongoing legal disputes with two former suppliers for which Management has made provision under other provisions: one legal dispute relates to a former turnkey contractor and the other to a dispute with a former supplier of fitness equipment.

Management's assessment is based on the best estimate of the costs required to settle the obligation, as of the reporting date.

2019	Restoration provision	Other provisions	Total
Provisions at 1 January 2019	40,222	23,412	63,634
Exchange differences	812	29	840
Additions from business combinations	-	-	-
New provisions during the year	7,515	8,404	15,919
Reversal of provisions during the year	-	-	-
Utilised provisions	-3,741	-20,632	-24,373
Provisions at 31 December 2019	44,808	11,213	56,021

Presented as follows in the balance sheet:

	Restoration provision	Other provisions	Total
Current	5,000	8,500	13,500
Non-current	39,808	2,713	42,521
	44,808	11,213	56,021

2018	Restoration provision	Other provisions	Total
Provisions at 1 January 2018	16,067	62,602	78,669
Additions from business combinations	20,940	478	21,418
New provisions during the year	4,174	407	4,581
Reversal of provisions during the year	-567	-7,634	-8,201
Utilised provisions	-392	-32,441	-32,833
Provisions at 31 December 2018	40,222	23,412	63,634

Presented as follows in the balance sheet:

	Restoration provision	Other provisions	Total
Current	-	22,527	22,527
Non-current	40,222	885	41,107
	40,222	23,412	63,634

18 Non-cash transactions

DKK'000	2019	2018
Amortisation and impairment of intangible assets	131,571	92,445
Depreciation of property, plant and equipment	101,654	127,891
Depreciation of right-of-use assets	368,842	-
Provisions during the year	4,344	-38,851
Exchange rate adjustments	-6,800	-47
Financial income	-1,809	-315
Financial expenses	145,725	48,722
Other non-cash transactions, etc.	-3,279	3,943
Income tax for the year	-4,096	16,557
	736,152	250,345

19 Changes in net working capital

DKK'000	2019	2018
Change in inventories	-10,152	-1,562
Change in trade and other receivables	2,780	-10,724
Change in trade and other payables	-6,241	-4,215
	-13,613	-16,501

20 Interest-bearing loans and borrowings

Group accounting estimate

Bank loans and other borrowings and loans are recognised initially at fair value net of transaction expenses. Subsequently, the financial liability is measured at amortised cost, corresponding to the capitalised value using the effective interest method, so that the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

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

Interest-bearing loans and borrowings	Expiry	Fixed rate	Carrying amount 2019
Facility A	By 2020	3.5 %	138,200
Facility B	By 2020	4.0 %	838,000
Lease liabilities	By 2039	2.0-4.0 %	2,093,139
Overdraft facility		4.0 %	60,066
Total interest-bearing loans and borrowings			3,129,405
Capitalised borrowing cost			-
			3,129,405
Credit institution, non-current			-
Credit institution, current			1,036,266
Lease liabilities, non-current			1,704,120
Lease liabilities, current			389,019
Total			3,129,405

Interest-bearing loans and borrowings	Expiry	Fixed rate	Carrying amount 2018
Facility A	By 2020	3.5 %	237,000
Facility B	By 2022	4.0 %	838,000
Finance lease liabilities	By 2023	2.0-4.0 %	99,088
Overdraft facility	By 2019	3.1 %	20,526
Total interest-bearing loans and borrowings			1,194,614
Capitalised borrowing costs			-24,158
			1,170,456
Non-current			985,680
Current			184,776
Total			1,170,456

Interest on the Facility A and Facility B loans is partly hedged with interest rate swaps for 33% of the loans (2018: 33%).

Cash flow

2019	Cash flow			Other changes (non-cash)			End
	Begin	Repayment	New overdraft	Amortisation	Business combinations	New leases and exchange rate adjustment	
Facility A	237,000	-98,800	-	-	-	-	138,200
Facility B	838,000	-	-	-	-	-	838,000
Overdraft facility	20,526	-20,526	60,066	-	-	-	60,066
Borrowing costs	-24,158	-	-	24,158	-	-	-
Lease liabilities*	1,997,367	-326,339	-	-	6,701	415,410	2,093,139
	3,068,735	-445,665	60,066	24,158	6,701	415,410	3,129,405

2018	Cash flow			Other changes non-cash			End
	Begin	Repayment	New loan	Amortisation	Business combinations	New leases and exchange rate adjustment	
Facility A	225,000	-60,000	72,000	-	-	-	237,000
Facility B	550,000	-	288,000	-	-	-	838,000
Overdraft facility	-	-	-	-	20,526	-	20,526
Borrowing costs	-17,987	-	-11,426	5,255	-	-	-24,158
Finance lease	70,651	-26,385	-	-	20,697	34,125	99,088
	827,664	-86,385	348,574	5,255	41,223	34,125	1,170,456

*Adjusted for the implementation of IFRS 16 as per 1 January 2019.

21 Financial assets and liabilities

Group accounting policies

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, as 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, subsequently 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.

The Group recognises its financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model the objective of which is to collect the contractual cash flows.
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Derivative financial instruments

The Group recognises derivatives at the transaction date. Derivative financial instruments are measured at fair value on 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 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 recognised directly in the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income (OCI).

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, a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

Cash flow hedges that 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 other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement as financial expenses.

The Group uses foreign exchange contracts to hedge its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in the income statement as financial expenses.

Amounts recognised in other comprehensive income are transferred to the income statement when the hedged transaction impacts the income statement, such as when the hedged financial income or financial expenses are recognised or when a forecast sale occurs. Amounts previously recognised in other comprehensive income 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 make 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described below, 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 reassessing 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 based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial assets at amortised cost	2019	2018
Trade receivables	58,616	55,832
Other receivables	26,990	54,719
Cash	29,570	45,060
	115,176	155,611
Financial assets at fair value		
Financial instruments measured at fair value	1,740	4,625
Financial liabilities at amortised cost		
Interest-bearing loans and borrowings	1,036,266	1,071,368
Finance lease liabilities	-	99,088
Lease liabilities	2,093,139	-
Trade payables	115,679	100,154
Other payables (excluding financial instruments at fair value)	51,847	72,954
	3,296,931	1,343,564

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

DKK'000	2019	2018
Interest-bearing loans and borrowings (fair value)	1,036,266	1,095,526

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 value.

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' creditworthiness. The fair value is estimated using a discounted cash flow model. The own non-performance risk at 31 December 2019 was assessed to be insignificant.

The various counterparties for derivative financial instruments 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 according to the discounted cash flow 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 2019 was assessed to be insignificant.

22 Financial risk management objectives and policies

Group accounting 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 at 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 on balances with banks and financial institutions is reviewed by Management on a regular basis. The cash balances are mainly concentrated with a single A-rated counterparty.

As part of Pinnacle Europe Holdings Limited's ("PureGym") acquisition of the Group, the senior debt facilities, including revolving credit facilities, and interest rate swaps were repaid on 14 January 2020. The loan has been replaced with an intercompany loan at an interest rate of 4.375%, which are rolled up on the loan.

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 the credit risk on membership subscriptions is therefore limited to those fees that 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 subscriptions until the receivables have been paid in full.

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. The Group's prepayment policy means that any account receivables 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.

Foreign currency risk

The Group is exposed to foreign currency translation risks arising from its operating and financing activities, mainly related to its activities in Switzerland. A change of 5% in the CHF exchange rate would have an impact of approx. DKK 1.5 million on net equity and approx. DKK 0.6 million on EBITDA.

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 quarterly basis to identify the cash needs for the medium term and on a yearly 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 tables below break down 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 tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, 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	Total cash flow	0-1 year	1- 5 years	5 years
Financial assets at 31 December 2019					
Trade receivables	58,616	58,616	58,616	-	-
Other receivables	26,990	26,990	26,990	-	-
Cash	29,570	29,570	29,570	-	-
	115,176	115,176	115,176	-	-
Financial assets at 31 December 2018					
Trade receivables	55,832	55,832	52,817	3,015	-
Other receivables	54,719	54,719	54,719	-	-
Cash	45,060	45,060	45,060	-	-
	155,611	155,611	152,596	3,015	-
Financial liabilities at 31 December 2019					
Non-derivatives					
Interest-bearing loans and borrowings	1,036,266	1,036,266	1,036,266	-	-
Lease liabilities	2,093,139	2,519,839	407,143	1,250,903	861,793
Trade payables	115,679	115,679	115,679	-	-
Other liabilities	51,847	51,847	51,847	-	-
Derivatives					
Interest rate swap	1,740	1,740	1,740	-	-
Total	3,298,671	3,725,371	1,612,675	1,250,903	861,793
Financial liabilities at 31 December 2018					
Non-derivatives					
Interest-bearing loans and borrowings	1,071,368	1,203,423	139,751	1,063,672	-
Finance lease liabilities	99,088	102,948	35,778	67,170	-
Trade payables	100,154	100,154	100,154	-	-
Other liabilities	72,954	72,954	72,954	-	-
Derivatives					
Interest rate swap	4,625	4,625	2,594	2,031	-
Total	1,348,189	1,484,104	351,231	1,132,873	-

Interest rate hedging

The amount recognised in other comprehensive income as of 31 December 2019 is DKK 1,740 thousand (2018: DKK 4,625 thousand).

DKK'000	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Fair value of derivatives				
Interest rate swaps	-	1,740	-	4,625

23 Capital management

Group accounting policies

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.

To achieve this overall objective, the Group's capital management aims, for example, to ensure that it meets financial covenants connected to 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, and trade and other payables, less cash.

The net debt at 31 December was as follows:

DKK'000	2019	2018
Interest-bearing loans and borrowings	1,036,266	1,071,368
Finance lease / lease liabilities	2,093,139	99,088
Less cash	-29,570	-45,060
Net debt	3,099,835	1,125,396
Equity	654,580	694,684
Total capital and net debt	3,754,415	1,820,080
Gearing ratio	0.83	0.62

Senior debt facilities

Under the terms of the senior debt facilities, as at 31 December 2019, 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.

As part of Pinnacle Europe Holdings Limited's ("PureGym") acquisition of the Group, the senior debt facilities, including revolving credit facilities, and interest rate swaps were repaid on 14 January 2020. The loan has been replaced with an intercompany loan at an interest rate of 4.375%, falling 10 years after the acquisition date, with roll-up interests during the period.

24 Leases before 1 January 2019

Group accounting policies

Lease liabilities that predate implementation of IFRS 16 on 1 January 2019 are classified as finance lease liabilities and operating lease liabilities.

A finance lease is classified as a lease that, in all material respects, transfers the risks 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.

Finance leases

The Group has entered into finance leases for fitness equipment.

Liabilities relating to finance leases are included under debt to credit institutions:

DKK'000	2018
< 1 year	35,778
1-5 years	67,170
> 5 years	-
Total minimum lease payments:	102,948
Interest element	-3,860
Carrying amount	99,088
Present value of minimum lease payments:	
< 1 year	35,233
1-5 years	65,853
	101,086

Operating leases

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

Non-cancellable operating lease payments are as follows:

DKK'000	2018
< 1 year	308,709
1-5 years	912,688
> 5 years	439,109
	1,660,506

For 2019, nothing has been recognised in the income statement for operating leases (2018: DKK 302 million).

25 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 scheme.

The Group is party to a number of pending tax audits and lawsuits. In Management's opinion, the outcome of these tax audits and lawsuits are sufficiently reflected in the Group's financial position and Management does not expect any outcome to have a significant impact on the Group's financial position.

The tax audit within the Group, for which Management had recognised a contingent liability of DKK 21 million in 2018, was resolved during 2019. As a result, the provision at 31 December 2019 is 0.

The Group is party to a few pending disputes. 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 security

The Company is jointly and severally liable for the Group's bank loans of DKK 976 million (2018: DKK 1,075 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 security for several lease premises at a total amount of DKK 45 million (2018: DKK 39 million).

Other equipment recognised under right-of-use assets, the carrying amount of which is DKK 135.2 million at 31 December 2019 (2018: recognised as other fixtures and fittings of DKK 101 million) is financed by finance leases, the lease obligation for which amounts to DKK 150 million at 31 December 2019 (2018: DKK 91 million).

26 Related party disclosures

Group accounting policies

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 2019
Fitness World Group A/S	Sub-holding	Denmark	100%
Fitness World A/S	Gym activities	Denmark	100%
Functional Supply A/S	Retailer of food and non-food products	Denmark	100%
Fitness Institute ApS	Personal training education	Denmark	100%
Fitness World Sp.Z.o.o.	Gym activities	Poland	100%
basefit.ch AG	Gym activities	Switzerland	100%

Transactions with the Executive Committee, key management personnel and other related parties

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

Fitness World A/S leases certain premises used for fitness club facilities under normal lease agreements that expire(d) at various dates between 2019 and 2029. Some of the lease agreements are with related parties, and related-party rent expenses for the financial year 2019 were DKK 6 million (2018: DKK 7 million).

The ultimate parent

The parent company is Pinnacle Europe Holdings Limited, Town Centre House 1, Merrion Centre, Leeds LS2 8LY, United Kingdom.

The ultimate parent company is Pinnacle Topco Limited, Town Centre House 1, Merrion Centre, Leeds 8LY, United Kingdom.

27 Issued capital

Authorised shares

DKK'000	2019	2018
A shares	3,274	3,274
B shares	12,894	12,894
	16,168	16,168

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 1 January 2018	15,701
Capital increase	467
At 1 January 2019	16,168
-	-
At 31 December 2019	16,168

Ordinary shares are fully paid in. Class A and B shares both carry one vote. The nominal value of each share is DKK 0.02.

28 Business combinations

Group accounting policies

Business combinations are accounted for using the acquisition method. The costs of an acquisition are measured as the aggregate of the consideration transferred, which is measured at fair value at the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in special items.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in the acquiree's host contracts.

Contingent consideration is classified either as equity or as a financial liability. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent considerations (unless classified as equity) are measured at fair value, with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired exceeds the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree have been assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the divested operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the divested operation and the portion of the CGU retained.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the transaction date. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Acquisitions in 2019

On 2 September 2019, the Group acquired 100% of the shares in Fitness1 ApS, a small fitness chain in Denmark, in order to strengthen our position in the local fitness market. The acquired fitness clubs have been merged into Fitness World A/S in 2019.

The goodwill of DKK 15.3 million arising from the acquisition is attributable to expected synergies from combining the operations of the Group and Fitness1 ApS. The goodwill recognised is not deductible for income tax purposes.

Acquisition-related costs amounted to DKK 0.2 million and are included as special items in the income statement.

The following table summarises the recognised amounts of identifiable assets acquired and liabilities assumed.

Identified net assets

DKK'000	Total 2019
Intangible assets	8,700
Property, plant and equipment	5,190
Right-of-use assets	6,701
Other non-current receivables	233
Inventories	67
Receivables	-
Prepayments	153
Cash and cash equivalents	325
Credit institutions	-
Lease liabilities	-6,701
Deferred tax liabilities	-1,900
Trade payables	-364
Income tax	-484
Other liabilities	-1,220
Deferred income	-
Net identifiable assets acquired	10,700
Goodwill	15,300
Net assets acquired	26,000
Net cash acquired with the subsidiary included in cash flow from investing activities	-325
Deferred consideration	-2,000
Net cash out-flow	23,675

The fair value of the net identifiable assets acquired of DKK 10.7 million is provisional, pending final valuations for those assets. The revenue contributed by Fitness1 ApS since September 2019 included in the consolidated income statement was DKK 5.6 million. Fitness1 ApS contributed EBITDA of DKK 1.1 million over the same period. Had Fitness1 ApS' financial statements been consolidated from 1 January 2019, the Group's consolidated income statement would have been impacted by revenue of approx. DKK 16.9 million and EBITDA of approx. DKK 4 million. The impact from the other acquisitions is limited.

Acquisitions in 2018

In 2018, the Group acquired 100% of five small fitness clubs in Denmark and also acquired Fitness Institute ApS to strengthen the Group's business of providing educational services for personal training instructors in Denmark. The acquired fitness clubs were merged into Fitness World A/S in 2018. In October 2018, the Group acquired 100% of the share capital of basefit.ch AG, a leading fitness chain in Switzerland. The acquisition significantly improved the Group's existing market-leading position within gym activities.

The goodwill of DKK 358 million arising from the acquisition is attributable to expected synergies from combining the operations of the Group and basefit.ch AG. There is additional goodwill of DKK 12 million arising from the acquisition of Fitness Institute ApS. The goodwill recognised is not deductible for income tax purposes.

Acquisition-related costs amounted to DKK 18 million and are included as special items in the income statement.

The following table summarises the recognised amounts of identifiable assets acquired and liabilities assumed.

DKK'000	basefit.ch AG	Other	Total 2018
Intangible assets	58,069	38,740	96,809
Property, plant and equipment	110,165	3,215	113,380
Other non-current receivables	4,195	1,892	6,087
Inventories	550	124	674
Receivables	24,405	1,235	25,640
Cash and cash equivalents	16,111	2,753	18,864
Credit institutions	-38,854	-1,688	-40,542
Deferred tax liabilities	-10,523	-8,758	-19,281
Provisions	-21,418	-	-21,418
Trade payables	-6,504	-	-6,504
Income tax	-3,220	-404	-3,624
Other liabilities	-24,598	-2,530	-27,128
Deferred income	-94,812	-1,203	-96,015
Net identifiable assets acquired	13,566	33,376	46,942
Goodwill	357,465	11,760	369,225
Net assets acquired	371,031	45,136	416,167
Net cash acquired with the subsidiary included in cash flow from investing activities	-16,111	-2,753	-18,864
Deferred consideration	-	-2,588	-2,588
Net cash out-flow	354,920	39,795	394,715

The final valuation of acquired identifiable net assets has been completed during 2019 for the acquisitions made in 2018, leading to adjustments to previously reported fair values for basefit.ch AG. The following table summarises the adjustments made as a consequence of the final valuation.

DKK'000	Business combinations – initial recognition	Adjustments	Business combination adjusted
Intangible assets	96,809	-	96,809
Property, plant and equipment	116,867	-3,487	113,380
Other non-current receivables	6,087	-	6,087
Inventories	674	-	674
Receivables	13,302	12,338	25,640
Cash and cash equivalents	18,864	-	18,864
Credit institutions	-32,385	-8,157	-40,542
Deferred tax liabilities	-19,143	-138	-19,281
Provisions	-21,418	-	-21,418
Trade payables	-6,504	-	-6,504
Company tax	-3,624	-	-3,624
Other liabilities	-27,128	-	-27,128
Deferred income	-96,015	-	-96,015
Net identifiable assets acquired	46,386	556	46,942
Goodwill	369,781	-556	369,225
Net assets acquired	416,167	-	416,167
Net cash acquired with the subsidiary included in cash flows from investing activities	-18,864	-	-18,864
Deferred consideration	-2,588	-	-2,588
Net cash out-flow	394,715	-	394,715

29 Changes in accounting policies and disclosures

The Group has implemented all the new or amended accounting standards (IFRS) and interpretations (IFRIC) as adopted by the EU that are effective for the financial year 1 January – 31 December 2019. Except for the implementation of IFRS 16 Leases described below, the implementation of new or amended standards and interpretations has not had any material impact on the Group's Annual Report 2019.

The nature and impact of new and amended standards and interpretations are described below:

IFRS 16 - Leases

IFRS 16 has been adopted using the modified retrospective approach and therefore the comparative information has not been restated. The comparative figures are presented in accordance with IAS 17 and IFRIC 4.

The implementation of IFRS 16 has resulted in a change in the presentation of the main part of operational leasing contracts, which from 2019 are recognised on the balance sheet as right-of-use assets with related lease liabilities.

The Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

Impact of IFRS 16

As part of implementing IFRS 16 from 1 January 2019, the Group has recognised right-of-use assets of DKK 1,898 million (excluding new classification of restoration assets and previous finance lease liabilities under IAS 17) and lease liabilities of DKK 1,898 million. The impact on equity 1 January 2019 is 0. Right-of-use assets relate to lease agreements on lease premises, cars and other equipment including, finance lease agreements transferred from property, plants and equipments.

The right-of-use assets are depreciated on a straight-line basis over the expected lease period:

Lease premises 1-20 years
Cars 1-3 years
Other equipment 5-10 years

When measuring lease liabilities for leases that were previously classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied was 3.5%.

DKK'000	2019
Operating lease liabilities at 31 December 2018 (IAS 17)	1,660,506
Discounted using the incremental borrowing rate at 1 January 2019	-149,446
Finance leases at 31 December 2018	99,088
Exemptions used:	
Short-term leases	-333
Low-value assets	-
Impact from lease payments during periods in which extension options are reasonably certain to be exercised and during periods in which termination options are reasonably certain not to be exercised, etc.	387,552
Lease liabilities recognised at 1 January 2019 (IFRS 16)	1,997,367

The impact of adopting IFRS 16 on the affected line items in the consolidated income statement for 2019 is shown below:

DKK'000	2019 Reported	2019 Acc. IAS 17
Revenue	1,641,684	1,641,684
Cost of sales	-76,849	-76,849
Other external costs	-425,203	-782,596
Gross profit	1,139,632	782,239
Employee expenses	-425,973	-425,973
Amortisation, depreciation and impairment	-602,067	-269,735
Other operating income	2,979	2,979
Operating profit before special items	114,571	89,510
Special items	-28,457	-28,457
Operating profit	86,114	61,053
Finance income	1,809	1,809
Finance costs	-145,725	-84,852
Loss before tax	-57,802	-21,990
Income tax	4,096	-3,783
Loss for the year	-53,706	-25,773

The impact of adopting IFRS 16 on the affected line items in the consolidated balance sheet at 31 December 2019 is shown below:

31 December	Reported 2018	IFRS 16 impact	Restated 1 January 2019
Assets			
Intangible assets	1,517,632	-	1,517,632
Property, plant and equipment	540,083	-132,298	407,785
Right-of-use assets	-	2,030,577	2,030,577
Other non-current assets	53,484	-	53,484
Total non-current assets	2,111,199	1,898,279	4,009,478
Current assets	188,447	-	188,447
Total assets	2,299,646	1,898,279	4,197,925
Equity and liabilities			
Equity	694,684	-	694,684
Lease liabilities and credit institutions, non-current	985,680	1,539,817	2,525,497
Other liabilities, non-current	92,719	-	92,719
Total non-current liabilities	1,078,399	1,539,817	2,618,216
Lease liabilities and credit institutions, current	184,776	358,462	543,238
Other liabilities, current	341,787	-	341,787
Total current liabilities	526,563	358,462	885,025
Total liabilities & equity	2,299,646	1,898,279	4,197,925

The impact of adopting IFRS 16 on the affected line items in the consolidated cash flow statement 1 January – 31 December 2019 is shown below:

1 January – 31 December	IAS 17	IFRS 16 impact	Including IFRS 16, 2019
Result for the year	-25,773	-27,933	-53,706
Adjustments for non-cash transactions		324,453	324,453
Financial cost, net paid	-	60,873	60,873
Cash flow from operating activities	-25,773	357,393	331,620
Repayment of lease liabilities	-	-357,393	-357,393
Cash flow from financing activities	-	-357,393	-357,393

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.

30 Events after the reporting period

Acquisition by Pinnacle Europe Holdings Limited

On 14 January 2020, the Group was acquired by Pinnacle Europe Holdings Limited ("PureGym"). As part of the acquisition, the term loan of DKK 1,036m was repaid and subsequently replaced by an intercompany loan from our new owners at an interest rate of 4.375%. The loan is falling due in 10 years with roll-up interests and can't be required repaid on an earlier date. The credit facility is not subject to covenants testing, besides normal information to be included for group level covenant testing in PureGym. This testing will not have any influence on Forward TopCo A/S and subsidiaries.

COVID-19

The COVID-19 pandemic has developed rapidly in 2020, and has impacted the Group's operation. All of our gyms were closed since the governments in the countries of operations imposed a total lockdown to control the spread of COVID-19. In June, all of our facilities around countries of operations was reopened and our member base was back at approx. 95% of last year's level.

The Group meets its day to day working capital requirements, capex and funding of new gyms through its cash reserves. In considering its assessment of continued operations, the group has carried out extensive financial modelling, taking into account the potential impact of the COVID-19 pandemic, on the cashflows and liquidity of the Group. This has included; significantly reduced revenue during the extended COVID-19 closure period, mitigation measures announced by our governments, measures put in place by the Group to preserve cash and to reduce discretionary expenditure and potential reductions in revenues resulting from changes in the behaviours of members after reopening.

The currently known impact of COVID-19 on the group for the first six months in 2020 are:

- A decline in revenues for the first 6 months of 2020 compared with the same period in 2019 of 42%
- The decline in revenue partly offset by compensation schemes received in the territories of approx. DKK 160m
- A positive cash flow in the first half of 2020 of approx. DKK 100m due to mitigation actions and government support both directly through cash compensating of salary expenses and fixed cost, and deferrals of various tax and VAT payments
- The first full month after lockdown, July, shows revenue at same level as July 2019

To mitigate the consequences of COVID-19, the entity has taken the following actions:

- Initiated several mitigation actions to preserve cash, hereunder extended supplier payments, postponed investments, cost reviews;
- Obtained all compensation possible from the local governments in the countries of operation

As a result of the actions and the fact that the Group activities almost have been back on a normal level immediately after reopening, the liquidity is strong and sufficient for the continued operations. Forecast for the remaining part of 2020 shows a negative cash flow from operations of approx. DKK 40m, which can be covered by current cash reserves. The forecast thereby shows a significant headroom in the liquidity reserve. The sensitivity analysis shows that the cash inflow from memberships are very firm due to termination periods and only significant reductions will impact the cash reserve. On cash outflow, the cost structures are very predictable and also show that only significant unexpected increases can exceed the cash reserve. The assessment from management is that the group can handle another 16-20 weeks of complete lockdown period before absorbing the cash reserve and therefore our modelling demonstrates that the group has sufficient liquidity to continue to operate without support.

Restructuring

In continuation of the COVID-19 pandemic, a restructuring plan in Denmark has been implemented late August, including a new and stronger staff set-up in the clubs and closedown of two clubs. The initiatives have been taken to streamline the service in the clubs and to be even stronger in unforeseen situations as COVID-19. The closedown of two gyms will not lead to impairment losses, as equipment from the gyms will be reused in our other gyms.

Restructuring costs related to these activities are included in the forecasted requirement of liquidity. The restructuring is not expected to have any significant influence on the member base, Groups operations and future earnings. Cost saving are expected going forward.

31 Accounting policies

This section introduces the Group's accounting policies. A more detailed description of accounting policies and significant estimates related to specific reported amounts is presented in the respective notes. The purpose is to make the disclosed amounts transparent and to describe the relevant accounting policy, significant estimates and numerical disclosures for each note.

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 have been prepared based on the standards and interpretations that were effective at 31 December 2019. There has been no impact from the implementation of the new 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 where otherwise indicated.

The Board of Directors considered and approved the 2019 Annual Report of Forward TopCo A/S on 6 March 2020. The Annual Report will be submitted to the shareholders of Forward TopCo A/S for approval at the Annual General Meeting on 31st August 2020.

Materiality in the financial reporting

In preparing 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 as to 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 to 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 2019 and to present a more true and fair view of the financial statement.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in the income statement. They are deferred in equity if they relate to qualifying cash-flow hedges or qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement under finance expenses. All other foreign exchange gains and losses are presented in the income statement on a net basis under other operating income/(expenses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognised in other comprehensive income.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the transaction dates), and all resulting exchange differences are recognised in other comprehensive income.
- On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the income statement, as part of the gain or loss on sale.
- Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate on the balance sheet date.

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 use different calculation measures from the Group, the measures may not be comparable to those used by other companies and should therefore not be considered to be a replacement for measures defined under IFRS.

Term	Definition
EBITDA	Profit/(loss) before interest, taxes, depreciation and amortisation
EBITDA before special items and IFRS 16	Profit/(loss) before interest, taxes, depreciation, amortisation, before special items, and IFRS 16 impact
EBITDA before special items	Profit/(loss) before interest, taxes, depreciation, amortisation, and before special items
EBITDA before special items and IFRS 16	EBITDA before special items and IFRS 16 divided by revenue
EBITDA before special items	EBITDA before special items divided by revenue
EBITDA margin	EBITDA divided by revenue
EBIT	Earnings before interest and taxes
Gross margin	Gross profit/revenue
Solvency ratio	Equity/total liabilities
Free cash flow	Calculated as cash flow from operating activities less cash flow used for investing activities
Capital expenditure	Investments in tangible and intangible assets and investments in equipments under Right-of-use assets excluding leased premises and investments in business combinations

Consolidated financial statements

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2019. Control is achieved when the Group is exposed, or is entitled, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or entitlement, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights in an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the investee's other vote holders
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control and until the date the Group ceases to control the subsidiary.

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 balance sheet 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 from translation of the opening balance of equity of foreign entities at the exchange rates at the end of the reporting period and from 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 that 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 company or the foreign entity.

Income statement

Cost of sales

Cost of sales comprises expenses incurred in generating the sales of goods for the year.

Other external costs

Other external costs comprise sales costs, advertising, administration, rent premises, operating leases, etc.

Other operating income and expenses

Other operating income and expenses comprise income and expenses not directly related to core operations.

Comprehensive income

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

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

Balance sheet

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 cash-generating unit exceeds its recoverable amount. 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 if the assumptions and estimates underlying the impairment losses have changed. Impairment losses are reversed only if 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.

Prepayments

Prepayments comprise expenses incurred concerning subsequent financial years. This mainly relates to prepaid rent, premises costs and other prepaid expenses.

Equity

Hedging reserve

The hedging 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 from 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 part of the net investment or a hedge of the net investment. On realisation, accumulated value adjustments are taken from equity to financial items in the income statement.

Dividend

The dividend proposed for the year is recognised as a liability at the date when it is adopted at the Annual General Meeting (declaration date). The dividend expected to be distributed for the year is disclosed as a separate item under equity.

Deferred income

Prepayments recognised under liabilities comprise payments received concerning revenue in 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 change 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 flow from investing activities. Cash flows from 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 flow from operating activities is 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 flow from investing activities is payments in connection with acquisitions and disposals of entities, activities, intangible assets, property, plant and equipment, and investments.

Cash flow from financing activities comprises 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 dividends 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 that, without any hindrance, can be converted to cash and are subject to only minor risks of changes in value.

32 Significant accounting estimates and judgements

When preparing the consolidated financial statements, Management makes 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 that Management assesses to be reasonable, but that 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 areas that involve a high degree of judgement and estimation and are material to the financial statements are described in more detail in the related notes.

- Valuation of intangible assets; see note 10
- Useful life of assets; see note 12
- Right-of-use assets and lease liabilities; see note 13
- Impairment test; see note 11
- Trade receivables; see note 15
- Provisions; see note 17

Parent company financial statements

Income statement for the parent company 1 January – 31 December

Note	DKK'000	2019	2018
	Other external costs	-929	-208
	Operating loss	-929	-208
2	Financial expenses	-24	-11
	Loss before tax	-953	-219
3	Income tax	207	152
	Loss for the year	-746	-67
	Proposed distribution of loss:		
	Retained earnings	-746	-67
		-746	-67

Statement of comprehensive income 1 January – 31 December

Note	DKK'000	2019	2018
	Loss for the year	-746	-67
	Other comprehensive income/(loss) for the year, net of tax	-	-
	Total comprehensive income for the year, net of tax	-746	-67
	Attributable to:		
	Shareholders in the parent company	-746	-67

Balance sheet 31 December

Note	DKK'000	2019	2018
	Assets		
	Non-current assets		
4	Investments in subsidiaries	778,500	778,500
	Total non-current assets	778,500	778,500
	Current assets		
	Income tax receivable	23,214	20,701
	Prepayments	-	22
	Cash	-	2,863
	Total current assets	23,214	23,586
	TOTAL ASSETS	801,714	802,086
	Equity		
5	Share capital	16,168	16,168
	Retained earnings	768,364	769,110
	Total equity	784,532	785,278
	Liabilities		
	Current liabilities		
	Credit institutions	17	-
	Other liabilities	444	120
	Income tax payable	16,721	16,688
	Total current liabilities	17,182	16,808
	Total equity and liabilities	801,714	802,086

Statement of changes in equity

DKK'000	Issued capital	Retained earnings	Total equity
Equity at 1 January 2019	16,168	769,110	785,278
Result for the year	-	-746	-746
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	-746	-746
Total transactions with shareholders	-	-	-
Equity at 31 December 2019	16,168	768,364	784,532
Equity at 1 January 2018	15,701	769,644	785,345
Result for the year	-	-67	-67
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	-67	-67
Transactions with shareholders			
Capital increase	467	70,981	71,448
Group contribution	-	-71,448	-71,448
Total transactions with shareholders	467	-467	-
Equity at 31 December 2018	16,168	769,110	785,278

Cash flow statement

Note	DKK'000	2019	2018
	Operating loss	-929	-208
	Other adjustments of non-cash operating items	-	-11
	Cash flow from operating activities before changes in working capital	-929	-219
	Change in working capital	-1,927	2,305
	Cash flow from operations	-2,856	2,086
	Interest expenses paid	-24	-11
	Cash flow from ordinary activities	2,880	2,075
	Income tax paid	-	-
	Cash flow from operating activities	-2,880	2,075
	Investments in non-current assets	-	-
	Cash flow from investing activities	-	-
	Proceeds from share issue	-	71,448
	Capital contribution to subsidiary	-	-71,448
	Cash flow from financing activities	-	-
	Cash flows for the year	-2,880	2,075
	Cash at 1 January	2,863	788
	Cash at 31 December	-17	2,863

Notes to the parent company financial statement

Note

1	Employee expenses
2	Finance costs
3	Income tax
4	Investments in subsidiaries
5	Issued share capital
6	Financial risk management objectives and policies
7	Capital management
8	Related parties
9	Contractual commitments and contingencies, etc.
10	Accounting policies
11	Events after the reporting period

1 Employee expenses

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

2 Finance costs

DKK'000	2019	2018
Other interest expenses	-24	-11
Total financial expenses	-24	-11

3 Income tax

Major components of the income tax expense for the year ended 31 December:

DKK'000	2019	2018
Current income tax charge	207	152
	207	152
Loss before tax	-953	-219
Calculated at Denmark's statutory income tax rate of 22.0%	210	48
Tax impact from other permanent differences etc.	-3	104
	207	152

4 Investments in subsidiaries

DKK'000	2019	2018
Cost at 1 January	778,500	778,500
Cost at 31 December	778,500	778,500
Impairment at 1 January	-	-
Impairment for the year	-	-
Impairment at 31 December	-	-
Carrying amount at 31 December	778,500	778,500

Name	Principal activities	Country of incorporation	% equity interest
Fitness World Group A/S	Holding	Denmark	100%
Fitness World A/S, subsidiary of Fitness World Group A/S	Gym activities	Denmark	100%
Functional Supply A/S, subsidiary of Fitness World Group A/S	Retailer of food - and non-food products	Denmark	100%
Fitness World Sp. Z.o.o., subsidiary of Fitness World A/S	Gym activities	Poland	100%
Fitness Institute ApS, subsidiary of Fitness World A/S	Gym activities	Denmark	100%
basefit.ch, subsidiary of Fitness World Group A/S	Gym activities	Switzerland	100%

For more information on the acquisition of subsidiaries, see note 26 to the consolidated financial statements.

5 Issued share capital

For information on issued share capital, see note 27 to the consolidated financial statements.

6 Financial risk management objectives and policies

The Company's only investment is in the subsidiary Fitness World Group A/S and it does not have any significant receivables or debt. Risk related to currency, credit and liquidity is managed at Group level. See note 22 to the consolidated financial statements for further information on the Group's risk exposure.

7 Capital management

The primary objective of the Company's capital management is to maximise shareholder value, which is managed at Group level. See note 23 to the consolidated financial statements for further information on the Group's capital management.

8 Related parties

Related parties are described in note 26 to the consolidated financial statements. Remuneration to the Board of Directors is specified in note 2 to the consolidated financial statements. The company also has intercompany balances on the balance sheet. There are no other related party transactions.

9 Contractual commitments and contingencies, etc.

Contingent liabilities

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

Pledges and security

As security for the debt to credit institutions, DKK 976 million (2018: DKK 1,075 million), collateral has been taken in the investments in subsidiaries. The carrying amount of these investments was DKK 779 million at 31 December 2019 (2018: DKK 779 million).

10 Accounting policies

The parent company has no activities and its main purpose is to hold investment in subsidiaries.

Basis of preparation

The parent company financial statements of Forward TopCo A/S have been 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 Group, with the additions below. For a description of the accounting policies for the consolidated financial statements, see note 31 to the consolidated financial statements.

Supplementary accounting policies for the parent company

Investments in subsidiaries

Investments in subsidiaries are measured in the parent company's financial statements using the cost method. If an indication of impairment is identified, an impairment test is carried out as described in the accounting policies for the Group. 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 under financial items.

Critical accounting estimates and judgements

In connection with 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 have been made when applying the parent company's accounting policies that are significant to the financial reporting, apart from those disclosed in note 31 to the consolidated financial statements.

11 Events after the reporting period

See note 30 to the consolidated financial statements for further information on events after the balance sheet date.