


# Food Folk Danmark ApS

Falkoner Alle 20  
2000 Frederiksberg

CVR no. 24 21 40 87

Annual report 2017

The annual report was presented and approved at the  
Company's annual general meeting  
on 23/5 2018  
  
chairman of the annual general meeting

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**Statement by the Board of Directors and the Executive Board**

The Board of Directors and the Executive Board have today discussed and approved the annual report of Food Folk Danmark ApS for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

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

Copenhagen, 14 May 2018

Executive board:



Joachim Bernhard Knudsen

Board of directors:



Joachim Bernhard Knudsen  
Chairman

## ***Independents auditor's report***

**To the shareholders of Food Folk Danmark ApS**

### ***Opinion***

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

### ***Audited financial statements***

Food Folk Danmark ApS' financial statements for the financial year 1 January – 31 December 2017 comprise the Income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including summary of significant accounting policies (the financial statements). The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in 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 rules and requirements.

### ***Statement on the Management's review***

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

### ***Management's responsibility for the financial statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act and for such internal control that 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 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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may 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.

***Independents auditor's report (continued)***

***Auditor's responsibilities for the audit of the financial statements (continued)***

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

Copenhagen, 14 May 2018

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98



Niels Vendelbo  
State Authorised  
Public Accountant  
MNE no. 34532

## ***Management's review***

### **Company details**

Food Folk Danmark ApS  
Falkoner Alle 20  
2000 Frederiksberg

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E-mail: [reception@dk.mcd.com](mailto:reception@dk.mcd.com)

CVR no. 24 21 40 87

Established: 30 December 1982  
Registered office: Falkoner Alle 20, DK-2000 Frederiksberg  
Financial year: From 1 January to 31 December

### **Board of Directors**

Joachim Bernhard Knudsen

### **Executive Board**

Joachim Bernhard Knudsen

### **Auditor**

KPMG  
Statsautooriseret revisionspartnerselskab  
Dampfærgevej 28  
2100 Copenhagen

### **Bank**

Danske Bank, Corporate banking  
Nordea bank danmark A/S, filial af Nordea Bank AB, Sverige

### **Annual general meeting**

The annual general meeting will be held on 23 May 2018.

**Management's review (continued)**

**Financial highlights**

DKK'000	2017	2016	2015*	2014*	2013*
<b>Key figures</b>					
Revenue	265.765	314.024	421.702	507.997	511.726
Operating profit	123.129	159.327	113.945	112.892	105.332
Net financials	-18.032	-29	-204	-226	-57
<b>Profit for the year</b>	<b>82.293</b>	<b>124.513</b>	<b>87.545</b>	<b>85.608</b>	<b>85.405</b>
<b>Balance sheet</b>					
Balance sheet total	1.437.751	1.431.549	909.049	915.870	845.277
Investments in property, plant and equipment	5.594	34.344	47.394	58.077	128.938
<b>Equity</b>	<b>554.207</b>	<b>1.153.589</b>	<b>792.827</b>	<b>788.282</b>	<b>702.674</b>
<b>Financial ratios</b>					
Return on assets	8,6	13,6	12,5	12,8	12,7
Equity ratio	38,5	80,6	87,2	86,1	83,1
Return on equity	9,6	12,8	11,1	11,5	12,4
<b>Average number of full-time employees</b>					
Average number of full-time employees	51	134	303	481	436

\* Financial highlights for the comparison years have not been translated to IFRS.

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Ratios". The financial ratios have been calculated as follows:

Return on assets	$\frac{\text{Profit/loss from ordinary activities} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Closing equity} \times 100}{\text{Equity \& liabilities at year - end}}$
Return on equity	$\frac{\text{profit/loss for the year} \times 100}{\text{Average equity}}$

## ***Management's review (continued)***

### **Operating review**

#### **Principals activities**

The main activity of the company is to acquire real estate by renting or buying it, renovating and fitting it for the purpose of operating a McDonald's restaurant under a master franchise agreement made with McDonald's Corporation, the holder of the McDonald's global trademark. Food Folk Danmark ApS (former name McDonald's Danmark ApS) was previously 100% owned by McD Europe Ltd, a wholly owned subsidiary of McDonald's Corporation, but was acquired by Food Folk Danmark Holdings ApS on 31/3-2017.

By the end of 2017, Food Folk had 88 licensed McDonald's restaurants in Denmark, all operated by 21 independent franchisees on contract for the operation of the individual restaurants for a period of up to 20 years. The total number of McDonald's restaurants was unchanged compared to 2016.

#### **Unusual circumstances**

To the management's knowledge, no unusual circumstances has occurred during 2017.

#### **Events after the balance sheet date**

No events have occurred after the balance sheet date that could significantly affect the Company's financial position.

#### **Development in activities and financial position**

##### ***Profit/loss for the year (including comparison with forecasts previously announced)***

During 2017, the McDonald's restaurants in Denmark increased system wide sale\* by 5.3 % (2016: 6,3%)

The company realized a revenue decrease of -15% compared to the previous year (2016: -26%), a decrease that can mainly be attributed to the strategic decision by management to rebrand the last 4 company-operated restaurants in December 2016. On this background, there were no revenue from company-operated restaurants in 2017, however this negative impact was partly offset by increased franchised revenues by 11% driven by a combination of increased System Wide Sales and franchised income from rebranded restaurants.

Operating profit for the year decreased by TDKK 36,198 to TDKK 123,129 (2016: TDKK 159,327) which corresponds to a decrease of 23%. The decrease in operating income is primarily driven by onetime gains from sale of assets in 2016 that did not occur in 2017 partly offset by increased revenues from franchised restaurants.

The result of the year decreased by TDKK 42,220 to a total of TDKK 82,293 (2016: TDKK 124,513), which corresponds to a decrease of 34%.

The management of the company finds the result of the year satisfying.

\*= system wide sales reflect the accumulated turnover in all McDonald's restaurants in Denmark. The figure partly encompasses turnover in the restaurants run by the company, which is included in this annual report, and partly the turnover in the franchise restaurants, from which the company receives rent which is included as part of the result in the annual report.

#### **Outlook**

In 2018, the company expects an increase in the system wide sales and operating profit.

#### **Particular risks**

The Company does not have any significant risk apart from what is common from the industry since the majority of transactions is denominated in Danish Kroner, long term financing is secured with fixed interests and outstanding receivables are of short term nature. For further details on the company's risk profile we refer to note 19.



**Management's review (continued)**  
**Food Folk Group Corporate Social Responsibility**

**Food Folk Group Corporate Social Responsibility**

It is important to the Food Folk Group that it is a socially responsible company. The company believes in being actively involved in the communities in which it operates. It strives to engage in frank, transparent and honest dialogue about business performance and objectives with customers franchisee sand employees, as well as its local communities . The group's commitment to society is best summed up by four values:

Responsible Leadership: The Company and McDonald's are committed to using its scale for good: good for people, for the industry, and for the planet. From simplifying ingredients to being nutritionally mindful; from reducing waste impact to advancing the industry on sustainable and humane sourcing; from being a good employer to giving help to those most in need via Ronald McDonald House Charities.

Inclusiveness: McDonald's is one of the world's most universal, democratic brands. It welcome customers of every culture, age and background, and proudly invests in all the people the company needs to succeed – specifically the crew, suppliers , franchisees and community.

Progressiveness: Food Folk is a restless company: always innovating, always moving forward. From the core business to the invention of the drive thru and the Happy Meal, the aim is always to do things better tomorrow than are done today.

Local Integration: Food Folk is organized across the Nordic region but stays in sync with society in each of its markets, responding to local needs and integrating with local culture. The restaurants are typically locally-owned, staffed by crew who live nearby, and who proudly give back to their community via hundreds of thousands of local programs.

Food Folk Denmark, Norway, Sweden and Finland are involved in numerous projects and initiatives that support the Food Folk Group's CSR ambitions. With the new ownership and the mandatory non-financial reporting requirements in Denmark (under section 99a and 99b of the Danish Financial Statements Act), Norway (under section 3-3c of the Accounting act) and Sweden (under chapter 6 of the Annual Accounts Act) taken into consideration, Food Folk Group has decided to disclose each country's specific policies, actions and results as appropriate.

Currently, Finland has not implemented any local regulation in regards to non-financial reporting, therefore the below information does not include Finland. Even though Finland does not have any local regulation, it has several good initiatives that support the overall CSR purpose of the Food Folk Group.

Food Folk Sweden, Norway and Denmark are working to identify potential risks that may be relevant to report in the future, including creating risk management strategies for each of the topics for non-financial reporting. In addition, since last year's acquisition of the McDonald's restaurants in the Nordic countries by Food Folk Group, it is not possible to disclose detailed KPIs for all mandatory CSR reporting areas, as the data for FY17 is to be collected in May 2018. For the upcoming reporting year, we will look at possibilities towards aligning the data collection with the financial reporting year, in order to adequately present data and progress of our CSR initiatives.

For all Denmark, Norway and Sweden, the following chapters cover both the Food Folk offices and the respective franchisees in each country. Strategies are typically developed in the Food Folk offices and implemented there and in the restaurants with support of the Food Folk offices.

## **Environment & Climate**

### ***Carbon footprint***

In Food Folk Group, the aim is to lessen its climate impact and care for the environment. All waste has an impact on the climate and Food Folk Group is working consciously with this.

In Food Folk Denmark, grease (from the grease separator) was reduced by 18% compared to 2016. In order not to waste, the valuable resources contained in food waste, grease and cooking oil, these products are used in the production of biogas. By utilizing food waste for biogas production, less CO2 is emitted because the biogas can be utilized for energy purposes, hence resolving in a smaller carbon footprint for the Danish society by displacing fossil fuels. In 2017, the total amount of all waste collected by the main waste handler dropped by 7.3% or 314 tonnes total compared to 2016.

In 2017, Food Folk Denmark became the main sponsor of a new project under development called 'Clean Nature' organized by the NGO Keep Denmark Clean. In 2018, pilot projects will be rolled out involving McDonald's restaurants, in three cities. Food Folk Denmark also holds a seat in the steering board of the project. It continue our 'one block policy' alongside this project, entailing employees to collect litter in the immediate area surrounding each restaurant.

**Management's review (continued)**  
**Food Folk Group Corporate Social Responsibility (continued)**

**Carbon footprint (continued)**

Used cooking oil and cardboard are collected and recycled from all Food Folk restaurants in Sweden and Norway. In collaboration with our logistics partner, HAVI, a number of waste fractions are collected from the restaurants to be recycled: Aluminum, PET plastics, PE foils and refund cans. This results in increased material recycling and less transports as these fractions are collected by existing transports.

<b>Emissions (tonnes CO2e)</b>	<b>Base year 2010</b>	<b>2015</b>	<b>2016</b>	<b>Share of total 2016</b>	<b>Change 2010-2016</b>
<i>Waste disposal</i>	6,078	5,679	5,189	65%	-15%

Waste disposal, Food Folk Sweden

In addition, Food Folk Sweden joined the Haga initiative in 2012. The Haga initiative is a business network that strives to reduce the business sector's carbon emissions and highlight climate issues by showing the connection between ambitious climate strategies and increased profitability. The purpose of the network is to show that it is profitable for companies to conduct good business while simultaneously take an active climate responsibility. The companies that are members have pledged to reduce their CO2 by 40% in 2020, base year 2010.

In 2017, the Haga initiative members approved a new goal, stretching to 2030:

- **Scope 1:** The target is net zero emission by 2030. This is translated into at least an 85% reduction in emissions from the company's own operations, in scope 1, compared with a post-1990 base year of their choice. To reach net zero emissions, the remaining emissions can be reduced through carbon offsets. The aim is a fossil fuel free company,
- **Scope 2:** Purchased energy in scope 2 should be renewable or recycled,
- **Scope 3:** Emissions in scope 3 (upstream and downstream) are to be mapped out and identified. The companies need to develop a strategy to reduce the emissions based on relevance and feasibility.

To reduce carbon emission 100% of the electricity purchased by Food Folk Sweden's franchisees comes from renewable sources. In addition, 90% is Bra Miljöval certified by Swedish Society for Nature Conservation (SSNC). In 2017, Food Folk Sweden and Fortum Charge & Drive began building the first High Power Charging Stations in Sweden. These stations will be operational in 2018 - in Kristinehamn and in Västerås. High Power Charging is the next generation fast charging.

	<b>Development</b>				
	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2016</b>	<b>2017</b>
Number of installed fast chargers	4	12	12	14	29
Number of installed other chargers	4	9	8	14	22
Charging occasions - fast	496	4,961	4,260	4,875	12,531
Charging occasions - other	138	236	369	499	789
Charging occasions - total	634	5,197	4,629	5,374	13,320
Charging volume fast [kWh]	2,811	21,472	37,070	54,201	148,235
Charging volume other [kWh]	143	328	1,624	2,014	6,512
Charging volume total [kWh]	2,955	21,800	38,694	56,215	154,747

E-mobility data, Food Folk Group Sverige

Food Folk Norway is actively working to decrease their environmental impact. The company aims to reduce the use of conventional energy and increase the use of renewable energy. In 2017, 60 out of 70 restaurants purchased certified green energy. Since 2016, the energy usage was reduced by approximately 10%, water use by 50% in 23 of the restaurants and refill of cooling agents was reduced by app. 30%. In 2012, it started implementation of charging stations and in 2017 it has 58 high power charging stations in 25 restaurants. Another ambitious initiative is directly to work with the beef industry, by taking part on a national project called Klimasmart Landbruk, where Food Folk supports the industry to reduce their CO2 emissions. For Food Folk Norway approximately 80% of its total spend comes for local suppliers, which supports the overall decrease of the CO2 emissions from sourcing the products from other countries.

Like the Danish "one block policy" Food Folk Norway engaged in similar project called "Rusken", where the employees join clean-up activities, in order to tackle the problem with littering. In 2018, Food Folk Norway will focus on finding new packaging not containing plastic.

## ***Management's review (continued)***

### ***Food Folk Group Corporate Social Responsibility (continued)***

#### ***Food waste***

Reducing the food waste is an important part of achieving the goal of minimising impact on climate and taking care of the environment. In Denmark, total collected food waste in 2017 was reduced by 8%, compared to 2016, with sales rising in the same period with only 2% waste in our kitchens. Generally, food waste in the Food Folk restaurants and in kitchens is low. The Food Folk Group is in the midst of a major development in which several restaurants are rebuilt to serve even better burgers and to better meet guests' expectations, both today and in the future. For example rebuilding restaurants in Sweden would be a 15/20% reduction in food waste, much due to a reduced risk of having to throw away hamburgers that are not sold.

The group continues to work closely with suppliers regarding packaging quality and sizes to reduce breakage and short use-through dates. It has come a long way for example in developing systems for calculating volumes, which reduces the risk of misplacement.

Food Folk Group is currently implementing a new made-to-order system to be rolled out across the entire region. Early results from Denmark show, that cost of wastefood is reduced by as much as 25% under this system, when measured as proportion of the total turnover. Norway and Finland are still in the early implementation phase and thus have not yet an estimate of the possible impact on wasted food. This new system will be rolled out to more restaurants in 2018.

#### ***Animal welfare***

Food Folk Group is continuing to work for animal welfare by focusing on cage eggs. In 2017, cage eggs in the Big Mac sauce have been phased out removing the largest remaining product containing cage eggs. Also will no new products with cage eggs will be launched. All our breakfast menu items are served using free range, organic eggs.

In addition, Food Folk Norway's underlying policy is to introduce new products with no palm oil, egg from free-range hens and natural ingredients. Food Folk Norway has also focus on animal welfare for their broilers, where a policy not to use antibiotics and narasin was implemented. Food Folk Norway has also attention on sustainable feed and for all used soy to be certified and not sourced from deforestation areas.

#### **Human rights, Social and Employee matters**

Food Folk and its franchisee employees form the core of the business. Therefore, measuring the employee satisfaction every year is key as is an aim to improve scores every time.

To ensure employees' continued development and satisfaction, a range of mandatory and optional educations are offered. All employees also complete the mandatory McDonald's-learning courses.

In Denmark, optional education programs have been established in collaboration with external academies. Thus, Denmark can offer its employees a unique opportunity to combine work and further education.

The goal is to have a minimum an equal amount of students for the Akademiuddannelsen (AU) course in 2018, as in 2017, which was 52. For the Handelsøkonom (HØ) course, the aim is a minimum of 22 students (equal to 2017). Lastly, there is a goal of having a minimum of 20 student for the CEC (Customer Experience Coordinator) course compared to 17 in 2017. If more employees are interested in starting an education in 2018, these opportunities will be extended. This is exactly why the 2017 figure of the HØ course is higher than in 2018

In Sweden, the Company has a work environment policy, a gender equality policy, a diversity policy, and a policy against discrimination. A payroll and gender survey are carried out at the headquarters each year. Any unreasonable pay gaps between our female and male employees are investigated and where necessary corrections are made. In 2017, 3 salary adjustments were made, none of which were related to gender equality.

Moreover, in 2017, work on gender equality and discrimination was in focus for Food Folk Sweden. In order to promote equality and counter discrimination, the company has policies, guidelines, and communication channels for all employees in the form of email and telephone to HR at the headquarters. These issues are also discussed in the internal leadership training programs that all managers in the restaurants are undergoing at our education center. In 2017, over 1,100 managers attended the training.

In Food Folk Group, human and labour rights are governed by the employees' handbook and the Global HR policies for diversity and harassment. In addition to the satisfaction surveys by McDonald's Global, Food Folk Norway performs as well culture audits with support by Great Place to work, with focus on reports and developing of action plans.

***Management's review (continued)***  
***Food Folk Group Corporate Social Responsibility (continued)***

**Human rights, Social and Employee matters (continued)**

For Food Folk Group suppliers are an important part of the business and all markets follow the global code of conduct for suppliers. The McDonald's Supplier Code of Conduct where human rights, a safe working environment, labour law principles and business integrity are important elements of the content. Thus, all relevant suppliers are audited through an independent auditor to ensure, that all partners comply with Food Folk code of conduct.

**Anti-corruption**

The company's anti-corruption policy, is aligned with McDonald's Global policy. Head office' employees conduct annually an anti-corruption e-learning program aimed at preventing the risk of corruption and bribery at the company. There is a whistle-blower system set-up for each of our countries and there were no recorded incidents for 2016 and 2017. All current and new employees at the headquarters must read, sign the code of conduct and attend e-learning system training annually.

**Gender diversity**

Section 99b of the Danish Financial Statement Act specifically requires disclosure on board member gender representation and gender representation on other management levels. Since last year, the board has changed due to new ownership. Currently, the Food Folk Denmark's Board of Directors consists of one male member. Since the board comprises of one person, we have not set a target, as it is not a requirement pursuant to section 99b of the Danish Financial Statements Act.

The other management level in Food Folk Denmark consist of 1 female and 2 males. Therefore, we have not defined a policy for gender representation on this level. For the future an equal split of gender is expected to be continued.

***Income Statement & statement of comprehensive income***

DKK'000	Note	2017	2016
<b>Revenue</b>	2	<b>265.765</b>	<b>314.024</b>
Raw materials and consumables		0	-28.949
Other external expenses	4	-72.837	-65.696
Depreciation and amortisation	9,10	-36.279	-38.591
Staff cost	5	-33.537	-59.454
Other operating activities, net	3	17	37.993
<b>Total expenses</b>		<b>-142.636</b>	<b>-154.697</b>
<b>Operating profit</b>		<b>123.129</b>	<b>159.327</b>
Financial income	6	111	81
Financial expense	7	-18.143	-110
<b>Net finance expenses</b>		<b>-18.032</b>	<b>-29</b>
Share of profit of equity accounted investees, net of tax	11	-94	-107
<b>Profit before tax</b>		<b>105.003</b>	<b>159.191</b>
Tax for the year	8	-22.710	-34.678
<b>Profit for the year</b>		<b>82.293</b>	<b>124.513</b>
<b>Attributable to</b>			
Dividend to shareholders		90.000	70.000
Reserves		-7.707	54.513
<b>Profit for the year</b>		<b>82.293</b>	<b>124.513</b>
<b>Statement of comprehensive income</b>			
Profit for the year		82.293	124.513
<b>Other comprehensive income for the year, net of income tax</b>		<b>0</b>	<b>0</b>
<b>Comprehensive income for the year</b>		<b>82.293</b>	<b>124.513</b>

**Statement of financial position**

	Note	31 December 2017	31 December 2016	1 January 2016
DKK'000				
<b>Assets</b>				
<b>Non current assets</b>				
Property, plant and equipment	9	1.262.266	1.297.359	1.316.478
Intangible assets	10	4.407	1.629	7.814
Investments in equity-accounted investees	11	202	297	404
		<b>1.266.875</b>	<b>1.299.285</b>	<b>1.324.696</b>
<b>Current assets</b>				
Inventories		0	0	810
Tax receivables		1.450	0	0
Trade and other receivables	13	71.688	86.313	51.932
Receivables from related parties		0	589	685
Restricted cash	14	52.192	0	0
Cash and cash equivalents	14	45.546	45.362	114.463
		<b>170.876</b>	<b>132.264</b>	<b>167.890</b>
<b>Total Assets</b>		<b>1.437.751</b>	<b>1.431.549</b>	<b>1.492.586</b>
<b>Equity and liabilities</b>				
<b>Equity attributable to equity holders of the parent</b>				
Share capital	15	30.000	507.817	507.817
Proposed dividends		90.000	70.000	180.000
Retained earnings		434.207	575.772	521.259
<b>Total equity</b>		<b>554.207</b>	<b>1.153.589</b>	<b>1.209.076</b>
<b>Non current liabilities</b>				
Other interest-bearing loans and borrowings	16	568.608	0	0
Provisions	17	32.103	15.005	15.146
Deferred tax liabilities	12	158.980	162.443	164.132
		<b>759.691</b>	<b>177.448</b>	<b>179.278</b>
<b>Current liabilities</b>				
Other interest-bearing loans and borrowings	16	25.365	0	0
Trade and other payables	18	94.335	87.194	91.607
Payables to group entities		3.989	10.793	9.721
Tax payable		0	2.525	2.904
Provisions	17	164	0	0
		<b>123.853</b>	<b>100.512</b>	<b>104.232</b>
<b>Total liabilities</b>		<b>883.544</b>	<b>277.960</b>	<b>283.510</b>
<b>Total equity and liabilities</b>		<b>1.437.751</b>	<b>1.431.549</b>	<b>1.492.586</b>

**Statement of changes in equity**

**2016**

DKK'000	Share capital	Proposed dividend	Retained earnings	Total equity
Balance at 1 January 2016	507.817	180.000	521.259	1.209.076
Profit or loss	0	70.000	54.513	124.513
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>70.000</b>	<b>54.513</b>	<b>124.513</b>
Transactions with owners, recorded directly in equity:				
Dividends	0	-180.000	0	-180.000
<b>Total contributions by and distributions to owners</b>	<b>0</b>	<b>-180.000</b>	<b>0</b>	<b>-180.000</b>
<b>Balance at 31 December 2016</b>	<b>507.817</b>	<b>70.000</b>	<b>575.772</b>	<b>1.153.589</b>

**2017**

DKK'000	Share capital	Proposed dividend	Retained earnings	Total equity
Balance at 1 January 2017	507.817	70.000	575.772	1.153.589
Profit or loss	0	90.000	-7.707	82.293
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>90.000</b>	<b>-7.707</b>	<b>82.293</b>
Transactions with owners, recorded directly in equity:				
Dividends	0	-70.000	0	-70.000
Capital reductions	-477.817	0	0	-477.817
Interim dividend	0	0	-133.858	-133.858
<b>Total contributions by and distributions to owners</b>	<b>-477.817</b>	<b>-70.000</b>	<b>-133.858</b>	<b>-681.675</b>
<b>Balance at 31 December 2017</b>	<b>30.000</b>	<b>90.000</b>	<b>434.207</b>	<b>554.207</b>

**Statement of cash flow**

	Note	2017	2016
DKK'000			
<b>Cash flow from operating activities</b>			
Profit for the year		82.293	124.513
Adjustments for:			
Depreciation, amortisation and impairment		36.279	38.591
Financial income		-111	-81
Financial expense		18.143	110
Share of profit of equity-accounted investees		94	107
Gain on sale of property, plant and equipment		-17	-42.005
Taxation		22.710	34.678
		<b>77.098</b>	<b>31.400</b>
Decrease/increase in trade and other receivables		14.625	-34.381
Decrease/increase in inventories		0	810
Decrease/increase in trade and other payables		7.141	-4.413
Decrease/increase in intercompany balances		-6.215	1.168
Decrease/increase in provisions		17.262	-141
		<b>32.813</b>	<b>-36.957</b>
Tax paid		-30.146	-36.748
		<b>-30.146</b>	<b>-36.748</b>
<b>Net cash from operating activities</b>		<b>162.058</b>	<b>82.208</b>
<b>Cash flows from investing in activities</b>			
Proceeds from sale of property, plant and equipment		5.447	63.062
Acquisition of property, plant and equipment		-5.594	-34.344
Acquisition of other intangible assets		-3.800	0
		<b>-3.947</b>	<b>28.718</b>
Proceeds from the issue of share capital	15	-477.817	0
Proceeds from new loan	16	632.288	0
Change in restricted cash	15	-52.192	0
Interest paid		-16.883	46
Financing transaction cost		-19.611	0
Repayment of borrowings		-19.965	0
Dividends paid	15	-203.858	-180.000
		<b>-158.038</b>	<b>-179.954</b>
Net increase/decrease in cash and cash equivalents		73	-69.028
Foreign exchange		111	-73
Cash and cash equivalents at 31 March		45.362	114.463
<b>Cash and cash equivalents at 31 December</b>	14	<b>45.546</b>	<b>45.362</b>



## *Notes (continued)*

### **1 Significant accounting policies**

#### **General information**

Food Folk Danmark ApS is a limited liability company domiciled in Denmark.

The financial section of the annual report for the period 1 January 2017 to 31 December 2017 comprises the financial statements for Food Folk Danmark ApS.

The Company's main activity consist of acquiring real estate by renting or buying it, renovating and fitting it for the purpose of operating a McDonald's restaurant under a master franchise agreement made with McDonald's Corporation (hereafter referred to as McDonald's), the holder of the McDonald's global trademark.

#### **Accounting policies**

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

The financial statements are presented in DKK rounded to the nearest DKK 1,000.

#### **Basis of preparation**

The financial statements for the year ended 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU), and additional requirements in the Danish Financial Statements Act.

This is Food Folk Danmark ApS's first IFRS financial statements. For this reason, the consolidated financial statements for the year ended 31 December 2016, have also been prepared in accordance with IFRS. The Company's financial statements were previously prepared in accordance with the Danish Financial Statements Act (DK GAAP).

An explanation of the transition to IFRS, and related to reconciliation from previous DK GAAP to IFRS is disclosed in note 26.

Food Folk Danmark ApS has adopted all new, amended or revised accounting standards and interpretations (IFRS) as published by the IASB, as well as those endorsed by the EU, with effect from the accounting period beginning on 1 January 2016 (transition date).

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

#### ***Adoption of IFRS 9 – Financial Instruments***

The Company has early adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2017. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Company adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line item in the income statement and OCI. Previously, the Company's approach was to include the impairment of trade receivables in other expenses.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures.

The adoption of IFRS 9 has not had a significant effect on the Group's classification of financial assets and liabilities and impairment of financial assets.

## **Notes (continued)**

### **1 Significant accounting policies (continued)**

#### ***Adoption of IFRS 9 – Financial Instruments (continued)***

The Company has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

When a derivative is designated as a cash flow hedging instrument, the effective proportion of changes in the fair value of the derivative is recognised in Other Comprehensive Income (OCI) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in the fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss.

The Company designates only the change in fair value of the spot element of interest rate swaps as the hedging instrument in cash flow hedging relationships.

The amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

#### **New accounting standards not yet adopted**

The IASB has issued a number of new or amended accounting standards and interpretations, effective after 31 December 2017. The approved, though not yet effective, standards and IFRICs will be applied as they become mandatory for the Company.

The following new or amended accounting standards and interpretations that will come into effect later are expected to have an impact on recognition, measurement and disclosures for the Company:

##### ***IFRS 16 - Leases***

The IASB has issued a new standard on accounting for leases. As a Lessee, the Company is required to recognise all lease contracts on the balance sheet.

The Company will not be required to recognise lease contracts with a term of less than 12 months on the balance sheet. The Company is assessing the impact of IFRS 16. The lease obligation at 1 January 2019 will be calculated as the present value of remaining lease payments at this date and the impact is expected to increase the balance sheet and therefore to impact the debt to equity ratio. The effect on net income will be limited but will have a significant impact in the classification of expenses in the income statements, as other external expenses will be reduced by the lease expenses that in 2017 amounted to DKK 32,414 thousand. The Company expects to implement IFRS 16 when it becomes mandatory in 2019.

##### ***IFRS 15 Revenue from Contracts with Customers***

The IASB has issued a new standard on revenue recognition.

The standard will be effective for financial years beginning on or after 1 January 2018. The Company has assessed the effect of the new standard, and it will only have insignificant effect on recognition and measurement of revenue.

#### **Foreign currency translation**

The functional currency of the Company is DKK, and the financial statements are presented in DKK. Transactions in currencies other than the functional currency are foreign currency transactions.

## **Notes (continued)**

### **1 Significant accounting policies (continued)**

#### **Foreign currency translation (continued)**

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the transaction date. Foreign currency translation adjustments made when such transactions are settled or as a result of translation of monetary items denominated in foreign currencies at year-end exchange rates are recognised in profit or loss under financial income or financial expenses.

#### **Income statement**

##### ***Revenue***

Revenue consist of franchise fees from franchised restaurants and only to a limited extend sales by the Company's own restaurants as the remaining restaurants was disposed in Q2 2018.

Sales by the Group's owned restaurants are recognised on a cash basis. Franchise fees from franchised restaurants are based on a percent of sales realised by the franchised restaurant if they exceed a minimum monthly amount and are recognised in the period they are earned.

Incentives granted to franchisees are accrued in the period they are given to the franchisee.

Revenue is presented net of discounts, rebates and incentives granted. Also, revenue is also presented net of VAT and other indirect taxes charged on behalf of third parties.

##### ***Other operating activities, net***

Other operating activities are secondary to the principal activities of the Company and include gains and losses on disposal of intangible assets and property, plant and equipment.

##### ***Raw materials and consumables, etc.***

Raw materials and consumables include expenses relating to raw materials and consumables used in restaurant.

##### ***Other external expenses***

Other external expenses include expenses relating to the entity's core activities, including expenses relating to advertising, administration, premises, bad debts, payments under operating leases, royalties paid to McDonald's, etc.

Royalties paid to McDonald's are recognised net of royalty payments received from franchisees, as the Company acts as an agent rather than as a principal.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

##### ***Staff costs***

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled fully within 12 months of the reporting date, then they are discounted.

**Notes (continued)**

**1 Significant accounting policies (continued)**

***Financial income and expenses***

Financial income comprises interest, dividends, gains on transactions denominated in foreign currencies, amortisation of financial assets, and allowances under the Danish tax prepayment scheme, etc.

Positive changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Financial expenses comprise interest, losses on transactions denominated in foreign currencies, amortisation of financial liabilities, including finance lease commitments, and surcharges under the Danish tax prepayment scheme, etc.

Negative changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

***Share of profit of equity accounted investees***

The item includes the Company's proportionate share of the profit/loss for the year in equity accounted investees after elimination of intra group income or losses, impairment of goodwill and amortisation/depreciation of other excess values at the time of acquisition.

***Tax for the year***

Income tax expense comprises current and deferred tax. It is recognised in profit except to the extent that it relates to a business combination or items recognised directly in equity or in OCI.

Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

**Balance sheet**

***Property, plant and equipment***

Items of property, plant and equipment are measured at cost which includes capitalised borrowing costs, less accumulated depreciation and impairment losses.

The cost of certain items of property, plant and equipment at 1 January 2016, the Company's date of transition to IFRS, was determined with reference to its fair value at that date.

Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use. 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 and salaries. The present value of estimated liabilities related to restoring leaseholds is added to the cost of leasehold improvements or buildings if the liabilities are provided for.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	40 years
Leasehold improvements	length of lease + options but maximized to 30 years
Fixtures and fittings and equipment	3-10 years

Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

## **Notes (continued)**

### **1 Significant accounting policies (continued)**

#### ***Property, plant and equipment (continued)***

The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating activities, net.

#### ***Intangible assets***

Goodwill arising of acquisition of subsidiary or restaurant from franchisee is measured at cost less accumulated impairment losses. Other intangible assets, including rights (key money), software licences that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit as incurred.

Since the period of depreciation is based on the assets expected useful life, no salvage value has been taken into account. Amortisation is calculated to write off the cost of intangible assets using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised. The estimated useful lives for current and comparative periods are as follows:

Contractual rights	2-20 years
Software licenses	3-5 years

Useful lives are reviewed at each reporting date and adjusted if appropriate.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating activities, net.

#### ***Investments in associates***

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. The investments are initially recognised at cost, which includes transaction costs. The equity value consists of the parent company's proportionate share of the entities' equity, adjusted for distributions plus goodwill and intra-group losses and less intra group gains and gain on bargain purchase, if any.

Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or control ceases.

Investments in entities whose net asset value is negative are measured at DKK 0. The entity's proportionate share of a deficit on equity, if any, is set off against receivables from the investment in so far as the deficit is irrecoverable. Amounts in excess thereof are recognised under 'Provisions' in so far as the parent has a legal or constructive obligation to cover the deficit.

#### ***Impairment of non-financial assets***

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

*Notes (continued)*

**1 Significant accounting policies (continued)**

***Impairment of non-financial assets (continued)***

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

***Inventories***

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

***Receivables***

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

***Prepayments***

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

***Cash and cash equivalents***

Cash comprises cash balances and bank balances. Due to the nature of the scheme, balances in the Group's cash pool scheme are not considered cash but are recognised under 'Receivables from group entities'.

***Income tax and deferred tax***

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Based on the liability method, provisions for deferred tax are calculated of all temporary differences between carrying amounts and tax values, with the exception of temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set off against deferred tax liabilities within the same jurisdiction.

***Liabilities***

Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

## **Notes (continued)**

### **1 Significant accounting policies (continued)**

#### ***Provisions***

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

When the Company has a legal obligation to restore a leasehold/leased land, a provision is recognised corresponding to the present value of expected future costs.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

#### ***Deferred income***

Deferred Income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

#### ***Classification of leases***

Leases of property, plant and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

#### ***Presentation of cash flow statement***

The consolidated cash flow statement shows the Group's cash flows from operating, investment and financing activities.

Cash flows from operating activities are determined using the indirect method and stated as the consolidated profit for the year adjusted for non-cash operating items, including depreciations and amortisations, gain on sale of property plant and equipment, provisions and changes in working capital, interest received and paid and income tax paid.

Cash flows from investing activities comprises payments connected with the purchase and sale of non-current assets, including property, plant and equipment.

Cash flows from financing activities include proceeds from loans and repayments on borrowings, interest and financing cost payments, capital reductions and dividends.

Cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less and an insignificant risk of changing value.

#### ***Segment information***

Segment information is disclosed for revenue broken down by revenue source. The segmentation is in accordance with the Company's internal financial management.

#### ***Use of judgements and estimates***

In preparing the consolidated and separate financial statement, Management has made judgements, estimates and assumptions that affect how the Company's accounting policies are applied and the amount of assets, liabilities, income and expenses reported. The actual results may deviate from these estimates.

#### ***Judgements***

The following provides information about judgements made in applying those accounting policies that most significantly impact the amounts recognised in the consolidated and separate financial statements:

*Notes (continued)*

**1 Significant accounting policies (continued)**

***Gross vs. net recognition of royalty income***

Food Folk both receives royalty income from the sub-franchisees and pays royalty income to McDonald's. These amounts represent the fees for using the McDonald's brand and intellectual property.

McDonald's has stipulated that Food Folk is required to charge its sub-franchisee a fixed percentage of systemwide sales as a royalty expense, consequently Food Folk has no control over how much the sub-franchisees are charged.

Based on the indicators in IAS 18, management has assessed that Food Folk is not acting as a principal (requiring royalty payments to be recognised gross). This is substantiated by the fact that McDonald's is responsible for providing the services (the brand, standards, concepts and the other IPs) and setting prices (royalty percentages of systemwide sales) and there is very little credit risk exposure.

***Investment incentives***

Food Folk grants investment incentive to franchisees, by reducing the franchise fee for a certain period after investment. The incentive is recognised against revenue as the discount is provide to the franchisee. Historical data shows that the incentives offered are generally around 1% of system wide sales.

Management has assessed that there is no consistent and reliable basis for spreading the investment incentives over a different period, and recognising the incentives over a different period would not impact the income statement materially.

***Minimum lease term***

The lease term has an impact on the accounting for:

- Loss making contracts
- Restoration provisions
- Straight-lining of lease expenses.

According to IAS 17 the lease term includes the non-cancellable period of the contract and any further periods for which the lessee has an option to continue to lease the asset and for which, at the time of inception of the lease, it is judged reasonable certain that the lessee will exercise that option.

Due to that Food Folk has a 20-year agreement with McDonald's requiring Food Folk to ensure that there is a certain number of restaurants in Denmark, and restaurants can only be closed if permission is granted by McDonald's. Management has assessed that leases will generally be extended up to 20 years. Consequently, the minimum lease term used for accounting for the above listed items has been set to 20 years unless otherwise agreed with McDonald's.

***Assumptions and estimation uncertainties***

When preparing the financial statements of the Company, Management makes a number of accounting estimates and assumptions on which the recognition and measurement of the Company's assets and liabilities are based.

The following provides information about assumptions and estimation uncertainties with a significant risk of resulting in a material adjustment in the year ending 31 December 2017:

***Fair value of property, plant and equipment at IFRS adoption date***

In connection with the adoption of IFRS, the Company has elected to use the exemption option in IFRS 1, which allows property, plant and equipment to be re-measured to fair value at the adoption date. The fair value will then be the asset's deemed cost at the transition date. No active market exists which can be used to determine the fair value. This applies in particular to land and building which is the most significant component of property, plant and equipment. Land and buildings have been valued using a market participant's valuation model using the expected market rents and discounting using the expected property yields. The valuation was performed by a property valuation expert as of 31 March 2017, the acquisition date of Food Folk Danmark Holdings ApS. The date of applying IFRS (1 January 2016) is different to the date of acquisition (31 March 2017), however, the Company has assessed that there are no significant factors in the period 1 January 2016 - 31 March 2017 that have a significant impact on the assets fair value with the exception of normal depreciation. The explanation of transition to adopted IFRS is shown in note 26.



**Notes (continued)**

**1 Significant accounting policies (continued)**

***Impairment test intangible assets and property, plant and equipment***

In performing the annual impairment test of goodwill, or when there is an indication of impairment, an estimate is made of how the Company's individual cash-generating units, to which the goodwill relates, will be able to generate sufficient positive net cash flows to support the value of net assets of the unit. Estimates of future cash flows many years in the future will be subject to some degree of uncertainty. The key assumptions supporting recoverable amounts mainly comprise discount rate (WACC) and expectations regarding future systemwide sales in restaurants.

***Provisions***

Provision for onerous contracts and restoration provisions are determined based on the net present value of expected future cash flows. Estimates of future cash flows will be subject to uncertainty. The key assumptions supporting the provisions are expectations regarding future systemwide sales in restaurants, cost per square meter for restoring leaseholds and the discount rate used to calculate the present value of the future cash flows. Please refer to note 17 for more details related to the provisions.

*Notes (continued)*

**2 Revenue**

DKK'000	2017	2016
Sale of goods	0	73.423
Sub-franchisee income	263.780	238.793
Rendering of services	1.985	1.808
<b>Total revenues</b>	<b>265.765</b>	<b>314.024</b>

The land and buildings are rent out under sub-franchise as part of the agreement with independent franchisees. The future minimum lease payments under non-cancellable sub-franchisee agreements are as follows:

DKK'000	2017	2016
Less than one year	45.155	44.178
Between one and five years	137.602	129.202
More than five years	329.453	328.109
<b>Total leases as lessor</b>	<b>512.210</b>	<b>501.489</b>

Sub-franchisee agreements have been granted for a period of up to 20 years from the date of issue.

The minimum lease income from sub-franchises for the year ended 31 December 2017 is included as part of the sub-franchise income specified above.

**3 Other operating activities, net**

DKK'000	2017	2016
Net gain on disposal of property, plant and equipment	17	42.005
Other income/expense	0	-4.012
<b>Total from other operating activities, net</b>	<b>17</b>	<b>37.993</b>

**4 Fees to auditors**

Pursuant to section 96(3) of the Danish Financial Statements Act, fee paid to the Company's auditor appointed at the general meeting has not been disclosed.

**5 Staff cost**

DKK'000	2017	2016
Wages and salaries	30.046	54.214
Social security costs	606	2.090
Contributions to defined contribution plans	2.885	3.150
<b>Total staff cost</b>	<b>33.537</b>	<b>59.454</b>
Average number of full-time employees	51	134
Average number of key management personnel	1	1

Remuneration paid to Management in 2017 has been excluded from the financial statements with reference to section 98b(3) of the Danish Financial Statements Act.

*Notes (continued)*

**6 Financial income**

DKK'000	2017	2016
Net foreign exchange gain	111	0
Other interest income	0	44
<b>Total finance income</b>	<b>111</b>	<b>81</b>

**7 Financial expense**

DKK'000	2017	2016
Interest on financial liabilities	16.583	0
Net foreign exchange loss	0	73
Unwinding of discounts	358	0
Other interest expense	1.202	37
<b>Total financial expense</b>	<b>18.143</b>	<b>110</b>

**8 Tax for the year**

DKK'000	2017	2016
<b>Recognised in the income statement</b>		
<b>Current tax expense</b>		
Current year	26.173	36.367
<b>Total current tax expense</b>	<b>26.173</b>	<b>36.367</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	-3.463	-1.689
<b>Total deferred tax expense</b>	<b>-3.463</b>	<b>-1.689</b>
Tax expense in income statement (excluding share of tax of equity accounted investees)	22.710	34.678
<b>Total tax expense</b>	<b>22.710</b>	<b>34.678</b>
<b>Reconciliation of effective tax rate</b>		
<b>Profit before tax</b>	<b>105.003</b>	<b>159.191</b>
Tax using the corporation tax rate in Denmark of 22%	23.101	35.022
Non-deductible expenses	84	934
Tax exempt revenues	0	-2.060
Under / (over) provided in prior years	-475	782
<b>Total tax expense</b>	<b>22.710</b>	<b>34.678</b>

*Notes (continued)*

**9 Property, plant and equipment**

DKK'000	Land and buildings	Leasehold improvements	Fixtures, fittings and equipment	Assets under construction	Total
<b>Cost</b>					
Balance at 1 January 2016	1.238.625	49.712	26.608	1.534	1.316.479
Other acquisitions	28.360	3.781	779	1.424	34.344
Transfer	3.842	263	-2.896	-1.209	0
Disposals	-4.354	0	-10.957	0	-15.311
<b>Balance at 31 December 2016</b>	<b>1.266.473</b>	<b>53.756</b>	<b>13.534</b>	<b>1.749</b>	<b>1.335.512</b>
Balance at 1 January 2017	1.266.473	53.756	13.534	1.749	1.335.512
Other acquisitions	96	1.535	3.963	0	5.594
Disposals	0	0	-4.099	-1.749	-5.848
<b>Balance at 31 December 2017</b>	<b>1.266.569</b>	<b>55.291</b>	<b>13.398</b>	<b>0</b>	<b>1.335.258</b>
<b>Depreciation and impairment</b>					
Balance at 1 January 2016	0	0	0	0	0
Depreciation charge for the year	29.585	2.931	5.637	0	38.153
Transfer	1.096	234	-1.330	0	0
<b>Balance at 31 December 2016</b>	<b>30.681</b>	<b>3.165</b>	<b>4.307</b>	<b>0</b>	<b>38.153</b>
Balance at 1 January 2017	30.681	3.165	4.307	0	38.153
Depreciation charge for the year	31.468	3.194	1.353	0	36.015
Disposals	0	0	-1.176	0	-1.176
<b>Balance at 31 December 2017</b>	<b>62.149</b>	<b>6.359</b>	<b>4.484</b>	<b>0</b>	<b>72.992</b>
<b>Net book value</b>					
<b>At 31 December 2016</b>	<b>1.235.792</b>	<b>50.591</b>	<b>9.227</b>	<b>1.749</b>	<b>1.297.359</b>
<b>At 31 December 2017</b>	<b>1.204.420</b>	<b>48.932</b>	<b>8.914</b>	<b>0</b>	<b>1.262.266</b>

*Security*

At 31 December 2017, properties with a carrying amount of DKK 1,189 million (2016: DKK 1,161 million) were subject to a registered debenture that forms security for bank loans. As security for mortgage loans, the Company has registered mortgage security on the Company's properties of DKK 632.4 million.

**Notes (continued)**

**10 Intangible assets**

DKK'000	Goodwill	Contractual rights	Other	Total
<b>Cost</b>				
Balance at 1 January 2016	4.323	2.631	859	7.813
Disposals	-4.323	-1.688	0	-6.011
<b>Balance at 31 December 2016</b>	<b>0</b>	<b>943</b>	<b>859</b>	<b>1.802</b>
Balance at 1 January 2017	0	943	859	1.802
Other acquisitions – externally purchased	0	0	3.800	3.800
Disposals	0	-943	0	-943
<b>Balance at 31 December 2017</b>	<b>0</b>	<b>0</b>	<b>4.659</b>	<b>4.659</b>
<b>Amortisation and impairment</b>				
Balance at 1 January 2016	0	0	0	0
Amortisation for the year	0	388	50	438
Disposals	0	-265	0	-265
<b>Balance at 31 December 2016</b>	<b>0</b>	<b>123</b>	<b>50</b>	<b>173</b>
Balance at 1 January 2017	0	123	50	173
Amortisation for the year	0	62	202	264
Disposals	0	-185	0	-185
<b>Balance at 31 December 2017</b>	<b>0</b>	<b>0</b>	<b>252</b>	<b>252</b>
<b>Net book value</b>				
<b>At 31 December 2016</b>	<b>0</b>	<b>820</b>	<b>809</b>	<b>1.629</b>
<b>At 31 December 2017</b>	<b>0</b>	<b>0</b>	<b>4.407</b>	<b>4.407</b>

*Notes (continued)*

**11 Investments in equity-accounted investees**

DKK'000	Food Folk Denmark ApS share			Investment in associates and joint ventures
	Profit after tax	Other comprehensive income	Total comprehensive income	
Associates	-226	0	-226	202
	<b>-226</b>	<b>0</b>	<b>-226</b>	<b>202</b>

	Legal form	Domicile	Interest %
I/S Fællesskiltning	I/S	Denmark	41,5%

The Company operates signage in proximity to one of the Company's real estate investments.

**12 Deferred tax liabilities**

Deferred tax assets and liabilities are attributable to the following:

DKK'000	Assets		Liabilities	
	2017	2016	2017	2016
Property, plant and equipment	0	0	173.594	174.962
Intangible assets	0	-1.595	190	0
Provisions	-14.689	-10.924	0	0
Other	-115	0	0	0
Tax (assets) / liabilities	<b>-14.804</b>	<b>-12.519</b>	<b>173.784</b>	<b>174.962</b>
<b>Net tax (assets) / liabilities</b>	<b>-14.804</b>	<b>-12.519</b>	<b>173.784</b>	<b>174.962</b>

*Movement in deferred tax during the year*

DKK'000	2017	2016
1 January	162.443	164.132
Recognised in income statement	-3.463	-1.689
31 December	158.980	162.443
<b>Total movement</b>	<b>-3.463</b>	<b>-1.689</b>

**13 Trade and other receivables**

DKK'000	2017	2016
Trade receivables	58.233	70.492
Deposits	7.419	7.238
Prepayments	6.036	8.583
<b>Total trade and other receivables</b>	<b>71.688</b>	<b>86.313</b>

*Notes (continued)*

**14 Cash and cash equivalents and restricted cash**

DKK'000	2017	2016
Cash and cash equivalents	45.546	45.362
<b>Total cash and cash equivalents</b>	<b>45.546</b>	<b>45.362</b>
Restricted cash	52.192	0
<b>Total restricted cash</b>	<b>52.192</b>	<b>0</b>

Cash with a carrying amount of DKK 52,192 thousand has been provided a security for the EUR 15 million revolving credit facility provided to the Food Folk Group Holdings AS group.

**15 Share capital**

DKK'000	Ordinary shares	
	2017	2016
In thousands of shares	60	1.016
On issue at 1 January	507.817	507.817
Capital reduction	-477.817	0
<b>On issue at 31 December - fully paid</b>	<b>30.000</b>	<b>507.817</b>
Allotted, called up and fully paid Ordinary shares of DKK 500 each	60	1.016
<b>Total</b>	<b>60</b>	<b>1.016</b>
Shares classified in shareholders funds	60	1.016
<b>Total</b>	<b>60</b>	<b>1.016</b>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During the year, the Company reduced its number of outstanding shares by annulment of 955,634 ordinary shares representing a capital reduction of DKK 477,817 thousand. The capital reduction was paid in cash to the Company's shareholders.

*Dividends*

The following dividends were recognised during the period:

DKK'000	2017	2016
DKK 69 and 2,231 (2016: 177 ) per qualifying ordinary share	203.858	180.000

After the balance sheet date dividends of DKK 1,500 per qualifying ordinary share (2016: DKK 69) were proposed by the directors. The dividends have not been provided for.

*Notes (continued)*

**16 Other interest-bearing loans and borrowings**

The Company has taken out mortgage loans against security in the companies' owned land and properties.

DKK'000	<b>2017</b>	<b>2016</b>
<b>Non-current other interest-bearing loans and borrowings</b>		
Secured mortgage loans	568.608	0
<b>Total non-current other interest-bearing loans and borrowings</b>	<b>568.608</b>	<b>0</b>
<b>Current other interest-bearing loans and borrowings</b>		
Secured mortgage loans	25.365	0
<b>Total current other interest-bearing loans and borrowings</b>	<b>25.365</b>	<b>0</b>

<i>Terms and debt repayment schedule</i>							
	Currency	Nominal interest rate	Year of maturity	Face value 2017	Carrying amount 2017	Face value 2016	Carrying amount 2016
DKK'000							
Realkredit Danmark	DKK	1,78%	2037	628.194	593.973	0	0
<b>Total</b>				<b>628.194</b>	<b>593.973</b>	<b>0</b>	<b>0</b>

Other interest-bearing loans and borrowings are measured at amortised cost price and secured against the Company's portfolio of owned land and buildings.

**17 Provisions**

DKK'000	Dilapidation	Onerous contract	Total
Balance at 1 January 2017	14.519	560	15.079
Provisions made during the year	0	17.131	17.131
Provisions used during the year	0	-301	-301
Unwinding of discounted amount	0	358	358
<b>Balance at 31 December 2017</b>	<b>14.519</b>	<b>17.748</b>	<b>32.267</b>
Non-current	14.519	17.584	<b>32.103</b>
Current	0	164	<b>164</b>
<b>Balance at 31 December 2017</b>	<b>14.519</b>	<b>17.748</b>	<b>32.267</b>

The dilapidation provision relates to the expected cost of restoring leased premises to the condition specified in the lease documents on termination of these leases. These costs will be incurred on exit from the properties and the amount that will be payable is primarily dependent on negotiations with the individual landlords on exit.

The onerous contract provision relates to the expected cash losses on sub-franchise agreements where the expected direct costs are greater than the expected income from the balance sheet date to the earliest date the contract can be terminated.



*Notes (continued)*

**18 Trade and other payables**

DKK'000	2017	2016
Trade payables	19.431	6.541
Deposits received	9.748	9.443
Other payables and accrued expenses	65.156	71.210
<b>Total trade and other payables</b>	<b>94.335</b>	<b>87.194</b>

**19 Financial instruments**

The Company uses various financial instruments. These include loans, cash and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance for the Company's operations.

The main risks arising from the Company's financial instruments are liquidity risk and interest rate risk. The policies for managing each of these risks are summarised below.

**19 (a) Fair values of financial instruments**

The fair value of all financial assets and liabilities by class together with their carrying amounts shown in the balance are as follows:

DKK'000	2017	2016
Cash and cash equivalents	45.546	45.362
Restricted cash	52.192	0
Receivables from related parties	0	589
Trade and other receivables	71.688	86.313
<b>Total loans and receivables</b>	<b>169.426</b>	<b>132.264</b>
<b>Total financial assets</b>	<b>169.426</b>	<b>132.264</b>
Other interest-bearing loans and borrowings	593.973	0
Trade and other payables	94.335	87.194
Payables to group companies	3.989	10.793
Provisions	32.267	15.005
<b>Total other financial liabilities</b>	<b>724.564</b>	<b>112.992</b>
<b>Total financial liabilities</b>	<b>724.564</b>	<b>112.992</b>
<b>Total net financial instruments</b>	<b>-555.138</b>	<b>19.272</b>

The fair value of financial instruments is deemed to be materially equivalent to the carrying value, except for other interest-bearing loans and borrowings. The fair value of other interest-bearing loans and borrowings is DKK 628,194 thousand.

*Fair value hierarchy*

All financial instruments measured at fair value use quoted prices (unadjusted) in active markets for identical assets or liabilities. As a result, no fair value hierarchy table is presented. If a table was presented, all financial instruments measured at fair value would be classed as Level 2 of the fair value hierarchy.

*Notes (continued)*

**19 Financial instruments (continued)**

**19 (b) Credit risk**

*Financial risk management*

Credit risk is the risk of financial loss to the Company if a franchiser or counterparty to a financial instrument fails to meet its contractual obligations. The Company's principal financial assets are bank balances and trade receivables and the maximum exposure to credit risk at the balance sheet date is represented by the carrying value of these assets.

The credit risk associated with bank balances is limited as the counterparties have high credit ratings assigned by international credit-rating agencies.

The Company also has a limited credit risk arising from trade receivables, which represent outstanding fees receivable. The risk is limited due to short payment terms and no receivables being past due. The Company has not realised any credit losses in 2017.

**19 (c) Liquidity risk**

*Financial risk management*

This liquidity risk is managed for the Company by maintaining sufficient cash balances to meet working capital needs. Cash flow requirements are monitored by short-term and long-term rolling forecasts. In addition, the Company regularly reviews its position in relation to all financial covenants in place in relation to its external borrowings.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

**31 December 2017**

DKK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to < 5 years	5 years and over
<b>Non-derivative financial liabilities</b>						
Secured mortgage loans	593.973	819.009	46.673	46.267	125.076	600.993
Payables to group entities	3.989	3.989	3.989	0	0	0
Trade and other payables	94.335	94.335	94.335	0	0	0
<b>Total</b>	<b>692.297</b>	<b>917.333</b>	<b>144.997</b>	<b>46.267</b>	<b>125.076</b>	<b>600.993</b>

**31 December 2016**

DKK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to < 5 years	5 years and over
<b>Non-derivative financial liabilities</b>						
Payables to group entities	10.793	10.793	10.793	0	0	0
Trade and other payables	87.194	87.194	87.194	0	0	0
<b>Total</b>	<b>97.987</b>	<b>97.987</b>	<b>97.987</b>	<b>0</b>	<b>0</b>	<b>0</b>

*Notes (continued)*

**19 Financial instruments (continued)**

**19 (d) Market risk (continued)**

**Market risk – Interest rate risk**

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was:

DKK'000	2017	2016
<b>Fixed rate instruments</b>		
Financial liabilities	-593.973	0
<b>Total fixed rate instruments</b>	<b>-593.973</b>	<b>0</b>
<b>Variable rate instruments</b>		
Financial assets	45.546	45.362
<b>Total variable rate instruments</b>	<b>45.546</b>	<b>45.362</b>

All financial liabilities identified as fixed rate instruments in the above table are accruing interest at rates that are fixed for the life of the instrument.

*Sensitivity analysis*

A change of 100 basis points in interest over the year would have increased/decreased the result for the year by DKK 455 thousand (2016: DKK 454 thousand). The analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of all financial instruments with variable interest rates. The analysis is performed on the same basis as for 2016.

**19 (e) Capital management**

The Company manages its capital to safeguard its ability to operate as a going concern and to optimise returns to shareholders. Overdraft facilities will be used to finance the working capital cycle if required.

The capital structure of the Company consists of net debt, which includes the borrowings disclosed in note 19 after deducting cash and cash equivalents, and equity comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The debt and equity balances are subject to externally imposed capital requirements, such as those imposed by third party loan providers and McDonald's. The Company has been in compliance with these capital requirements during the year.

**20 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

DKK'000	2017	2016
Less than one year	31.421	32.414
Between one and five years	47.933	56.080
More than five years	29.514	17.850
<b>Total non-cancellable operating lease rentals</b>	<b>108.868</b>	<b>106.344</b>

During the year ended 31 December 2017 DKK 32,414 thousand was recognised as an expense in the income statement in respect of operating leases (2016: DKK 37,133 thousand).

## Notes (continued)

### 21 Commitments

#### Capital commitments

During the year ended 31 December 2017, the Company entered into a contract to purchase property, plant and equipment for DKK 6,220 thousand (2016: DKK 8,338 thousand).

#### Off-balance sheet arrangements

The Company is jointly and severally liable with the co-owners of I/S Fællesskiltning for the partnership's obligations. The total statement of financial position amounts to DKK 540 thousand at year end (2016: DKK 817 thousand).

Other guarantees amount to DKK 5,774 thousand.

### 22 Contingencies

The Company is a guarantor for Food Folk Group Holdings AS, Food Folk Norge AS, Food Folk Suomi Oy and Food Folk Sverige AB perform their obligations under credit agreement that the Food Folk Group Holdings AS group has entered into with a financial institution. The guarantee includes customary limitation that ensures that payments cannot exceed what would normally be permitted distributed as dividends from the companies. The Food Folk Group Holdings AS group's total obligation amounts to DKK 1,506 million as of 31 December 2017

The Company is jointly taxed with Danish entities in Food Folk Group. The Company is unlimited jointly and severally liable for Danish corporation taxes and withholding taxes on dividends and interest under the joint taxation scheme. The jointly taxed companies' total net liability to the Danish tax authorities is recognised in the financial statements of Food Folk Danmark Holdings ApS. Any subsequent corrections of the taxable jointly taxed income or withholdings taxes, etc., may entail an increase in the Company's liability.

### 23 Related parties

#### Parent and ultimate controlling party

During 2017, a majority of the Company's shares were acquired by Food Folk Danmark Holding ApS from McDonald's Corporation. As a result, the new ultimate controlling party of the Company is Guy Hands. The previous ultimate controlling party was McDonald's Inc. The next most senior parent which prepares consolidated financial statements is Food Folk Danmark Holding ApS. A copy of these financial statements can be obtained from Falkoner Allé 20, 2000 Frederiksberg, Denmark.

#### Key management personnel compensation

Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to post-employment defined contribution plans.

#### Other related party transactions

DKK'000	Sale of services		Purchase of services	
	2017	2016	2017	2016
Food Folk Group Holdings A/S	551	0	4.042	0
Food Folk Nordic sister companies	145	0	232	18
McDonald's Corporation	0	0	0	3.230
<b>Total</b>	<b>696</b>	<b>0</b>	<b>4.274</b>	<b>3.248</b>

DKK'000	Dividends		Royalties	
	2017	2016	2017	2016
Food Folk Danmark Holdings A/S	133.858	0	0	0
McDonald's Corporation	70.000	180.000	24.532	105.404
<b>Total</b>	<b>203.858</b>	<b>180.000</b>	<b>24.532</b>	<b>105.404</b>

**Notes** (continued)

**23 Related parties (continued)**

DKK'000	<i>Receivables outstanding</i>		<i>Payables outstanding</i>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Food Folk Group Holdings A/S	0	0	3.983	0
Food Folk Nordic sister companies	0	0	6	74
McDonald's Corporation	0	0	0	10.204
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3.989</b>	<b>10.278</b>

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within at request. None of the balances is secured.

**24 Subsequent events**

No events have occurred after the balance sheet date that materially affect the financial position of the Company at 31 December 2017.

*Notes (continued)*

**25 Changes in liabilities from financing activities**

DKK'000	Opening balance	Net Cash flows	Non-cash transactions	Closing balance
Debt to credit institutions	0	567.347	1.261	568.608
<b>Long-term liabilities</b>	<b>0</b>	<b>567.347</b>	<b>1.261</b>	<b>568.608</b>
Debt to credit institutions	0	25.365	0	25.365
<b>Short-term liabilities</b>	<b>0</b>	<b>25.365</b>	<b>0</b>	<b>25.365</b>
<b>Liability from financing activities for 2017</b>	<b>0</b>	<b>592.712</b>	<b>1.261</b>	<b>593.973</b>

**26 Explanation of transition to adopted IFRS**

As stated in note 1, these are the Company's first consolidated financial statements prepared in accordance with Adopted IFRS's.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2017, the comparative information presented in these financial statements for the year ended 1 December 2016 and in the preparation of an opening IFRS balance sheet at 1 January 2016 (the Company's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting DK GAAP. An explanation of how the transition from DK GAAP to Adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

	Note	1 January 2016		31 December 2016	
		DK GAAP	Effect of transition to Adopted IFRS	DK GAAP	Effect of transition to Adopted IFRS
DKK'000					
<b>Non-current assets</b>					
Property, plant and equipment	A	706.287	610.191	692.739	604.620
Intangible assets	B	34.468	-26.654	29.718	-28.089
Investments in equity-accounted investees		404	0	297	0
<b>Total non-current assets</b>		<b>741.159</b>	<b>583.537</b>	<b>722.754</b>	<b>576.531</b>
			<b>1.324.696</b>	<b>722.754</b>	<b>1.299.285</b>

*Notes (continued)*

**26 Explanation of transition to adopted IFRS (continued)**

	1 January 2016			31 December 2016		
	Effect of transition to			Effect of transition to		
	DK GAAP	Adopted IFRS	Adopted IFRS	DK GAAP	Adopted IFRS	Adopted IFRS
Note						
<b>DKK'000</b>						
<b>Current assets</b>						
Inventories	810	0	810	0	0	0
Trade and other receivables	51.932	0	51.932	86.313	0	86.313
Receivables from related parties	685	0	685	589	0	589
Cash and cash equivalents	114.463	0	114.463	45.362	0	45.362
<b>Total current assets</b>	<b>167.890</b>	<b>0</b>	<b>167.890</b>	<b>132.264</b>	<b>0</b>	<b>132.264</b>
<b>Total assets</b>	<b>909.049</b>	<b>583.537</b>	<b>1.492.586</b>	<b>855.018</b>	<b>576.531</b>	<b>1.431.549</b>
<b>Current liabilities</b>						
Trade and other payables	57.309	34.298	91.607	52.546	34.648	87.194
Payables to group entities	9.721	0	9.721	10.793	0	10.793
Tax payable	2.904	0	2.904	2.525	0	2.525
<b>Total current liabilities</b>	<b>69.934</b>	<b>34.298</b>	<b>104.232</b>	<b>65.864</b>	<b>34.648</b>	<b>100.512</b>
<b>Non-current liabilities</b>						
Provisions	0	15.146	15.146	0	15.005	15.005
Deferred tax liabilities	46.288	117.844	164.132	46.529	115.914	162.443
<b>Total non-current liabilities</b>	<b>46.288</b>	<b>132.990</b>	<b>179.278</b>	<b>46.529</b>	<b>130.919</b>	<b>177.448</b>
<b>Total liabilities</b>	<b>116.222</b>	<b>167.288</b>	<b>283.510</b>	<b>112.393</b>	<b>165.567</b>	<b>277.960</b>
<b>Net assets</b>	<b>792.827</b>	<b>416.249</b>	<b>1.209.076</b>	<b>742.625</b>	<b>410.964</b>	<b>1.153.589</b>
<b>Equity</b>						
Share capital	507.817	0	507.817	507.817	0	507.817
Retained earnings	285.010	416.249	701.259	234.808	410.964	645.772
<b>Total equity</b>	<b>792.827</b>	<b>416.249</b>	<b>1.209.076</b>	<b>742.625</b>	<b>410.964</b>	<b>1.153.589</b>

*Notes (continued)*

**26 Explanation of transition to adopted IFRS (continued)**

A) Property plant and equipment are recognised as fair value as of the date applying IFRS as of 1 January 2016. There are three classes of PPE which have been identified to utilise the IFRS 1 exemption and use fair value as deemed cost: Freehold property, leasehold property and leasehold improvements. All other classes of PPE will be transferred at historical cost from the previous GAAP.

For freehold land and buildings, the fair value has been determined using a market comparison technique considering the market prices for similar land and buildings.

For buildings on leased land, the fair value has been determined using depreciated replacement cost. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

B) Under the previous GAAP, goodwill was recognised on acquisition of restaurants. On disposal of these restaurants some goodwill was retained on the balance sheet. Under IFRS all goodwill relating to restaurants sold is derecognised on sale of the related restaurant. On transition, DKK 26.7 million of goodwill relating to previously sold restaurants was derecognised.

C) In accordance with IAS 17 'Leases', all guaranteed future rent increases are spread across the full life of the lease. This has led to an increase in rental accruals of DKK 34.4 million on transition.

D) Under the previous GAAP, a provision for lease dilapidations was not recognised, but is required for IFRS. Total lease dilapidation provisions recognised on transition were DKK 14.5 million.

E) Deferred tax liabilities have been recognised in relation to the changes in fair values on property, plant and equipment.



*Notes (continued)*

**26 Explanation of transition to adopted IFRS (continued)**

	31 December 2016	
	DKK'000	Effect of transition to Adopted IFRS
	DK GAAP	Adopted IFRS
<b>Revenue</b>	<b>314.024</b>	<b>0</b>
Other operating income	37.993	0
<b>Total income</b>	<b>352.017</b>	<b>0</b>
Raw materials and consumables	-28.949	0
Other external expenses	-61.880	-3.816
Depreciation and amortisation	-35.192	-3.399
Staff cost	-59.454	0
<b>Total expenses</b>	<b>-185.475</b>	<b>-7.215</b>
<b>Operating profit</b>	<b>166.542</b>	<b>-7.215</b>
Financial income	81	0
Financial expense	-110	0
<b>Net finance expenses</b>	<b>-29</b>	<b>0</b>
Share of profit of equity accounted investees, net of tax	-107	0
<b>Profit before tax</b>	<b>166.406</b>	<b>-7.215</b>
Tax for the year	-34.464	-214
<b>Profit after tax</b>	<b>131.942</b>	<b>-7.429</b>
	<b>314.024</b>	<b>314.024</b>
	37.993	37.993
	<b>352.017</b>	<b>352.017</b>

F

F) As per note A) above, some property plant and equipment have been recognised at fair value which has led to an increase in depreciation. Additionally, on adoption of IFRS the useful lives of property, plant and equipment were reviewed and adjusted if appropriate.

G) As per note C) above, under IFRS, future guaranteed lease increases are spread over the life of the lease increasing lease costs earlier in the lease term. There were no material differences to the cash flow statement from DK GAAP to IFRS.