BUUS JENSEN
Statsautoriserede
Revisorer

Global Fitness Enterprises ApS

Prags Boulevard 80, 2300 København S

Company reg. no. 40 63 31 97

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the 8 July 2022.

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Sebastian Manthey Wædeled
Chairman of the meeting

Contents

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the Board of Directors and the Executive Board have approved the annual report of Global Fitness Enterprises ApS for the financial year 1 January - 31 December 2021.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

København S, 3 July 2022

Executive board

Sebastian Manthey Wædeled   Jakob Ejland Nygaard

Board of directors

Kenneth Andreasen   Jakob Ejland Nygaard   Sebastian Manthey Wædeled

Independent auditor's report

To the Shareholders of Global Fitness Enterprises ApS

Opinion

We have audited the financial statements of Global Fitness Enterprises ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. 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 financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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 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.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the annual accounts, which indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. It is a material condition for the company’s ability to continue as a going concern that the Group's two studios can realize the expected growth in new members and revenue in accordance with the budget for 2022 and reduce operating costs. Our opinion is not modified in respect of this matter.

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.

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.

Independent auditor's report

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 Statement Act. We did not identify any material misstatement of Management’s Review.

Copenhagen, 3 July 2022

BUUS JENSEN
State Authorised Public Accountants
Company reg. no. 16 11 90 40

Michael Markussen
State Authorised Public Accountant
mne34295

Company information

The company	Global Fitness Enterprises ApS Prags Boulevard 80 2300 København S	
	Company reg. no.	40 63 31 97
	Established:	3 July 2019
	Domicile:	
	Financial year:	1 January - 31 December
Board of directors	Kenneth Andreasen Jakob Ejland Nygaard Sebastian Manthey Wædeled	
Executive board	Sebastian Manthey Wædeled Jakob Ejland Nygaard	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	

The principal activities of the company

The main activity of the company is to be the master franchisee of the Orangetheory Fitness concept in Denmark.

The studios are operated by the company's subsidiaries.

Development in activities and financial matters

The gross loss for the year after tax totals DKK -4.204.000 against DKK -4.461.000 last year. Management considers the result of the year unsatisfactory.

The company has provided captial contributions of DKK 900.000 during the financial year for it's subsidiaries, Global Fitness Enterprises 01 ApS and Global Fitness Enterprises 02 ApS.

The Group's second studio was expected to open in Q4, 2021. However, due to the COVID-19 outbreak, the opening has been postponed. The studio opened in May 2022.

Management refers to note 1 in the annual accounts, in which the management describes the company's financial situation.

Events occurring after the end of the financial year

The company has completed a capital increase of 4.500.000 DKK in 2022.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2021	2020
	Gross profit	**-109.760**	**-343.590**
2	Staff costs	-718.713	-363.136
	Amortisation and impairment of intangibleassets	-529.552	-529.552
	Operating profit	**-1.358.025**	**-1.236.278**
	Income from investments in subsidiaries	-2.872.778	-3.207.893
	Other financial income from subsidiaries	32.618	0
3	Other financial expenses	-6.016	-16.772
	Pre-tax net profit or loss	**-4.204.201**	**-4.460.943**
	Net profit or loss for the year	**-4.204.201**	**-4.460.943**
	Proposed appropriation of net profit:		
	Allocated from retained earnings	-4.204.201	-4.460.943
	Total allocations and transfers	**-4.204.201**	**-4.460.943**

Balance sheet at 31 December

All amounts in DKK.

Assets

Note		2021	2020
	Non-current assets		
4	Acquired concessions, patents, licenses, trademarks, and similar rights	1.588.656	2.118.208
	Total intangible assets	1.588.656	2.118.208
5	Investments in subsidiaries	192.203	1.892.107
	Total investments	192.203	1.892.107
	Total non-current assets	**1.780.859**	**4.010.315**
	Current assets		
	Receivables from subsidiaries	63.130	288.674
	Total receivables	63.130	288.674
	Cash and cash equivalents	1.507.543	25.189
	Total current assets	**1.570.673**	**313.863**
	Total assets	**3.351.532**	**4.324.178**

Balance sheet at 31 December

All amounts in DKK.

Note	Equity and liabilities	2021	2020
	Equity		
	Contributed capital	54.167	50.000
	Retained earnings	400.751	3.063.954
	Total equity	**454.918**	**3.113.954**
	Provisions		
	Provisions for investments in subsidiaries	272.874	0
	Total provisions	**272.874**	**0**
	Liabilities other than provisions		
	Trade payables	595.045	353.866
	Other payables	2.028.695	856.358
	Total short term liabilities other than provisions	2.623.740	1.210.224
	Total liabilities other than provisions	**2.623.740**	**1.210.224**
	Total equity and liabilities	**3.351.532**	**4.324.178**

1 Uncertainties concerning the enterprise's ability to continue as a going concern

6 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Share premium	Retained earnings	Total
Equity 1 January 2020	50.000	0	7.524.897	7.574.897
Retained earnings for the year	0	0	-4.460.943	-4.460.943
Equity 1 January 2021	50.000	0	3.063.954	3.113.954
Cash capital increase	4.167	1.540.998	0	1.545.165
Retained earnings for the year	0	0	-4.204.201	-4.204.201
Transferred to retained earnings	0	-1.540.998	1.540.998	0
	54.167	**0**	**400.751**	**454.918**

Notes

All amounts in DKK.

	2021	2020

1. Uncertainties concerning the enterprise's ability to continue as a going concern

The company has two studios respectively on Amager and in Lyngby via its subsidiaries Global Fitness Enterprises 01 ApS and Global Fitness Enterprises 02 ApS. The studio on Amager is still not cash positive in 2022 when the financial statements are issued. The studio in Lyngby was expected to open in Q4, 2021. However, due to the COVID-19 outbreak, the opening was postponed to May 2022. Furthermore, the refurbishment of the studio has been more costly than expected due to the increased build prices due to the COVID-19 outbreak. Therefore, the Group’s liquidity is tight.

It is a material condition for the company’s ability to continue as a going concern that the two studios can realize the expected growth in new members and revenue in accordance with the budget for 2022 and reduce operating costs. According to the budget, the Group will be cash positive at the start of 2023.

Based on the above actions and assumptions, Management expects to have the necessary liquidity to finance the planned activities for the coming year. The financial statements have been prepared in accordance with the going concern principle.

2. Staff costs

	2021	2020
Salaries and wages	629.830	332.182
Pension costs	81.250	29.250
Other costs for social security	7.633	1.704
	718.713	**363.136**
Average number of employees	1	1

3. Other financial expenses

	2021	2020
Other financial costs	6.016	16.772
	6.016	**16.772**

Notes

All amounts in DKK.

4. Acquired concessions, patents, licenses, trademarks, and similar rights

Cost 1 January 2021	2.647.760	2.647.760
Cost 31 December 2021	**2.647.760**	**2.647.760**
Amortisation and writedown 1 January 2021	-529.552	0
Amortisation and depreciation for the year	-529.552	-529.552
Amortisation and writedown 31 December 2021	**-1.059.104**	**-529.552**
Carrying amount, 31 December 2021	**1.588.656**	**2.118.208**

5. Investments in subsidiaries

Cost 1 January 2021	5.100.000	100.000
Additions during the year	900.000	5.000.000
Cost 31 December 2021	**6.000.000**	**5.100.000**
Revaluations, opening balance 1 January 2021	-3.207.893	0
Net profit or loss for the year before amortisation of goodwill	-2.872.778	-3.165.288
Adjustment to equity method	0	-42.605
Revaluation 31 December 2021	**-6.080.671**	**-3.207.893**
Transferred to provisions	272.874	0
Set off against debtors and provisions for liabilities	**272.874**	**0**
Carrying amount, 31 December 2021	**192.203**	**1.892.107**

Financial highlights for the enterprises according to the latest approved annual reports

	Equity interest	**Equity**	**Results for the year**	**Carrying amount, Global Fitness Enterprises ApS**
Global Fitness Enterprises 01 ApS, København	100 %	-272.874	-1.252.679	0
Global Fitness Enterprises 02 ApS, København	100 %	192.203	-1.620.099	192.203
		-80.671	**-2.872.778**	**192.203**

Notes

All amounts in DKK.

6. Contingencies

Contingent liabilities

	DKK in thousands
Total contingent liabilities	10.436

Joint taxation

The company acts as administration company for the group of companies subject to the Danish scheme of joint taxation and is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, to pay the total corporation tax.

TheThe company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

The liability relating to obligations in connection with withholding tax on dividends, interest, and royalties represents an estimated maximum of DKK 0.

Any subsequent adjustments of corporate taxes or withholding taxes, etc., may result in changes in the company's liabilities.

Company X has withdrawn from joint taxation scheme as of (indsæt dato) and shall not be liable for any tax claims against the other jointly taxed companies from the time of withdrawal from the joint taxation scheme.

Accounting policies

The annual report for Global Fitness Enterprises ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Income statement

Gross loss

Gross loss comprises of revenue and external costs.

The enterprise will be applying IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue consists of royalties from subfranchised studios based on a percent of sales. Revenue is recognised less VAT.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets. Furthermore, this item comprises received subsidies, damages, and compensation due to the coronavirus situation.

Other external expenses comprise expenses incurred for sales and administration.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from investments in subsidiaries

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual subsidiaries are recognised in the income statement as a proportional share of the subsidiaries' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable by the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Development projects, patents, and licences

Patents and licenses are measured at cost less accrued amortisation. Patents and licenses are amortised on a straightline basis over 5 years.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in subsidiaries are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

Investments

Investments in subsidiaries

Investments in subsidiaries are recognised and measured by applying the equity method. The equity method is used as a measurement method.

Investments in subsidiaries are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

In relation to material assets and liabilities recognised in subsidiaries but are not represented in the parent, the following accounting policies have been applied.

Property, plant, and equipment:

- Other property, plant, and equipment are measured at cost with the addition of depreciation and less accrued depreciation and impairment.

Leases:

- At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the group enterprise holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise.

Inventories:

- Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Liabilities other than provisions:

- Liabilities other than provisions are measured at amortised cost which usually corresponds to the nominal value.

Investments in subsidiaries with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in subsidiaries.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired.If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Equity

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium.

The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

As administration company, Global Fitness Enterprises ApS is liable to the tax authorities for the subsidiaries' corporate income taxes.

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Income tax receivable” or “Income tax payable”.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.