

# Food Folk Danmark ApS

Falkoner Alle 20  
2000 Frederiksberg

CVR no. 24 21 40 87

Annual report 2018

The financial statements were presented and adopted at  
the Company's annual general meeting

on 22 March 2019



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 2018.

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 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018.

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 the annual report to be approved at the annual general meeting.

Copenhagen, 22 March 2019

Executive board:

  
Joachim Bernhard Knudsen

Board of directors:

  
Joachim Bernhard Knudsen  
Chairman



## **Independent 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 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 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 2018 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.



## Independent auditor's report (continued)

### 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.

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, 22 March 2019

#### KPMG

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

Niels Vendelbo  
State Authorised  
Public Accountant  
MNE no. 34532

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

### **Company details**

#### **General**

Food Folk Danmark ApS  
Falkoner Alle 20  
2000 Frederiksberg

Telephone: +45 33 26 60 00  
Website: [www.mcdonalds.dk](http://www.mcdonalds.dk)  
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

#### **Managing Director**

Joachim Bernhard Knudsen

#### **Auditor**

KPMG  
Statsautoriseret revisionspartnerselskab  
Dampfærgevej 28  
2100 Copenhagen

#### **Annual general meeting**

The annual general meeting will be held on 22 March 2019.

**Management's review** (continued)

**Financial highlights**

DKK'000	2018	2017**	2016**	2015*	2014*
<b>Key figures</b>					
Revenue	414 321	381 641	421 706	421 702	507 997
Operating profit	156 422	123 129	159 327	113 945	112 892
Net financials	(22 725)	(18 032)	(29)	(204)	(226)
<b>Profit for the year</b>	<b>103 523</b>	<b>82 293</b>	<b>124 513</b>	<b>87 545</b>	<b>85 608</b>
<b>Balance sheet</b>					
Balance sheet total	1 378 918	1 437 751	1 431 549	909 049	915 870
Investments in property, plant and equipment	13 851	1 814	34 344	47 394	58 077
<b>Equity</b>	<b>529 730</b>	<b>554 207</b>	<b>1 153 589</b>	<b>792 827</b>	<b>788 282</b>
<b>Financial ratios</b>					
Return on assets	11,1	8,6	13,6	12,5	12,8
Equity ratio	38,4	38,5	80,6	87,2	86,1
Return on equity	19,1	9,6	12,8	11,1	11,5
<b>Average number of full-time employees</b>					
Average number of full-time employees	57	51	134	303	481

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

\*\* Revenues for 2017 and 2018 have been adjusted to reflect the impact from IFRS15 introduced in 2018.

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 leasing 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 2018, 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 2017.

#### **Unusual circumstances**

To the management's knowledge, no unusual circumstances has occurred during 2018.

#### **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 2018, the McDonald's restaurants in Denmark increased system wide sale\* by 7.5 % (2017: 5,3%)

The Company realized a revenue increase of +9% compared to the previous year (2017: -15%), mainly driven by a combination of increased System Wide Sales and franchised income from refranchised restaurants.

Operating profit for the year increased by DKK 33,293 thousand to DKK 156,422 thousand (2017: DKK 123,129 thousand) which corresponds to a increase of 27%. The increase in operating income is primarily driven by higher sales whereas operating expenses are in line with last year.

The result of the year increased by DKK 21,230 thousand to a total of DKK 103,523 thousand (2017: DKK 82,293 thousand), which corresponds to a increase of 26%.

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.

#### **Outlook**

In 2019, 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 18.



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

### **Food Folk Corporate Social Responsibility**

#### **Food Folk Denmark's CSR strategy and initiatives**

It is important to Food Folk Danmark to be a socially responsible company. We believe in being involved in the community in which we operate. We strive to engage in frank and honest dialogue with our guests and our employees, as well as our local community about who we are and how our business is run. In addition, we always act in accordance with our seven values:

1. We place the customer experience at the core of all we do
2. We are committed to our people
3. We believe in the McDonald's system
4. We operate our business ethically
5. We give back to our communities
6. We grow our business profitably
7. We strive to continually improve

**Food Folk Danmark** is involved in numerous projects and initiatives regarding climate, human rights, environmental issues, anti-corruption and bribery and social and staff matters and gender diversity. The CSR achievements are aggregated from the Company's 88 restaurants and the head office.

Initiatives are decided in each area based on an overall cost/benefit evaluation. Thus, no area has a due diligence process or KPI's. However, projects are continuously evaluated and scaled up/down based on their effectiveness.

#### **Risk**

On climate, we risk having a raising carbon footprint during growth. However, our rebuild restaurants (72 out of 88 restaurants), have succeeded in reducing food waste significantly, food, which has high carbon emission during production.

On human rights we could encounter minor issues with our code of conduct due to the large supply chain, which is why we conduct thorough auditing via a third-party auditor.

On environment we are aware that all companies have a task in the green transition, which is why we have implemented new packaging and contributed to counter littering in Denmark in several years including 2018.

On anti-corruption and bribery, we do not consider any risk in Denmark, due to the country's rank as one of the world's least corrupt countries. However, to be absolutely compliant with the high McDonald's standards, Food Folk Danmark follows the McDonald's Global's anti-corruption policy (read more on [corporate.mcdonalds.com](http://corporate.mcdonalds.com)).

On social and staff matters, high turnover will always be a risk, as McDonald's brand is strong and valued on the Danish labour market. We thus attempt to strengthen and support our employees by providing extra benefits such as external education programs.

#### ***Impact on climate***

We continuously aim to lessen our carbon footprint. Food production has a significant impact on climate change. This is why we aimed to lessen our food waste, when we rebuilt 72 restaurants out of 88 in 2017/2018 - now redesigned to the new made-to-order system. The impact is already visible. Our food waste is - for each rebuilt restaurant - approximately reduced by 25 pct., as measured as cost pct. of turnover.

In order not to waste the valuable resources contained in food waste, grease, and cooking oil, these waste materials are used in the production of biogas, ultimately resolving in a smaller carbon footprint for the Danish society by displacing fossil fuels.

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

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

#### ***Human rights***

We cherish human rights and we believe we have one of the most diverse groups of employees.

Our suppliers are an important part of our business too. Thus, we audit all our relevant suppliers through an independent auditor to ensure, that our partners comply with our code of conduct. Human rights is one of four core values that we audit, read more at link below under "Supplier code of conduct": <https://corporate.mcdonalds.com/corpmcd/scale-for-good/our-people-and-communities/respecting-human-rights.html>

All suppliers that Food Folk Danmark carries responsibility for passed their audits in 2018. All global suppliers are connected to one McDonald's market, who is responsible for their auditing.

#### ***Environment***

We continuously evaluate our packaging and look for greener alternatives – to save on plastics, harmful waste, and CO2. In 2018, we implemented biodegradable tray mats and removed the plastic lids from McFlurry - all this resulting in the following improvements:

Tray mats – Saving 42 tons of harmful chemical waste per year (implemented Q4 2017, effect from 2018)  
McFlurry lids – Saving 13 tons of plastic every year

Food Folk Danmark wishes to make a difference on littering too. In 2018 22 routes of litter collection were completed via the McDonald's sponsored Project 'Clean Nature' organized by the NGO Keep Denmark Clean. Following the success, the Company decided to raise the financial commitment in the project. Food Folk Danmark holds a seat in the board of the project and will monitor the project closely.

In 2018 we continued our 'one block policy', entailing employees to collect litter in the immediate area surrounding each restaurant. The one block policy results in McDonald's staff continuously helping the local area keeping the streets clean not only for McDonald's own litter, but also the society's general littering.

Furthermore, Food Folk Danmark is continuing to work for animal welfare by focusing on cage eggs. In 2018, the Company laid the foundation for removing cage eggs completely from the ingredients lists, a process which will be completed in 2019. We already serve all our breakfast menu items using free range, organic eggs.

#### **Anti-corruption and bribery**

All employees at the headquarter of Food Folk Danmark conduct a yearly e-learning course on how to avoid corruption and bribery. Due to new ownership of the company the course was not performed in 2018 but was performed in 2017 and will be again in 2019. The e-learning is part of McDonald's global anti-corruption policy. For more information: <https://corporate.mcdonalds.com/corpmcd/investors-relations/codes-of-conduct.html>

#### **Social and staff matters**

Our employees form the core of our business. Thus, we measure employee satisfaction every year, and we aim to improve our scores every time.

To ensure our employees' continued development and satisfaction, we offer a range of mandatory and optional educations. Furthermore, all our employees complete the mandatory McD-learning courses.

Our optional educations are created in collaboration with external academies in Denmark. Thus, we offer our employees a unique opportunity to combine work and education. In 2018, 197 employees were enrolled in one of our external education programs.

Furthermore, Food Folk Danmark corporates closely with KLAPjob, which is part of LEV, an organization for people with cognitive disabilities. Since 2014, McDonald's has hired 48 people with cognitive disabilities.

#### **Gender diversity**

At the management level, the gender ratio of managers are 54,3 pct. females and 45,7 pct. males. For the future, a similar split between genders is expected to be continued.

The board consists of one male director.

## Statement of profit or loss and other comprehensive income

DKK'000	Note	2018	2017
<b>Revenue</b>	1	<b>414 321</b>	<b>381 641</b>
Other external expenses	3	(177 319)	(188 713)
Depreciation and amortisation	8, 9	(43 119)	(36 279)
Staff cost	4	(40 163)	(33 537)
Other operating income, net	2	2 702	17
<b>Total expenses</b>		<b>(257 899)</b>	<b>(258 512)</b>
<b>Operating profit or loss</b>		<b>156 422</b>	<b>123 129</b>
Financial income	5	0	111
Financial expense	6	(22 725)	(18 143)
<b>Net finance expenses</b>		<b>(22 725)</b>	<b>(18 032)</b>
Share of profit of equity accounted investees, net of tax	10	(72)	(94)
<b>Profit or loss before tax</b>		<b>133 625</b>	<b>105 003</b>
Tax for the year	7	(30 102)	(22 710)
<b>Profit or loss</b>		<b>103 523</b>	<b>82 293</b>
<b>Attributable to</b>			
Dividend to shareholders		0	90 000
Reserves		103 523	(7 707)
<b>Profit or loss</b>		<b>103 523</b>	<b>82 293</b>
<b>Statement of comprehensive income</b>			
Profit or loss		103 523	82 293
<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>103 523</b>	<b>82 293</b>

## Statement of financial position at 31 December

DKK'000	Note	2018	2017
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	8	1 227 221	1 258 548
Intangible assets	9	7 689	8 125
Investments in associates	10	140	202
Deferred tax assets	11	0	0
		<b>1 235 050</b>	<b>1 266 875</b>
<b>Current assets</b>			
Trade and other receivables	12	74 773	71 688
Receivables from related parties	22	69 095	0
Tax receivable		0	1 450
Restricted cash	13	0	52 192
Cash and cash equivalents	13	0	45 546
		<b>143 868</b>	<b>170 876</b>
<b>Total Assets</b>		<b>1 378 918</b>	<b>1 437 751</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	14	30 000	30 000
Proposed dividends	14	0	90 000
Retained earnings		499 730	434 207
<b>Total equity</b>		<b>529 730</b>	<b>554 207</b>
<b>Non current liabilities</b>			
Other interest-bearing loans and borrowings	15	542 719	568 608
Provisions	16	18 821	32 103
Deferred tax liabilities	11	157 545	158 980
		<b>719 085</b>	<b>759 691</b>
<b>Current liabilities</b>			
Other interest-bearing loans and borrowings	15	25 890	25 365
Trade and other payables	17	102 694	94 335
Payables to related parties	22	774	3 989
Tax payable		245	0
Provisions	16	500	164
		<b>130 103</b>	<b>123 853</b>
<b>Total liabilities</b>		<b>849 188</b>	<b>883 544</b>
<b>Total equity and liabilities</b>		<b>1 378 918</b>	<b>1 437 751</b>

## Statement of changes in equity

DKK'000	Share capital	Proposed dividends	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>

DKK'000	Share capital	Proposed dividends	Retained earnings	Total equity
Balance at 1 January 2018	30 000	90 000	434 207	554 207
Profit or loss	0	0	103 523	103 523
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>103 523</b>	<b>103 523</b>
Transactions with owners, recorded directly in equity:				
Dividends	0	(90 000)	0	(90 000)
Interim dividend	0	0	(38 000)	(38 000)
<b>Total contributions by and distributions to owners</b>	<b>0</b>	<b>(90 000)</b>	<b>(38 000)</b>	<b>(128 000)</b>
<b>Balance at 31 December 2018</b>	<b>30 000</b>	<b>0</b>	<b>499 730</b>	<b>529 730</b>

## Statement of cash flows

	Note	2018	2017
DKK'000			
<b>Cash flow from operating activities</b>			
Profit for the year		103 523	82 293
Adjustments for:			
Depreciation, amortisation and impairment		43 119	36 279
Financial income		0	(111)
Financial expense		22 725	18 143
Share of profit of equity accounted investees, net of tax		72	94
(Gain)/loss on sale of property, plant and equipment		(257)	(17)
Taxation		30 102	22 710
		<b>95 761</b>	<b>77 098</b>
Decrease/increase in trade and other receivables	12	(3 095)	14 625
Decrease/increase in trade and other payables	17	8 359	7 141
Decrease/increase in related parties balances	22	(3 675)	(6 215)
Decrease/increase in provisions	16	(13 132)	17 262
		<b>(11 543)</b>	<b>32 813</b>
Tax paid		(30 800)	(30 146)
		<b>(30 800)</b>	<b>(30 146)</b>
<b>Net cash from operating activities</b>		<b>156 941</b>	<b>162 058</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	8	4 000	5 447
Acquisition of property, plant and equipment	8	(13 851)	(5 594)
Acquisition of intangible assets	9	(1 248)	(3 800)
		<b>(11 099)</b>	<b>(3 947)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	14	0	(477 817)
Proceeds from new loan	24	0	632 288
Change in restricted cash	13	52 192	(52 192)
Change in cash-pooling balances	22	(68 635)	0
Interest paid		(20 966)	(16 883)
Financing transaction cost		0	(19 611)
Repayment of borrowings	24	(26 937)	(19 965)
Dividends paid	14	(127 042)	(203 858)
		<b>(191 388)</b>	<b>(158 038)</b>
Net increase/decrease in cash and cash equivalents		(45 546)	73
Cash and cash equivalents at 1 January		45 546	45 362
Effect of exchange fluctuations on cash held		0	111
<b>Cash and cash equivalents at 31 December</b>	13	<b>0</b>	<b>45 546</b>

## **Basis of preparation**

### **Reporting entity**

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

The financial statements for the period 31 December 2017 and 31 December 2018 comprise the financial statements for Food Folk Danmark ApS.

The Company's main activity consists 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.

The Board of Directors and the Managing Director discussed and approved the Financial Statements for 2018 of Food Folk Danmark ApS on 22 March 2019.

### **Accounting policies**

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

### **Functional and presentation currency**

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

### **Basis of accounting**

The financial statements for the year ended 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and additional requirements in the Danish Financial Statements Act.

This is the first set of financial statements in which IFRS 15 Revenue from Contracts with Customers has been adopted. Changes to significant accounting policies are described below.

Details of the accounting policies are included below.

### **Changes in significant accounting policies**

The Company has initially applied IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018. No other new standards, also effective from 1 January 2018, have been implemented and amendments to existing standards did not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information has been restated to reflect the requirements of the new standards, however there are no effects on the statements of financial position.

The effect of initially applying the standard is mainly attributed to changes in the presentation of revenues and costs due to an analysis of if the Company is acting as principal, or agent, based on the identified performance obligations.

### **Adoption of IFRS 15 – Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Constructions Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time as well as the agent and principal characteristics - requires judgement.

The Company has adopted IFRS 15 using the retrospective method (without practical expedients). Accordingly, the impacts in the statement of profit or loss are disclosed below. There are no effects on the statements of financial position.

The following tables summarise the impacts of adopting IFRS 15 on the Company's statement of profit or loss for the year ended 31 December 2018 and 2017 for each of the line items affected. There was not material impact on the Company's statement of cash flows for the years ended 31 December 2018 and 2017.

## Basis of preparation (continued)

### Adoption of IFRS 15 – Revenue from Contracts with Customers (continued)

#### Impact on the statement of profit or loss

For the year ended 31 December 2018 DKK'000	As reported	Adjustments	Amounts without adoption of IFRS 15
<b>Continuing operations</b>			
Revenue	414 321	(123 842)	290 479
Other external expenses	(177 319)	123 842	(53 477)
<b>Total</b>	<b>237 002</b>	<b>-</b>	<b>237 002</b>
For the year ended 31 December 2017 DKK'000	As reported	Adjustments	Amounts without adoption of IFRS 15
<b>Continuing operations</b>			
Revenue	381 641	(115 876)	265 765
Other external expenses	(188 713)	115 876	(72 837)
<b>Total</b>	<b>192 928</b>	<b>-</b>	<b>192 928</b>

Under IAS 18, revenue related to the royalties due to McDonald's, as well as out-of-pocket expenses, were recognized net in the financial statements. In accordance with IFRS 15, Food Folk is acting as principal in rendering the services, therefore the related amounts are being recognized gross in the statements of profit or loss.

#### Standards issued but not yet effective

The IASB has issued a number of new or amended accounting standards and interpretations, effective for annual periods beginning after 1 January 2018. The approved, though not yet effective, standards and IFRICs will be applied as they become mandatory for the Company.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Company's financial statements in the period of initial application.

#### IFRS 16 - Leases

The Company is required to adopt IFRS 16 Leases from 1 January 2019. The Company has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Company has not finalised the implementation, testing and assessment of controls over its new IT systems; and
- the impact of the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

#### i. Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of its properties (see note 19). The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous as described in note 16. Instead, the Company will include the payments due under the lease in its lease liability.

No significant impact is expected for the Company's finance leases.

Based on the information currently available, the Company estimates that it will recognise a Right-of-Use of asset and an additional lease liabilities in a range of DKK 330-360 millions as at 1 January 2019. The Company does not expect the adoption of IFRS 16 to impact its ability to comply with the loan covenant, described in note 18.



## **Basis of preparation** (continued)

### **IFRS 16 - Leases** (continued)

#### ii. Leases in which the Company is a lessor

The Company will reassess the classification of sub-leases in which the Company is a lessor. Based on the information currently available, the Company expects that its sub-lease will continue to be classified as operating leases, therefore no significant impact is expected in the financial statements as at 1 January 2019.

#### iii. Transition

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

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

In preparing the financial statements, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

### **Judgements**

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

#### ***Gross vs. net recognition of royalty income and out-of-pocket expenses***

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.

Based on the indicators in IFRS 15 management has assessed that Food Folk is acting as a principal (requiring royalty payments to be recognised gross). This is substantiated by the fact that Food Folk is responsible and bears the risk that the sub-franchisees do not perform in accordance with the license granted by McDonald's, being also primarily responsible for providing the services to the franchisees.

Costs and fees (out-of-pocket expenses) related to leaseholds that are used by sub-franchisees are invoiced with no mark-up to the sub-franchisee, and recognised net of payments received from franchisees.

Based on the indicators in IFRS 15 management has assessed that Food Folk is acting as an agent (requiring out-of-pocket costs to be recognised net). This is substantiated by the fact that other parties are primary responsible for providing the services related to the out-of-pocket costs and that the price for the services related to the out-of-pocket costs are not determined by Food Folk.

#### ***Investment incentives***

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

#### ***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 reasonably certain that the lessee will exercise that option.

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 in general will be extended to 20 years. Consequently, the minimum lease term used for accounting for the above listed items has at a minimum been set to 20 years unless otherwise agreed with McDonald's.

**Basis of preparation** (continued)

**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 2018:

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

When there is an indication of impairment, an estimate is made of how the Company's individual cash-generating units will be able to generate sufficient positive net cash flows to support the value of other 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 16 for more details related to the provisions.

## **Significant accounting policies**

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

### **Business combinations**

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

### **Foreign currency**

Transactions in currencies other than the functional currency are foreign currency transactions.

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.

Foreign currency difference arising from the translation of certain items are recognised in OCI.

## **Statement of profit or loss**

### ***Revenues***

Food Folk has initially applied IFRS 15 from 1 January 2018. Information about the Food Folk's accounting policies relating to contracts with customers and the effect of initially applying IFRS 15 is described in the section above Adoption of IFRS 15 – Revenue from Contracts with Customers.

Revenue consist of sales of goods from restaurants, recognized in the statement of income in the point in time when the sales occur, fees from franchised restaurants recognized over time, as the customer simultaneously consumes and receives benefit from the services as the service is performed.

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 calculated and recognized as part of the variable revenue for the period.

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 income, net***

Other operating income, net 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***

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, royalties paid to McDonald's, changes to loss making contract provisions, etc.

As of 31 December 2017 royalties paid to McDonald's were recognised net of royalty payments received from franchisees, however with the implementation of IFRS 15- Revenue from Contracts with Customer, the revenue is being recognized gross. As per the new standards Food Folk acts as a principal in rendering the services rather than agent.

Costs and fees related to leaseholds that are used by sub-franchisees are invoiced with no mark-up to the sub-franchisee, and recognised net of payments received from franchisees. According to the Franchise agreements the franchisees are required to cover all costs related premises used as restaurants, such as common costs, marketing contributions, municipality fees and property taxes. As Food Folk does not obtain control of the goods or the right to the services, more than momentarily, in advance of transferring those goods or services to the franchisee, Food Folk acts as an agent rather than as a principal in rendering the services.

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.

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

### ***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.

### ***Financial income and expenses***

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax 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 gains 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.

## **Statement of financial position**

### ***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 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 Company will obtain ownership by the end of the lease term. Land is not depreciated.

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

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.

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 statement of profit or loss as other operating income 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 amortisation 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 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 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.

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

### ***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.

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 under 'Depreciation and amortisation'. 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.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

### ***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 Company's cash pool scheme are not considered cash but are recognised under 'Receivables from/Payables to related parties'.

### ***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.

## **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 Company 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.

### ***Leases***

#### ***Determining whether an arrangement contains a lease***

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for the elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance costs on the liability is recognised using the Company's incremental borrowing rate.

#### ***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.

#### ***Lease payments***

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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

The cash flow statement shows the Company's cash flows from operating, investment and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning of the year.

Cash flows from operating activities are determined using the indirect method and stated as the 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 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.

## Notes

### 1 Revenue

In the following table, revenue from contracts with customers is disaggregated by nature:

DKK'000	2018	2017
Sub-franchisee income (fixed)	141 063	134 900
Sub-franchisee income (variable)	273 258	246 741
<b>Total revenues</b>	<b>414 321</b>	<b>381 641</b>

Independent sub franchisees have under franchise agreements the right to use McDonald's restaurants. The Franchise agreements have been granted for a period of up to 20 years from the date of issue. The franchise agreements include the following future minimum payments:

DKK'000	2018	2017
Less than one year	128 876	123 928
Between one and five years	470 621	423 442
More than five years	1 121 874	1 061 423
<b>Total leases as lessor</b>	<b>1 721 371</b>	<b>1 608 793</b>

### 2 Other operating income, net

DKK'000	2018	2017
Net gain on disposal of property, plant and equipment	257	17
Other income/expense	2 445	0
<b>Total other operating income, net</b>	<b>2 702</b>	<b>17</b>

### 3 Other external expenses

DKK'000	2018	2017
Royalties and other fees to McDonald's Corporation	122 397	114 469
Lease expense	39 578	36 661
Other expenses	15 344	37 583
<b>Total other external expenses</b>	<b>177 319</b>	<b>188 713</b>

#### Fees to auditors and other operating expenses

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.

### 4 Staff cost

DKK'000	2018	2017
Wages and salaries	36 765	30 046
Social security costs	533	606
Contributions to defined contribution plans	2 865	2 885
<b>Total staff cost</b>	<b>40 163</b>	<b>33 537</b>
Average number of full-time employees	57	51
Average number of key management personnel	1	1

Remuneration paid to Management in 2018 has been excluded from the financial statements with reference to section 98b(3) of the Danish Financial Statements Act.



*Notes (continued)*

**5 Financial income**

DKK'000	2018	2017
Net foreign exchange gain	0	111
<b>Total finance income</b>	<b>0</b>	<b>111</b>

**6 Financial expense**

DKK'000	2018	2017
Net foreign exchange loss	12	0
Interest on financial liabilities	21 309	16 583
Interests on related parties liabilities	436	0
Unwinding of discounts	186	358
Other interest expense	782	1 202
<b>Total</b>	<b>22 725</b>	<b>18 143</b>

**7 Tax for the year**

**Recognised in the income statement**

DKK'000	2018	2017
Current year	31 044	26 173
Adjustments for prior years	493	0
<b>Total current tax expense</b>	<b>31 537</b>	<b>26 173</b>

**Deferred tax expense**

Origination and reversal of temporary differences	(1 435)	(3 463)
<b>Total deferred tax expense</b>	<b>(1 435)</b>	<b>(3 463)</b>

Tax expense in income statement (excluding share of tax of equity accounted investees)	30 102	22 710
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<b>Total tax expense</b>	<b>30 102</b>	<b>22 710</b>
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**Reconciliation of effective tax rate**

<b>Profit or loss before tax</b>	<b>133 625</b>	<b>105 003</b>
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Tax using the corporation tax rate in Denmark of 22%	29 398	23 101
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Non-deductible expenses	211	84
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Tax exempt revenues	0	0
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Under / (over) provided in prior years	493	(475)
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<b>Total tax expense</b>	<b>30 102</b>	<b>22 710</b>
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*Notes (continued)*

**8 Property, plant and equipment**

DKK'000	Land and buildings	Leasehold improvements	Fixtures, fittings and equipment	Under construction	Total
<b>Cost</b>					
Balance at 1 January 2017	1 266 473	53 756	13 534	1 749	1 335 512
Other acquisitions	96	1 535	183	0	1 814
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>9 618</b>	<b>0</b>	<b>1 331 478</b>
Balance at 1 January 2018	1 266 569	55 291	9 618	0	1 331 478
Other acquisitions	940	11 041	494	1 376	13 851
Transfer	0	0	0	0	0
Disposals	(3 954)	53	(20)	0	(3 921)
<b>Balance at 31 December 2018</b>	<b>1 263 555</b>	<b>66 385</b>	<b>10 092</b>	<b>1 376</b>	<b>1 341 408</b>

DKK'000	Land and buildings	Leasehold improvements	Fixtures, fittings and equipment	Under construction	Total
<b>Depreciation and impairment</b>					
Balance at 1 January 2017	30 681	3 165	4 307	0	38 153
Depreciation charge for the year	31 468	3 194	1 290	0	35 952
Disposals	0	0	(1 175)	0	(1 175)
<b>Balance at 31 December 2017</b>	<b>62 149</b>	<b>6 359</b>	<b>4 422</b>	<b>0</b>	<b>72 930</b>
Balance at 1 January 2018	62 149	6 359	4 422	0	72 930
Depreciation charge for the year	33 149	5 848	2 435	0	41 432
Transfer	0	0	0	0	0
Disposals	(212)	53	(16)	0	(175)
<b>Balance at 31 December 2018</b>	<b>95 086</b>	<b>12 260</b>	<b>6 841</b>	<b>0</b>	<b>114 187</b>

<b>Net book value</b>					
<b>At 31 December 2017</b>	<b>1 204 420</b>	<b>48 932</b>	<b>5 196</b>	<b>0</b>	<b>1 258 548</b>
<b>At 31 December 2018</b>	<b>1 168 469</b>	<b>54 125</b>	<b>3 251</b>	<b>1 376</b>	<b>1 227 221</b>

*Security*

At 31 December 2018, properties with a carrying amount of DKK 1,130 million (2017: DKK 1,189 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)*

**9 Intangible assets**

	Goodwill	Contractual rights	Other	Total
<b>DKK'000</b>				
<b>Cost</b>				
Balance at 1 January 2017	0	943	859	1 802
Other acquisitions – externally purchased	0	0	7 581	7 581
Disposals	0	(943)	0	(943)
<b>Balance at 31 December 2017</b>	<b>0</b>	<b>0</b>	<b>8 440</b>	<b>8 440</b>
<b>Balance at 1 January 2018</b>				
Other acquisitions – externally purchased	0	0	8 440	8 440
Transfer	0	4 658	1 248	1 248
	0	(4 658)	0	0
<b>Balance at 31 December 2018</b>	<b>0</b>	<b>4 658</b>	<b>5 030</b>	<b>9 688</b>

	Goodwill	Contractual rights	Other	Total
<b>DKK'000</b>				
<b>Amortisation and impairment</b>				
Balance at 1 January 2017	0	123	50	173
Amortisation for the year	0	62	265	327
Disposals	0	(185)	0	(185)
<b>Balance at 31 December 2017</b>	<b>0</b>	<b>0</b>	<b>315</b>	<b>315</b>
<b>Balance at 1 January 2018</b>				
Amortisation for the year	0	0	315	315
Disposals	0	658	1 029	1 687
Transfer	0	0	(3)	(3)
	0	252	(252)	0
<b>Balance at 31 December 2018</b>	<b>0</b>	<b>910</b>	<b>1 089</b>	<b>1 999</b>
<b>Net book value</b>				
<b>At 31 December 2017</b>	<b>0</b>	<b>0</b>	<b>8 125</b>	<b>8 125</b>
<b>At 31 December 2018</b>	<b>0</b>	<b>3 748</b>	<b>3 941</b>	<b>7 689</b>

**Notes** (continued)

**10 Investments in associates**

DKK'000	Profit after tax	Other comprehensive income	Total comprehensive income	Investment in subsidiaries
Associates	(72)	0	(72)	140

	Legal form	Domicile	Interest %
* I/S Fællesskiltning	I/S	Denmark	41.5%
McDonald's Marketing Coop Danmark A/S	AS	Denmark	1.1%

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

**11 Deferred tax liabilities**

Deferred tax assets and liabilities are attributable to the following:

DKK'000	Assets		Liabilities	
	2018	2017	2018	2017
Property, plant and equipment	0	0	168 682	173 594
Intangible assets	0	0	1 063	190
Provisions	(11 922)	(14 689)	0	0
Other	(278)	(115)	0	0
<b>Tax (assets) / liabilities</b>	<b>(12 200)</b>	<b>(14 804)</b>	<b>169 745</b>	<b>173 784</b>
Net of tax liabilities/(assets)	12 200	14 804	(12 200)	(14 804)
<b>Net tax (assets) / liabilities</b>	<b>0</b>	<b>0</b>	<b>157 545</b>	<b>158 980</b>

*Movement in net deferred tax during the year*

DKK'000	2018	2017
Opening balance	158 980	162 443
Recognised in profit or loss	(1 435)	(3 463)
31 December	157 545	158 980
<b>Total movement</b>	<b>(1 435)</b>	<b>(3 463)</b>

**12 Trade and other receivables**

DKK'000	2018	2017
Trade receivables	52 316	56 360
Deposits	7 553	7 419
Prepayments	6 052	6 036
Other receivables	8 852	1 873
<b>Total trade and other receivables</b>	<b>74 773</b>	<b>71 688</b>

*Notes (continued)*

**13 Cash and cash equivalents**

DKK'000	2018	2017
Cash and cash equivalents	0	45 546
<b>Total cash and cash equivalents</b>	<b>0</b>	<b>45 546</b>
Restricted cash	0	52 192
<b>Total restricted cash</b>	<b>0</b>	<b>52 192</b>

**14 Share capital**

DKK'000	Ordinary shares	
	2018	2017
Share issued (thousands)	60	60
On issue at 1 January	30 000	507 817
Capital reduction	0	(477 817)
<b>On issue at 31 December - fully paid</b>	<b>30 000</b>	<b>30 000</b>

DKK'000	Ordinary shares	
	2018	2017
Allotted, called up and fully paid Ordinary shares of DKK 500 each	30 000	30 000
<b>Total</b>	<b>30 000</b>	<b>30 000</b>
Shares classified as liabilities	0	0
Shares classified in shareholders' funds	30 000	30 000
<b>Total</b>	<b>30 000</b>	<b>30 000</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.

There were no change to the companys share capital composition during the year. No shareholder holds special rights.

*Dividends*

The following dividends were recognised during the period:

DKK'000	2018	2017
DKK 633 and 1,500 (2017: 69 and 2,231) per qualifying ordinary share	128 000	203 858

**Notes (continued)**

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

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

DKK'000	2018	2017
<b>Non-current other interest-bearing loans and borrowings</b>		
Secured bank loans	542 719	568 608
<b>Total non-current other interest-bearing loans and borrowings</b>	<b>542 719</b>	<b>568 608</b>
<b>Current other interest-bearing loans and borrowings</b>		
Secured bank loans	25 890	25 365
<b>Total current other interest-bearing loans and borrowings</b>	<b>25 890</b>	<b>25 365</b>

*Terms and debt repayment schedule*

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
DKK'000				2018	2018
Realkredit Danmark	DKK	1.78%	2037	585 497	568 609
<b>Total</b>				<b>585 497</b>	<b>568 609</b>

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

**16 Provisions**

DKK'000	Dilapidation	Onerous contract	Total
Balance at 1 January 2018	14 519	17 748	32 267
Provisions made during the year	687	0	687
Provisions used during the year	0	(47)	(47)
Provisions reversed during the year	(2 445)	(11 327)	(13 772)
Unwinding of discounted amount	12	174	186
<b>Balance at 31 December 2018</b>	<b>12 773</b>	<b>6 548</b>	<b>19 321</b>
Non-current	12 273	6 548	18 821
Current	500	0	500
<b>Balance at 31 December 2018</b>	<b>12 773</b>	<b>6 548</b>	<b>19 321</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.

In 2018 the discount rate use to unwind the dilapidation reserve has been changed and the reversal impact on the income statement is equal to DKK 1,785 thousand, presented as Other Operating Income, net (see Note 2).

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)*

**17 Trade and other payables**

DKK'000	2018	2017
Trade payables	24 309	19 431
Deposits received	9 439	9 748
VAT & duties	8 237	4 213
Payroll related	12 232	8 245
Other payables and accrued expenses	48 477	52 698
<b>Total trade and other payables</b>	<b>102 694</b>	<b>94 335</b>

**18 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 raise finance for the Company's operations.

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

**18 (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	2018	2017
Cash and cash equivalents	0	45 546
Restricted cash	0	52 192
Receivables from related parties	69 095	0
Trade and other receivables	74 773	71 688
<b>Total financial assets at amortised cost</b>	<b>143 868</b>	<b>169 426</b>
Financial assets used as hedging instruments	0	0
Financial assets designated as fair value through profit or loss	0	0
<b>Total financial assets</b>	<b>143 868</b>	<b>169 426</b>
Other interest-bearing loans and borrowings	568 609	593 973
Trade and other payables	102 694	94 335
Payables to related parties	774	3 989
Provisions	19 321	32 267
<b>Total financial liabilities at amortised cost</b>	<b>691 398</b>	<b>724 564</b>
Financial liabilities used as hedging instruments	0	0
Financial liabilities designated as fair value through profit or loss	0	0
<b>Total financial liabilities</b>	<b>691 398</b>	<b>724 564</b>
<b>Total net financial instruments</b>	<b>(547 530)</b>	<b>(555 138)</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 for the Company is DKK 585,497 thousand.

**Notes (continued)**

**18 Financial instruments (Continued)**

**18 (a) Fair values of financial instruments (continued)**

*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.

*Effect of change of inputs used in fair value measurement*

As the possibility of quoted prices (unadjusted) in active markets for identical assets not being available for these assets is remote, no analysis of the effect of changing one or more of the inputs used in fair value measurement to another reasonably possible assumption has been prepared.

**18 (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 principal credit risk arises therefore from trade receivables, which represent outstanding fees receivable. In order to limit the risk surrounding outstanding fees are reviewed on a regular basis in conjunction with debt ageing and collection history.

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 2018.

**18 (c) Liquidity risk**

*Financial risk management*

This liquidity risk is managed 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 both its external borrowings and to McDonald's.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

**31 December 2018**

DKK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to 5 years	over 5 years
<b>Non-derivative financial liabilities</b>						
Secured bank loans	568 609	772 336	46 267	45 853	134 999	545 217
Payables to related parties	774	774	774	0	0	0
Trade and other payables	102 694	102 694	102 694	0	0	0
<b>Total</b>	<b>672 077</b>	<b>875 804</b>	<b>149 735</b>	<b>45 853</b>	<b>134 999</b>	<b>545 217</b>

**31 December 2017**

**Non-derivative financial liabilities**

Secured bank loans	593 973	819 009	46 673	46 267	125 076	600 993
Payables to related parties	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>



*Notes (continued)*

**18 Financial instruments** (Continued)

**18 (d) Market risk**

**Market risk - Foreign currency risk**

The Company's operations have no significant exposure to foreign currency risk at year end. As a result, a sensitivity analysis has not been presented for the Company.

**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	2018	2017
<b>Fixed rate instruments</b>		
Financial assets	0	0
Financial liabilities	(568 609)	(593 973)
<b>Total fixed rate instruments</b>	<b>(568 609)</b>	<b>(593 973)</b>
<b>Variable rate instruments</b>		
Financial assets	68 635	45 546
Financial liabilities	0	0
<b>Total variable rate instruments</b>	<b>68 635</b>	<b>45 546</b>

*Sensitivity analysis*

A change of 100 basis points in interest over the year would have increased/decreased the result for the year by DKK 686 thousand (2017: DKK 455 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.

**18 (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 and revolving credit 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 15 after deducting cash and cash equivalents, and equity attributable to the parent, 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 Group has been in compliance with these capital requirements during the year.

**19 Operating leases**

The Company primarily leases properties for the purpose of operating a McDonald's restaurant. The initial lease term typically runs for a period from 5 to 10 years, with an option to renew the lease after that date. Lease payments are renegotiated at that date to reflect market rentals. Some leases are based on a fixed rate and some provide for additional rent payments that are based on changes in local price indices.

Non-cancellable operating lease rentals are payable as follows:

DKK'000	2018	2017
Less than one year	32 671	31 421
Between one and five years	56 108	47 933
More than five years	83 518	29 514
<b>Total non-cancellable operating lease rentals</b>	<b>172 297</b>	<b>108 868</b>

During the year ended 31 December 2018, DKK 35,4 million (2017: DKK 32,4 million) was recognised as an expense in the income statement in respect of operating leases.

## Notes (continued)

### 20 Commitments

#### Capital commitments

During the year ended 31 December 2018, the Company entered into contracts to purchase property, plant and equipment for DKK 4,058 thousand (2017: DKK 6,220 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 337 thousand at year end (2017: DKK 540 thousand).

Other guarantees amount to DKK 7,649 thousand.

### 21 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 EUR 218.6 million as of 31 December 2018.

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.

### 22 Related parties

#### Parent and ultimate controlling party

During 2017, 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) and McDonald's Corporation is not anymore a related party. 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 2018	Royalties 2018	Purchase of services 2018	Interest income 2018	Interest expenses 2018
Food Folk Group Holdings AS	2 383	0	(4 147)	0	(436)
Food Folk Norge Holdings AS	50	0	0	0	0
Food Folk Holdings Danmark ApS	50	0	0	0	0
Food Folk Holdings Suomi Oy	50	0	0	0	0
Food Folk Holdings Sverige AB	50	0	0	0	0
Food Folk Norge AS	4 275	0	0	0	0
Zero Five AS	523	0	0	0	0
Food Folk Suomi Oy	2 609	0	0	0	0
Food Folk Sverige AB	1 393	0	(6 751)	0	0
<b>Total</b>	<b>11 383</b>	<b>0</b>	<b>(10 898)</b>	<b>0</b>	<b>(436)</b>

*Notes (continued)*

**22 Related parties** (continued)

	<i>Loans payable outstanding</i>	<i>Cash-pooling balances</i>	<i>Receivables outstanding</i>	<i>Payables outstanding</i>	<i>Dividends</i>
DKK'000	2018	2018	2018	2018	2018
Food Folk Group Holdings AS	0	68 635	0	(774)	0
Food Folk Holdings Danmark ApS	0	0	0	0	(128 000)
Food Folk Norge AS	0	0	70	0	0
Food Folk Suomi Oy	0	0	70	0	0
Food Folk Sverige AB	0	0	321	0	0
<b>Total</b>	<b>0</b>	<b>68 635</b>	<b>461</b>	<b>(774)</b>	<b>(128 000)</b>

	<i>Sale of services</i>	<i>Royalties</i>	<i>Purchase of services</i>	<i>Interest income</i>	<i>Interest expenses</i>
DKK'000	2017	2017	2017	2017	2017
Food Folk Group Holdings AS	551	0	(4 042)	0	0
Food Folk Norge AS	48	0	0	0	0
Food Folk Suomi Oy	48	0	0	0	0
Food Folk Sverige AB	49	0	(232)	0	0
McDonald's Corporation	0	24 532	0	0	0
<b>Total</b>	<b>696</b>	<b>24 532</b>	<b>(4 274)</b>	<b>0</b>	<b>0</b>

	<i>Loans payable outstanding</i>	<i>Cash-pooling balances</i>	<i>Receivables outstanding</i>	<i>Payables outstanding</i>	<i>Dividends</i>
DKK'000	2017	2017	2017	2017	2017
Food Folk Group Holdings AS	0	0	0	(4 011)	0
Food Folk Norge Holdings AS	0	0	0	17	0
Food Folk Holdings Danmark ApS	0	0	0	0	(133 858)
Food Folk Norge AS	0	0	0	48	0
Food Folk Suomi Oy	0	0	0	48	0
Food Folk Sverige AB	0	0	0	(91)	0
McDonald's Corporation	0	0	0	0	(70 000)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3 989)</b>	<b>(203 858)</b>

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

**23 Subsequent events**

No events have occurred after the balance sheet date that materially affect the financial position of the Company at 31 December 2018.

**Notes** (continued)

**24 Changes in liabilities from financing activities**

DKK'000	Opening balance	Cash flows	Non-cash transactions	Closing balance
Debt to credit institutions	568 608	(26 937)	1 048	542 719
<b>Long-term liabilities</b>	<b>568 608</b>	<b>(26 937)</b>	<b>1 048</b>	<b>542 719</b>
Debt to credit institutions	25 365	0	525	25 890
<b>Short-term liabilities</b>	<b>25 365</b>	<b>0</b>	<b>525</b>	<b>25 890</b>
<b>Liability from financing activities for 2018</b>	<b>593 973</b>	<b>(26 937)</b>	<b>1 573</b>	<b>568 609</b>