

Functional Supply A/S
Torveporten 2, 4.
DK-2500 Valby
CVR no. 38 78 05 14

Annual report for 2022

Adopted at the annual general meeting on 19
June 2023

Alexander Basil John Wood
chairman

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Statement by management on the annual report

The Board of Directors and Executive Board have today discussed and approved the annual report of Functional Supply A/S for the financial year 1 January - 31 December 2022.

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 2022 and of the results of the company's operations for the financial year 1 January - 31 December 2022.

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

Valby, 19 June 2023

Executive board

Morten Nørdum Bentzen

Board of Directors

Alexander Basil John Wood
chairman

Morten Nørdum Bentzen

Zelda Hansson

Independent auditor's report

To the shareholder of Functional Supply A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Functional Supply A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("Financial Statements").

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the 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.

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.

Independent auditor's report

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.

Independent auditor's report

Hellerup, 19 June 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Bo Schou-Jacobsen
State Authorized Public Accountant
MNE no. mne28703

Sune Christensen Bjerre
State Authorized Public Accountant
MNE no. mne47832

Company details

The company

Functional Supply A/S
Torveporten 2, 4.
DK-2500 Valby

CVR no.: 38 78 05 14

Reporting period: 1 January - 31 December 2022

Domicile: Copenhagen

Board of Directors

Alexander Basil John Wood, chairman
Morten Nørdum Bentzen
Zelda Hansson

Executive board

Morten Nørdum Bentzen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Accounting policies

The annual report of Functional Supply A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and the Accounting Standard on small enterprises, as well as provisions applying to reporting class C entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2022 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 amortisation, 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 installments 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

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables 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.

Accounting policies

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Raw materials and consumables

Costs of raw materials and consumables include the raw materials and consumables used 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 that relate 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 Danish Tax Prepayment Scheme.

Tax on profit/loss 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.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

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.

Accounting policies

Balance sheet

Intangible assets

Development projects

Development costs comprise costs, wages/salaries and amortisation losses that are directly and indirectly attributable to the company's development activities.

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

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 three years.

Tangible assets

Items of plant and machinery and 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. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

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

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

The useful life and residual value are re-assessed annually. A change is accounted for as an accounting estimate, and the impact on amortisation/depreciation is recognised going forward.

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.

Accounting policies

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.'

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 expected selling price less direct 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.

Impairment of fixed assets

The carrying amount of intangible assets and items of property, plant and equipment is tested annually for impairment, in addition to what is reflected through normal amortisation and depreciation.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities. The reserve cannot be used as dividend or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

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.

Accounting policies

The company and all its Danish group entities are taxed on a joint basis. The current income tax charge is allocated between the jointly taxed entities relative to their taxable income. Tax losses are allocated based on the full absorption method. The jointly taxed entities are eligible for the Danish Tax Prepayment Scheme.

Joint taxation contributions payable and receivable are recognised in the balance sheet as 'Joint taxation contributions receivable' or 'Joint taxation contributions payable'.

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. Deferred tax is measured at net realisable value.

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 net 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 - 31 December

	<u>Note</u>	<u>2022</u> TDKK	<u>2021</u> TDKK
Gross profit		18,495	7,518
Profit/loss before amortisation/depreciation and impairment losses		18,495	7,518
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	<u>(3,519)</u>	<u>(4,454)</u>
Profit/loss before net financials		14,976	3,064
Financial costs		<u>249</u>	<u>(273)</u>
Profit/loss before tax		15,225	2,791
Tax on profit/loss for the year	4	<u>(6,054)</u>	<u>(641)</u>
Profit/loss for the year		<u>9,171</u>	<u>2,150</u>
Recommended appropriation of profit/loss			
Retained earnings		<u>9,171</u>	<u>2,150</u>
		<u>9,171</u>	<u>2,150</u>

Balance sheet 31 December

	<u>Note</u>	<u>2022</u> TDKK	<u>2021</u> TDKK
Assets			
Completed development projects		0	175
Intangible assets	5	<u>0</u>	<u>175</u>
Other fixtures and fittings, tools and equipment	6	1,491	4,773
Tangible assets		<u>1,491</u>	<u>4,773</u>
Total non-current assets		<u>1,491</u>	<u>4,948</u>
Finished goods and goods for resale		13,491	7,908
Stocks	7	<u>13,491</u>	<u>7,908</u>
Trade receivables		15,784	13,384
Receivables from Group companies		9,997	14,446
Other receivables		1,599	0
Deferred tax asset		19	307
Prepayments	8	0	47
Receivables		<u>27,399</u>	<u>28,184</u>
Cash at bank and in hand		<u>15,128</u>	<u>12,851</u>
Total current assets		<u>56,018</u>	<u>48,943</u>
Total assets		<u><u>57,509</u></u>	<u><u>53,891</u></u>

Balance sheet 31 December

	<u>Note</u>	<u>2022</u> TDKK	<u>2021</u> TDKK
Equity and liabilities			
Share capital		1,000	1,000
Reserve for development expenditure		0	136
Retained earnings		<u>38,578</u>	<u>29,271</u>
Equity		<u>39,578</u>	<u>30,407</u>
Lease obligations		<u>770</u>	<u>2,223</u>
Total non-current liabilities	9	<u>770</u>	<u>2,223</u>
Short-term part of long-term debt	9	453	3,709
Trade payables		5,047	4,901
Payables to Group companies		7,919	7,014
Joint taxation contributions payable		3,062	797
Other payables		<u>680</u>	<u>4,840</u>
Total current liabilities		<u>17,161</u>	<u>21,261</u>
Total liabilities		<u>17,931</u>	<u>23,484</u>
Total equity and liabilities		<u><u>57,509</u></u>	<u><u>53,891</u></u>
Main activity	1		
Subsequent events	10		
Contingent liabilities	11		
Related parties and ownership structure	12		

Statement of changes in equity

	Share capital	Reserve for development expenditure	Retained earnings	Total
Equity at 1 January 2022	1,000	136	29,271	30,407
Transfers, reserves	0	(136)	136	0
Net profit/loss for the year	0	0	9,171	9,171
Equity at 31 December 2022	1,000	0	38,578	39,578

Notes

1 Main activity

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

2 Staff costs

Average number of employees

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
	<u>0</u>	<u>0</u>

Employees are employed by the sister company Pure Gym Denmark A/S. Remuneration agreement has been made between Functional Supply A/S and Pure Gym Denmark A/S to cover staff cost and other operational cost paid by Pure Gym Denmark A/S. Those cost are included as other external costs. Remuneration of executive management is disclosed in the financial statements of Pure Gym Denmark A/S.

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation intangible assets

174

523

Depreciation tangible assets

3,345

3,931

3,519

4,454

4 Tax on profit/loss for the year

Deferred tax for the year

288

(156)

Adjustment of tax concerning previous years

2,704

0

Joint taxation contribution

3,062

797

6,054

641

Notes

5 Intangible assets

	Completed development projects
Cost at 1 January 2022	1,489
Cost at 31 December 2022	1,489
Impairment losses and amortisation at 1 January 2022	1,314
Amortisation for the year	175
Impairment losses and amortisation at 31 December 2022	1,489
Carrying amount at 31 December 2022	0

6 Tangible assets

	Other fixtures and fittings, tools and equipment
Cost at 1 January 2022	19,616
Additions for the year	64
Cost at 31 December 2022	19,680
Impairment losses and depreciation at 1 January 2022	14,843
Depreciation for the year	3,346
Impairment losses and depreciation at 31 December 2022	18,189
Carrying amount at 31 December 2022	1,491
Value of leased assets	1,042

Notes

	<u>2022</u> TDKK	<u>2021</u> TDKK
7 Stocks		
Finished goods and goods for resale	<u>13,491</u>	<u>7,908</u>
	<u>13,491</u>	<u>7,908</u>

8 Prepayments

Prepayments comprise prepaid expenses regarding other external costs.

9 Long term debt

	Debt at 1 January 2022	Debt at 31 December 2022	Instalment next year	Debt outstanding after 5 years
Lease obligations	<u>2,223</u>	<u>1,223</u>	<u>453</u>	<u>0</u>
	<u>2,223</u>	<u>1,223</u>	<u>453</u>	<u>0</u>

10 Subsequent events

No events have occurred after the balance sheet date that would influence the evaluation of these financial statements.

11 Contingent liabilities

The company is part of a pending lawsuit. The company has been met with a compensation claim of DKK 2.4m.

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.

The company has no other contingent liabilities.

Notes

12 Related parties and ownership structure

Controlling interest

The company is fully owned by Pure Gym Denmark Holding A/S, Torveporten 2, DK-2500 Valby, Denmark.

Consolidated financial statements

Functional Supply A/S is included in the consolidated financial statements of PinnacleBidco PLC and Pinnacle Topco Limited. The consolidated financial statements can be requested at the following address:

Town Centre House, Merrion Centre, Leeds LS2 8LY, Pure Gym Ltd, UK.