Functional Supply A/S

Egegårdsvej 61
2610 Rødovre

CVR no. 38 78 05 14

Annual report for the period 2019

Adopted at the annual general meeting on 31 August 2020

chairman

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Statement by management on the annual report

The Board of Directors and Executives Board have today discussed and approved the annual report of Functional Supply A/S for the financial year 1 January 2019 - 31 December 2019.

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

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

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

We recommends that the annual report should be approved by the company in general meeting.

Rødovre, 31 August 2020

Executive board

Lars Brøndum Hagedorn Frødstrup
director

Board of Directors

Niels Meidahl chairman	Lars Brøndum Hagedorn Frødstrup	Claus Haderup Nielsen

Independent auditor's report

To the shareholder of Functional Supply A/S

Opinion

We have audited the financial statements of Functional Supply A/S for the financial year 1 January - 31 December 2019, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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 company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements, that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of the 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 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 company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 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 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 company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on management's review

Management is responsible for management's review.

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

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether 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 management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that 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 management's review.

Copenhagen, 31 August 2020

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Ole Becker
State Authorised Public Accountant
mne33732

Company details

The company	Functional Supply A/S Egegårdsvej 61 2610 Rødovre	
	CVR no.:	38 78 05 14
	Reporting period:	1 January - 31 December 2019
	Domicile:	Rødovre
Board of Directors	Claus Haderup Nielsen, chairman Lars Brøndum Hagedorn Frødstrup Niels Meidahl	
Executive board	Lars Brøndum Hagedorn Frødstrup, director	
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg	

Management's review

Business activities

The company's purpose is to sell nutritional products, fitness related products and other related business.

Recognition and measurement uncertainties

The recognition and measurement of items in the financial statements is not subject to any uncertainty.

Business review

The company's income statement for the year ended 31 December shows a profit of TDKK 10,992 and the total balance at 31 December 2019 was TDKK 61,633 and equity amounted to TDKK 20,368.

The profit for the period 2019 is satisfied.

Significant events occurring after end of reporting period

In March 2020, the government imposed total lockdown measures for the fitness industry to control the spread of COVID-19. The lockdown has limited sales of Functional products and affected the revenue negatively in the spring 2020. It is expected that income for the year 2020 will be reduced as a consequence.

Accounting policies

The annual report of Functional Supply A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, with supplement from class C.

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

The annual report for 2019 is presented in TDKK.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit reflects an aggregation of revenue, cost of goods sold and other external expenses.

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. Revenue is net of all types of discounts granted.

Accounting policies

Cost of goods sold
Costs of goods sold is related to the use in generating the year's revenue.

Other external expenses
Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

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

Amortisation, depreciation and impairment losses
Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses
Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised gains and losses on foreign currency transactions and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit for the year
The company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation of Forward TopCo A/S.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Intangible assets
Development projects in progress
Development costs include fixed costs, salery and depreciations directly and indirectly attributable to development activities.

Developments projects recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Accounting policies

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually five years.

Property plant and equipment

Items of other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

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

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	
Other fixtures and fittings, tools and equipment	3-10	years

The useful life and residual value of the company's property, plant and equipment is reassessed annually.

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Leases

Leases for items of property, plant and equipment that transfer substantially all the risks and rewards incident to ownership to the company (finance leases) are recognised in the balance sheet as assets. On initial recognition, assets are measured at estimated cost, corresponding to the lower of fair value of the leased asset and the present value of the future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the company's other non-current assets.

The capitalised residual lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingencies, etc.'.

Accounting policies

Impairment of fixed assets

The carrying amount of intangible and property, plant and equipment is tested for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The net realisable value of stocks is calculated as the selling price less costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Equity

Reserve for development costs

Reserve for development costs includes recognized developments cost. The reserve cannot be used for dividends or coverage of losses. The reserve is reduced or dissolved if the recognized development costs are incurred by the company's operations, This is done by transferring directly to the equity reserve's free reserve.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account. Current tax is presented as corporation tax in the balance sheet.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Accounting policies

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual finance lease commitment. Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Income statement 1 January 2019 - 31 December 2019

	Note	2019 TDKK	2017/18 TDKK
Gross profit		**18,368**	**14,983**
Staff costs	1	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-3,742	-3,840
Profit before tax		**14,626**	**11,143**
Financial costs	3	-487	-405
Profit before tax		**14,139**	**10,738**
Tax on profit for the year	4	-3,147	-2,362
Profit for the year		**10,992**	**8,376**
Distribution of profit	5		

Balance sheet at 31 December 2019

	Note	2019 TDKK	2018 TDKK
Assets			
Fixed assets			
Intangible assets			
Completed development projects		1,230	0
Development projects in progress		0	284
Intangible assets	6	**1,230**	**284**
Property, plant and equipment			
Other fixtures and fittings, tools and equipment		10,426	13,106
Property, plant and equipment	7	**10,426**	**13,106**
Total fixed assets		**11,656**	**13,390**
Non-fixed assets			
Stocks	8	**12,631**	**6,212**
Receivables			
Trade receivables		31,346	12,791
Other receivables		0	53
Deferred tax asset		0	191
Prepayments	9	98	27
Receivables		**31,444**	**13,062**
Cash at bank and in hand		**5,902**	**8,672**
Total non-fixed assets		**49,977**	**27,946**
Total assets		**61,633**	**41,336**

Balance sheet at 31 December 2019

	Note	2019 TDKK	2018 TDKK
Equity and liabilities			
Equity			
Share capital		1,000	1,000
Reserve for development expenditure		959	222
Retained earnings		18,409	8,154
Equity	10	**20,368**	**9,376**
Provisions			
Provision for deferred tax		2	0
Total provisions		**2**	**0**
Liabilities			
Non-current liabilities			
Lease obligations		8,200	11,154
Total non-current liabilities other than provisions	11	**8,200**	**11,154**
Current liabilities other than provisions			
Lease obligation	11	3,304	2,788
Trade payables		6,212	1,819
Payables to group companies		17,746	11,205
Corporation tax		2,455	2,553
Other payables		3,346	2,441
Total current liabilities		**33,063**	**20,806**
Total liabilities		**41,263**	**31,960**
Total equity and liabilities		**61,633**	**41,336**
Subsequent events	12		

Balance sheet at 31 December 2019 (continued)

	Note	2019 TDKK	2018 TDKK
Equity and liabilities			
Contingencies, etc.	13		
Related parties and ownership structure	14		

Notes

		2019	2017/18
		TDKK	TDKK
1	**Staff costs**		
	Wages and salaries	0	0
	Pensions	0	0
	Other social security costs	0	0
	Average number of employees	0	0

Employees are employed by the sister company Fitness World A/S. Remuneration agreement has been made between Functional Supply A/S and Fitness World A/S to cover staff cost and other operational cost paid by Fitness World A/S. Those cost are included as other external costs.

		2019	2017/18
2	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	309	0
	Depreciation of tangible assets	3,433	3,840
		3,742	**3,840**
3	**Financial costs**		
	Other financial costs	361	371
	Exchange adjustments costs	126	34
		487	**405**
4	**Tax on profit for the year**		
	Current tax for the year	2,954	2,553
	Change in deferred tax for the year	193	-191
		3,147	**2,362**

Notes

	2019	2017/18
	TDKK	TDKK
5 Distribution of profit		
Retained earnings	10,992	8,376
	10,992	**8,376**

6 Intangible assets

	Completed development projects	Development projects in progress	Total
Cost at 1 January 2019	0	284	284
Additions for the year	0	1,255	1,255
Transfers for the year	1,539	-1,539	0
Cost at 31 December 2019	1,539	0	1,539
Impairment losses and amortisation at 1 January 2019	0	0	0
Amortisation for the year	309	0	309
Impairment losses and amortisation at 31 December 2019	309	0	309
Carrying amount at 31 December 2019	**1,230**	**0**	**1,230**

7 Tangible assets

	Other fixtures and fittings, tools and equipment
Cost at 1 January 2019	16,946
Additions for the year	753
Cost at 31 December 2019	17,699

Notes

7 Tangible assets (continued)

	Other fixtures and fittings, tools and equipment
Impairment losses and depreciation at 1 January 2019	3,840
Depreciation for the year	3,433
Impairment losses and depreciation at 31 December 2019	7,273
Carrying amount at 31 December 2019	**10,426**
Value of finance leased assets	10,259

8 Stocks

	2019 TDKK	2018 TDKK
Finished goods and goods for resale	11,441	3,994
Prepayments for goods	1,190	2,218
	12,631	**6,212**

9 Prepayments

Prepayments comprise prepaid expenses regarding rent and insurance premiums.

Notes

10 Equity

	Share capital	Reserve for development expenditure	Retained earnings	Total
Equity at 1 January 2019	1,000	222	8,154	9,376
Transfers, reserves	0	737	-737	0
Net profit for the year	0	0	10,992	10,992
Equity at 31 December 2019	**1,000**	**959**	**18,409**	**20,368**

The share capital consists of 1,000 shares of a nominal value of TDKK 1. No shares carry any special rights. There have been no changes in the share capital.

11 Long term debt

	2019 TDKK	2018 TDKK
Lease obligations		
Between 1 and 5 years	8,200	11,154
Non-current portion	8,200	11,154
Within 1 year	3,304	2,788
	11,504	**13,942**

12 Subsequent events

In March 2020, the government imposed total lockdown measures for the fitness industry to control the spread of COVID-19. The lockdown has limited sales of Functional products and affected the revenue negatively in the spring 2020. It is expected that income for the year 2020 will be reduced as a consequence.

Notes

13 Contingencies, etc.

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

The company has no other contigent liabilities.

14 Related parties and ownership structure

Controlling interest

Fitness World Group A/S, Egegårdsvej 61, 2610 Rødovre holds the majority of the share capital in the company.

Ownership structure

According to the company’s register of shareholders, the following shareholder holds at least 5% of the votes or at least 5% of the share capital:

Fitness World Group A/S, Egegårdsvej 61, 2610 Rødovre.
Functional Supply A/S is included in the consolidated financial statements of the parent company Fitness World Group A/S and Forward TopCo A/S. The consolidated statements can be obtained by contacting Forward TopCo A/S, Egegårdsvej 61, 2610 Rødovre.

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