Global Fitness Enterprises 02 ApS

Prags Boulevard 80, 2300 København S

Company reg. no. 41 04 20 60

Annual report

1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 13 July 2023.

Jakob Ejland Nygaard
Chairman of the meeting

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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 Managing Director have approved the annual report of Global Fitness Enterprises 02 ApS for the financial year 1 January - 31 December 2022.

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

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, 13 July 2023

Managing Director

Jakob Ejland Nygaard

Board of directors

Kenneth Andreasen
chairman

Jakob Ejland Nygaard

Independent auditor's report

To the Shareholder of Global Fitness Enterprises 02 ApS

Adverse Opinion

We have audited the financial statements of Global Fitness Enterprises 02 ApS for the financial year 1 January - 31 December 2022, 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, because of the significance of the matter discussed in the "Basis for Adverse Opinion" section of our report, the financial statements do not 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.

Basis for Adverse Opinion

Management has prepared the financial statements under the condition the company can continue as a going concern. As explained in note 1 to the financial statements, it is a material condition for the company's ability to continue as a going concern that the actions and assumptions from the management are being met. We have not been able to obtain sufficient and appropriate audit evidence for the management plans. As a result, we do not agree with the management on the use of the going concern principle.

The company has recognized other fixtures and fittings, tools and equipment with a carrying amount of 2.089 T.DKK under non-current assets in the balance sheet. We have not been able to obtain sufficient and suitable audit evidence to evaluate the value of the assets. As a result, we were unable to determine whether any adjustments might have been found necessary regarding the carrying amount of the assets.

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.

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

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, 13 July 2023

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 02 ApS Prags Boulevard 80 2300 København S	
	Company reg. no.	41 04 20 60
	Established:	18 December 2019
	Domicile:	Copenhagen
	Financial year:	1 January - 31 December
Board of directors	Kenneth Andreasen, chairman Jakob Ejland Nygaard	
Managing Director	Jakob Ejland Nygaard	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	
Parent company	Global Fitness Enterprises ApS	

Management´s review

Description of key activities of the company

The main activity of the company is to provide fitness club services for its members via subfranchise of the Orangetheory Fitness concept. The studio is located on Amager.

Uncertainties connected with recognition or measurement

Management refers to note 1 in the financial statements, in which the management describes the uncertainties concerning the company's ability to continue as a going concern.

Management refers to note 2 in the financial statements, in which the management describes the uncertainties concerning the recognition and measurement of other fixtures and fittings, tools and equipment with a carrying amount of 2.089 T.DKK as on 31 December 2022.

Development in activities and financial matters

The results for the year totals DKK -2.145.000 against DKK -1.620.000 last year. Management considers the result for the year unsatisfactory.

The company has received capital contributions of DKK 400.000 during the financial year from it's parent company Global Fitness Enterprises ApS.

As the equity represents less than half of the subscribed capital, the Company is subject to the Danish Companies Act section 119 regarding loss of capital. Management expects to recover the capital by being profitable in the coming years.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2022	2021
	Gross profit	**971.660**	**1.073.117**
4	Staff costs	-2.219.188	-1.758.485
	Depreciation and impairment of property, land, and equipment	-804.169	-804.169
	Operating profit	**-2.051.697**	**-1.489.537**
	Other financial income	5.358	0
5	Other financial expenses	-98.895	-130.562
	Pre-tax net profit or loss	**-2.145.234**	**-1.620.099**
	Tax on net profit or loss for the year	0	0
	Net profit or loss for the year	**-2.145.234**	**-1.620.099**
	Proposed distribution of net profit:		
	Allocated from retained earnings	-2.145.234	-1.620.099
	Total allocations and transfers	**-2.145.234**	**-1.620.099**

Balance sheet at 31 December

All amounts in DKK.

Note	Assets	2022	2021
	Non-current assets		
6	Other fixtures, fittings, tools and equipment	2.088.723	2.892.892
	Total property, plant, and equipment	2.088.723	2.892.892
	Total non-current assets	**2.088.723**	**2.892.892**
	Current assets		
	Manufactured goods and goods for resale	24.625	137.378
	Total inventories	24.625	137.378
	Trade receivables	0	24.100
	Other receivables	47.318	100.717
	Prepayments	1.515	121.232
	Total receivables	48.833	246.049
7	Cash and cash equivalents	420.059	467.553
	Total current assets	**493.517**	**850.980**
	Total assets	**2.582.240**	**3.743.872**

Balance sheet at 31 December

All amounts in DKK.

Note	Equity and liabilities	2022	2021
	Equity		
	Contributed capital	50.000	50.000
	Retained earnings	-1.603.031	142.203
	Total equity	**-1.553.031**	**192.203**
	Long term labilities other than provisions		
	Lease liabilities	665.440	968.530
	Deferred income	420.097	0
8	Total long term liabilities other than provisions	1.085.537	968.530
8	Current portion of long term liabilities	490.167	432.072
	Prepayments received from customers	0	2.001
	Trade payables	728.456	1.355.691
	Payables to group enterprises	1.227.643	46.736
	Other payables	232.472	340.285
	Deferred income	370.996	406.354
	Total short term liabilities other than provisions	3.049.734	2.583.139
	Total liabilities other than provisions	**4.135.271**	**3.551.669**
	Total equity and liabilities	**2.582.240**	**3.743.872**

1 Uncertainties relating to going concern

2 Uncertainties concerning recognition and measurement

3 Special items

9 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2021	50.000	1.262.302	1.312.302
Retained earnings for the year	0	-1.620.099	-1.620.099
Capital contributions	0	500.000	500.000
Equity 1 January 2022	50.000	142.203	192.203
Retained earnings for the year	0	-2.145.234	-2.145.234
Capital contributions	0	400.000	400.000
	50.000	**-1.603.031**	**-1.553.031**

Notes

All amounts in DKK.

1. Uncertainties relating to going concern

The company has incurred a net loss of 2.145 T.DKK during the year ended 31 December 2022, and the total assets exceeded the total liabilities with -1.553 T.DKK as of this date. The company is still not cash-positive in 2023 when the financial statements are issued, and therefore the company’s liquidity is tight.

We have implemented a new pricing model in 2023 that has proven successful as net new members and revenue have increased per our expectations. Furthermore, we have reduced costs.

The goal for the second half of 2023 is to ensure continued growth in members and increase revenue along with a focus on cost savings so that the company can be cash-positive before the end of 3rd quarter.

Furthermore, to ensure the necessary liquidity to finance the planned activities for 2023, management expects the company to be able to continue to make ad hoc agreements with the company's most important suppliers and partners regarding installment plans.

Based on the expected growth in members and revenue, as well as cost savings and installment plans, management expects the company to be able to secure bridge funding for the second half of 2023 via its current shareholders.

At the same time, management will work on finding new investors to first stabilize the group's financial position and, hereafter, continue expansion beyond the two current studios.

It is a material condition for the company’s ability to continue as a going concern the above actions and assumptions are being met.

Based hereupon, 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. Uncertainties concerning recognition and measurement

The Company has recognized other fixtures and fittings, tools and equipment with a carrying amount of 2.089 T.DKK, cf. note 6. The estimates and judgments made are based on budgets and business plans for the coming years, but that, by nature, are associated with uncertainty and unpredictability and may prove incomplete or incorrect.

3. Special items

Special items include significant income and expenses of a special nature relative to the enterprise's ordinary operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments and any related gains on disposal and losses which, over time, have a significant impact. Special items for previous year also include other significant amounts of a nonrecurring nature including COVID-19 compensation.

All amounts in DKK.

3. Special items (continued)

As mentioned in the management commentary, the net profit or loss for the year is affected by a number of factors that differ from what is considered by management to be part of operating activities.

Special items for the previous year are specified below, indicating where they are recognised in the income statement.

	2022	2021
Income:		
COVID-19 compensation	-24.363	1.467.798
	-24.363	1.467.798
Special items are recognised in the following items in the financial statements:		
Gross loss	-24.363	1.467.798
Profit of special items, net	**-24.363**	**1.467.798**

4. Staff costs

	2022	2021
Salaries and wages	2.136.776	1.691.342
Pension costs	22.994	20.080
Other costs for social security	59.418	47.063
	2.219.188	**1.758.485**
Average number of employees	6	5

5. Other financial expenses

	2022	2021
Financial costs, group enterprises	19.732	27.057
Other financial costs	79.163	103.505
	98.895	**130.562**

Notes

All amounts in DKK.

6. Other fixtures, fittings, tools and equipment

Cost 1 January 2022	3.941.155	3.941.155
Cost 31 December 2022	**3.941.155**	**3.941.155**
Depreciation and write-down 1 January 2022	-1.048.263	-244.094
Amortisation and depreciation for the year	-804.169	-804.169
Depreciation and write-down 31 December 2022	**-1.852.432**	**-1.048.263**
Carrying amount, 31 December 2022	**2.088.723**	**2.892.892**
Lease assets are recognised at a carrying amount of	1.106.711	1.542.625

7. Cash and cash equivalents

Of the total cash and cash equivalents, 337 T.DKK is recognized in an escrow account, which the company cannot freely dispose of.

8. Long term labilities other than provisions

	Total payables 31 Dec 2022	**Current portion of long term payables**	**Long term payables 31 Dec 2022**	**Outstanding payables after 5 years**
Lease liabilities	1.046.017	380.577	665.440	0
Deferred income	529.687	109.590	420.097	0
	1.575.704	**490.167**	**1.085.537**	**0**

9. Contingencies

Contingent liabilities

	31/12 2022 DKK in thousands
Total contingent liabilities	4.245

Joint taxation

With Global Fitness Enterprises ApS, company reg. no 40633197 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

All amounts in DKK.

9. Contingencies (continued)

Joint taxation (continued)

The 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 jointly taxed enterprises' total known net liability to the Danish tax authorities emerges from the financial statements of the administration company.

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

Accounting policies

The annual report for Global Fitness Enterprises 02 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, write-downs 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.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve in the Consolidated Financial Statement. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or write-down for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Income statement

Gross profit

Gross profit comprises the revenue, cost of sales, other operating income, and external costs.

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

Revenue comprises the value of sale of services and sale of goods.

Sale of services consists of membership fees. For sale of services, revenue is recognized in the accounting period in which the services are rendered on a monthly basis over the contract term.

Membership fees collected but not earned are included in deferred revenue.

Sale of goods consists of sales of fitness-related products. Sale of goods is recognised in the income statement if delivery and passing of risk to the member have taken place before the end of the year.

Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

This ensures that recognition does not take place until the total income and costs and stage of completion at the reporting date can be reliably validated and it seems probable that the economic benefits, including payments, will flow to the enterprise.

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, operating loss and conflict compensation as well as salary reimbursements received. Furthermore, this item comprises received subsidies, damages, and compensation due to the coronavirus situation. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Other external costs comprise costs incurred for sales, advertising, administration and premises.

Staff costs

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

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down 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.

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 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

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	4-5 years	0 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value of the asset being leased 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. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of tangible fixed assets 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. write-down 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.

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.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

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.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Equity

Dividend

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

Income tax and deferred tax

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 ”Tax receivables from group enterprises" or "Income tax payable to group enterprises"

According to the rules of joint taxation, Global Fitness Enterprises 02 ApS is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

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

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

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

Deferred income

Payments received concerning future income are recognised under deferred income.