

Food Folk Danmark ApS

Falkoner Alle 20
2000 Frederiksberg

CVR no. 24 21 40 87

Annual report 2021

The financial statements were presented and adopted at
the Company's annual general meeting
on 20 April 2022

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 2021.

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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021.

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, 13 April 2022

Mads Friis

Managing Director and Chairman of the Board

Anders Torbjörn Hägg

Board member

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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021 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 2021 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.

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.

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

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

— conclude on the appropriateness of Management's use of the going concern basis of accounting 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.

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.

Copenhagen, 13 April 2022

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Henrik Y. Jensen
State Authorised
Public Accountant
MNE-no. mne35442

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
E-mail: 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

Mads Friis
Anders Torbjörn Hägg

Managing Director

Mads Friis

Auditor

KPMG
Statsautoriseret revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen

Annual general meeting

The annual general meeting will be held on 20 April 2022.

Financial highlights

DKK'000	2021	2020	2019	2018 *	2017 *
Key figures					
Revenue	564 948	482 417	457 068	414 321	381 641
Operating profit	227 012	186 986	176 963	156 422	123 129
Net financials	(20 946)	(40 233)	(8 015)	(22 725)	(18 032)
Profit for the year	160 553	114 350	124 601	103 523	82 293
Balance sheet					
Balance sheet total	1 897 542	1 946 791	1 866 917	1 378 918	1 437 751
Investments in property, plant and equipment	175 405	85 819	23 983	13 851	1 814
Equity	481 447	570 894	456 544	529 730	554 207
Financial ratios					
Return on assets	11,8	9,8	10,9	11,1	8,6
Equity ratio	25,4	29,3	24,5	38,4	38,5
Return on equity	30,5	22,3	25,3	19,1	9,6
Employees					
Average number of full-time employees	69	62	56	57	51

* The amounts are not adjusted for IFRS 16 Leases, being introduced in 2019 (not retrospectively)

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:

$$\text{Return on assets} = \frac{\text{Profit/loss from ordinary activities} \times 100}{\text{Average assets}}$$

$$\text{Equity ratio} = \frac{\text{Closing equity} \times 100}{\text{Equity \& liabilities at year - end}}$$

$$\text{Return on equity} = \frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$$

Operating review

Principal 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 2021, Food Folk had 94 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. That is an increase of 4 restaurants compared to 2020.

Unusual circumstances

COVID-19 made it difficult to navigate through 2021, especially supply chain and staffing of restaurants proved challenging. Despite COVID-19 the Company has increased its net cash from operating activities by 9.9% and it has continued to invest in new store openings and will continue to do so in the future. Total system wide sales* have been 17.7% higher than last year, with the 6 highest sales months ever all coming from 2021. The Drive Thru has been crucial for performance again in 2021 and the Company has strengthened the market share in 2021.

To the management's knowledge, no unusual circumstances have occurred during 2021 except for COVID-19.

*= system wide sales reflect the accumulated turnover in all McDonald's restaurants in Denmark.

Events after the balance sheet date

Management has monitored the development of sales during the financial year and assessed the impact of the COVID-19 pandemic on business. Despite the pandemic, sales continued to grow strongly on an annual basis and the Company continued to renovate its restaurants and open new ones together with the franchisees. The Company has proved to survive the pandemic relatively well, relying on the strengths of its business and focusing on hygiene and safety of both customers and staff. The Company's management will continue to monitor the development of the pandemic but assumes that during 2022 the effects of the pandemic will weaken and restrictions on the industry will be removed.

The Company's management also actively monitors the current situation in Ukraine and regularly assesses its potential impact and risks on the Company's business. The Company has no business activity in Ukraine nor in Russia.

Development in activities and financial position

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

During 2021, the McDonald's restaurants in Denmark increased system wide sales by 17.7% (2020: +2.2%)

The Company realized a revenue increase of 17.1% compared to the previous year (2020: +5.5%), mainly driven by a combination of increased System Wide Sales and franchised income from franchised restaurants.

Operating profit for the year increased by DKK 40,026 thousand to DKK 227,012 thousand (2020: DKK 186,986 thousand) which corresponds to an increase of 21.4%. The increase in operating income is primarily driven by higher sales whereas the incidence of operating expenses on sales is in line with last year.

The result of the year increased by DKK 46,203 thousand to a total of DKK 160,553 thousand (2020: DKK 114,350 thousand), which corresponds to an increase of 40.4%.

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

Outlook

2022 is expected to be another good year for Food Folk Danmark ApS even if Covid-19 should continue to affect the Danish society. There continues to be a big demand for McDonald's despite Covid-19 and government restrictions. Food Folk Denmark ApS is following developments and the authorities' recommendations closely.

Particular risks

The Company does not have any significant risk apart from what is common from the industry since the majority of transactions are 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.

Food Folk Corporate Social Responsibility

Our mission in Food Folk is to provide our customers in Denmark with the most friendly, convenient, and consistently excellent McDonald's experience in the world. Having a positive impact in communities, while maintaining the growth and success of the McDonald's System, is fundamental to how we operate. We achieve this by living our values as we serve our guests via our 94 restaurants.

Our values:

- **Serve:** We put our customers and people first
- **Inclusion:** We open our doors to everyone
- **Community:** We are good neighbors
- **Integrity:** We do the right thing

As one of Denmark and the Nordic's largest restaurant companies, we believe we have a responsibility to ensure long-term, sustainable value creation while taking action on some of the world's most pressing social and environmental challenges that are important to our employees and the communities in which we operate. To manage our impact carefully and hold ourselves accountable across a range of ESG issues, in 2022 and beyond, will continue do our part for sustainability, for example on climate action, packaging and waste, youth employability, and taking action as a part of the community.

Our role in the community

As one of the largest youth employers in Denmark, we provide invaluable learning experiences for young people across the country from all backgrounds. Young people aged 16-18 account for roughly 40% of our staff and through their employment - which is often the first steppingstone into the workforce - we provide them with opportunities to grow and gain experience that can be used for the rest of their working lives, providing them with continuous learning opportunities.

As part of the community in Denmark, we work with values-aligned organizations to make a difference. Examples of community-based organizations we work with include RENnatur, Danmark Mod Madspild and others.

Risk & Impact

a) Our planet (environmental and climate)

As we continue to grow as a business, our efforts are increasingly focused on managing our carbon footprint. We take a holistic approach to sustainability, which includes exploring ways to help our customers reduce their own environmental impact. For instance, we are transitioning to sustainable Happy Meal toys made from recycled, renewable or certified materials. We continue to test and deploy new packaging solutions in our restaurants, to learn how we can reduce packaging and switch to more sustainable materials while still delivering a great experience for our customers.

Food Folk has begun transitioning to more efficient buildings and kitchen equipment. Together with our Franchisees, we are investing in our restaurants to be more innovative and energy efficient.

We have taken measures to reduce food waste via our "Made for You" platform and are actively converting food waste by transforming it to bio waste. In 2021, all our collected food waste, grease, and cooking oil were used in the production of biogas, biodiesel, and as sludge for agriculture. Ultimately, this recycling leads to a smaller carbon footprint for the Danish society by displacing fossil fuels and recycling important nutrients.

We also make ongoing technology and process investments to move guests through the drive through process efficiently and with speed, thereby reducing emissions.

Our partnership with Ren Natur is making a difference when it comes to littering. We support the project 'Clean Nature' (Ren Natur) which organized 483 routes of litter collection in 2021. A total of 40 municipalities participated along with 8,565 volunteers. We are proud of their success and monitor the project closely.

We continue our 'one-block policy', requiring employees to collect litter in each restaurant's immediate area. The one-block policy results in McDonald's staff continuously helping the local area keep the streets clean not only from McDonald's own litter but also from society's general littering.

The majority of our environmental impacts occur beyond our own operations, through the Company's supply chain, and so McDonald's journey toward sustainable sourcing begins with our suppliers. Among other activities, we focus on collaborative action and investment to address climate-related risks associated with our agriculture value chain to help protect our planet for communities today and in the future. We believe we have an important role to play in responsible sourcing.

b) Human rights

At Food Folk, we conduct our activities in a manner that respects human rights as set out in the Universal Declaration of Human Rights. Our commitment to respect human rights is defined in our Human Rights. Our expectations of our suppliers are outlined in our Supplier Code of Conduct.

In order to provide goods and services to the McDonald's System, suppliers must meet our high standards, and direct suppliers are required to commit to upholding the standards contained in our Code. We expect, and provide guidance to assist our suppliers to meet the standards for human rights, workplace environment, business integrity and environmental management contained in the Code. We also expect suppliers to implement their own management systems in these areas.

We expect that suppliers treat their employees with fairness, respect and dignity, and follow practices that protect the health and safety of people working in their facilities, in compliance with national and local laws. We also require our suppliers to hold their own suppliers to the same standards as outlined in our Code, and to create internal mechanisms and programs for handling reports of workplace grievances, including anonymous reporting.

McDonald's has a comprehensive Supplier Workplace Accountability (SWA) program, which supports compliance with the standards and expectations outlined in our Code. The SWA program aims to help suppliers understand our expectations, verify compliance and work toward continuous improvement.

The SWA program provides suppliers and McDonald's Global Supply Chain Team with training to understand human rights issues and our SWA program requirements. Built on a model of continuous improvement and education, SWA includes an online training platform where suppliers can access optional tools and resources that provide guidance on human rights issues.

All Food Folk suppliers passed their SWA audit in 2021.

c) Governance

On anti-corruption and bribery, we consider the risk in Denmark as low, due to the country's rank as one of the world's least corrupt countries. However, in compliance with McDonald's corporate standards, Food Folk has developed specific internal policies covering anti-fraud, anti-corruption, and has an established Code of Conduct. Food Folk staff were trained are trained annually on governance related issues. Furthermore, McDonald's in Denmark follows the McDonald's Global anti-corruption policy.

d) Anti-corruption and bribery

All Food Folk headquartered employees in Denmark participate in an annual e-learning course on how to avoid corruption and bribery. Food Folk has also developed policies on fraud, anti-corruption, and a Code of Conduct. A Speak Up Policy has also been added, which ensures the protection of any employee who wishes to bring any suspicious case forward.

In 2021 we focused on the implementation of our new policies and on ensuring that our many staffers are becoming familiar with them and know how to activate them if they encounter anything suspicious.

There have been no known breaches of these policies.

e) Our people (social and employees)

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 compulsory McD-learning courses.

Optional education programmes are created in collaboration with external academies in Denmark. Thus, we offer our employees a unique opportunity to combine work and education. In 2021, 120 employees were enrolled in one of our external education programs.

Furthermore, Food Folk is collaborating closely with 'KLAPjob', which is part of LEV, an organization for people with cognitive disabilities. Through the years, McDonald's has hired 128 people with cognitive disabilities – 14 of these in 2021.

On social and staff matters, high turnover will always be a risk, even though the McDonald's brand is strong and valued in the Danish labor market. We thus attempt to strengthen and support our employees by providing extra benefits such as external educational programs and continuous feedback to the employees from the restaurants' management teams.

Data ethics

Food Folk operates in a digital and connected environment where significant amounts of data may be processed. Thus, a proper and compliant management of personal data is crucial for our operations. Food Folk strives to improve and strengthen our data processing routines regularly to properly reflect the development within the digital areas of business. As for example, in 2021 the Company initiated the process of implementing additional software systems aiming to provide even stronger and more secure processes for managing and monitoring process data flows. Furthermore, the Food Folk Code of Conduct, along with relevant data protection policies and notices, strives to raise awareness of proper data management within the entire Food Folk Group.

Gender diversity

Food Folk Danmark ApS has formed a gender equality policy. The policy ratifies McDonald's position on gender equality by emphasizing that Food Folk will strive for a balance between the genders in the management teams. McDonald's has had an almost even split between men and women for years on the management level.

Within the full organization, 62% of the employees are female and 38% are males. At the management level, 44% of the positions are held by women and 56% by males (in 2020 34% were held by males and 66% by women). With an almost even split between the genders, the Company reached its target for equal of males and females. No further actions/disclosures are therefore required. The board consisted of two male directors in 2021.

Statement of profit or loss and other comprehensive income

DKK'000	Note	2021	2020
Revenue	1	564 948	482 417
Other external expenses	2	(228 458)	(193 006)
Depreciation, amortisation and impairment	8,9	(74 648)	(78 688)
Staff cost	3	(57 598)	(47 036)
Other operating income, net	4	22 768	23 299
Total expenses		(337 936)	(295 431)
Operating profit or loss		227 012	186 986
Financial income	5	17 884	0
Financial expense	6	(38 830)	(40 233)
Net finance expenses		(20 946)	(40 233)
Share of profit of equity accounted investees, net of tax	10	(10)	1
Profit or loss before tax		206 056	146 754
Tax for the year	7	(45 503)	(32 404)
Profit or loss		160 553	114 350
Attributable to			
Dividend to shareholders		74 365	250 000
Retained earnings		86 188	(135 650)
Profit or loss		160 553	114 350
Statement of comprehensive income			
Profit or loss		160 553	114 350
Other comprehensive income for the year, net of income tax		0	0
Comprehensive income for the year		160 553	114 350

The notes form an integral part of these financial statements

Statement of financial position at 31 December

DKK'000	Note	2021	2020
Assets			
Non current assets			
Property, plant and equipment	8	1 720 271	1 679 068
Intangible assets	9	5 714	8 657
Investments	10	100	110
		1 726 085	1 687 835
Current assets			
Inventories		28	0
Trade and other receivables	12	130 925	91 605
Receivables from related parties	22	19 873	164 359
Tax receivable		3 631	2 992
Restricted cash	13	0	0
Cash and cash equivalents	13	0	0
Asset held for sale	14	17 000	0
		171 457	258 956
Total Assets		1 897 542	1 946 791
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	15	30 000	30 000
Proposed dividends	15	74 365	250 000
Retained earnings		377 082	290 894
Total equity		481 447	570 894
Non current liabilities			
Loans and borrowings	16	1 068 338	1 045 584
Other payables	18	1 854	0
Provisions	17	20 979	13 849
Deferred tax liabilities	11	160 001	165 639
Non current liabilities		1 251 172	1 225 072
Current liabilities			
Loans and borrowings	16	68 058	64 755
Trade and other payables	18	93 399	74 708
Payables to related parties	22	3 466	3 002
Tax payable		0	7 645
Provisions	17	0	715
Current liabilities		164 923	150 825
Total liabilities		1 416 095	1 375 897
Total equity and liabilities		1 897 542	1 946 791

Statement of changes in equity

(See Note 15)

DKK'000	Share capital	Proposed dividends	Retained earnings	Total equity
Balance at 1 January 2020	30 000	0	426 544	456 544
Profit or loss	0	250 000	(135 650)	114 350
Total comprehensive income for the period	0	250 000	(135 650)	114 350
Transactions with owners, recorded directly in equity:				
Dividends	0	0	0	0
Total contributions by and distributions to owners	0	0	0	0
Balance at 31 December 2020	30 000	250 000	290 894	570 894
DKK'000	Share capital	Proposed dividends	Retained earnings	Total equity
Balance at 1 January 2021	30 000	250 000	290 894	570 894
Profit or loss	0	74 365	86 188	160 553
Total comprehensive income for the period	0	74 365	86 188	160 553
Transactions with owners, recorded directly in equity:				
Dividends	0	(250 000)	0	(250 000)
Total contributions by and distributions to owners	0	(250 000)	0	(250 000)
Balance at 31 December 2021	30 000	74 365	377 082	481 447

Statement of cash flows

DKK'000	Note	2021	2020
Cash flow from operating activities			
Profit for the year		160 553	114 350
Adjustments for:			
Depreciation, amortisation and impairment	8,9	74 648	78 688
Financial income	5	(17 884)	0
Financial expense	6	38 830	40 233
Share of profit of equity accounted investees, net of tax	10	10	(1)
Other income/expense non-monetary		2 767	(3)
(Gain)/loss on sale of property, plant and equipment	4	0	144
Taxation	7	45 503	32 404
		143 874	151 465
Decrease/increase in trade and other receivables	12	(39 595)	(21 919)
Decrease/increase in inventories		(28)	0
Decrease/increase in trade and other payables	18	20 545	(287)
Decrease/increase in related parties balances	22	(242)	(5 094)
Decrease/increase in provisions	17	(731)	(630)
		(20 051)	(27 930)
Tax paid		(59 425)	(33 191)
		(59 425)	(33 191)
Net cash from operating activities		224 951	204 694
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	4	0	0
Acquisition of property, plant and equipment	8	(71 231)	(50 468)
Acquisition of intangible assets	9	(528)	(2 360)
Net cash from investing activities		(71 759)	(52 828)
Cash flows from financing activities			
Proceeds from new loan	24	749 303	0
Change in cash-pooling balances	22	145 192	(47 765)
Interest paid		(17 508)	(18 901)
Financing transaction cost		(2 138)	0
Repayment of borrowings	24	(740 551)	(48 499)
Payment of lease liabilities (interest portion)	24	(12 745)	(12 820)
Payment of lease liabilities (principal portion)	24	(24 745)	(23 881)
Dividends paid	15	(250 000)	0
Net cash from financing activities		(153 192)	(151 866)
Net increase/decrease in cash and cash equivalents		0	0
Cash and cash equivalents at 1 January		0	0
Effect of exchange fluctuations on cash held		0	0
Cash and cash equivalents at 31 December	13	0	0

Basis of preparation

Reporting entity

Food Folk Danmark ApS is a limited liability company domiciled in Denmark. The financial statements for the years ended 31 December 2020 and 31 December 2021 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.

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 2021 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, including those provisions which apply to reporting class C large entities.

Changes and details of the accounting policies are included further.

Changes in significant accounting policies

A number of new standards and interpretations are effective from 1 January 2021:

Newly effective EU-endorsed standards for 01 Jan 2021 to 31 Dec 2021

Effective date	New standards or amendments
1 January 2021	Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
1 April 2021	COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

It has been assessed that they do not have a material effect on the Company's financial statements. In particular, the Interest Rate Benchmark Reform is still not affecting the Company since the interest rates, to which the Company's financial assets and liabilities are linked to, have not ceased yet as at 31 December 2021.

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 2022. The approved, though not yet effective, standards and IFRICs will be applied as they become mandatory for the Company.

Standards not / not yet endorsed by the EU

Effective date	New standards or amendments
1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) Annual Improvements to IFRS Standards 2018–2020 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Reference to the Conceptual Framework (Amendments to IFRS 3)
1 January 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1) IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) Definition of Accounting Estimates (Amendments to IAS 8) Deferred Tax related to Assets and Liabilities arising

The Company has assessed that these new standards will not have a material effect on the Company's financial statements.

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 system-wide 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 primarily responsible for providing the services related to the out-of-pocket costs and that the prices for the services related to the out-of-pocket costs are not determined by Food Folk.

- **Investment incentives**

Food Folk grants investment incentives 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 system-wide sales.

- **Minimum lease term**

The lease term has an impact on the accounting for:

- right-of-use assets
- lease liabilities
- restoration provisions

According to IFRS 16 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 (expiring in 2037) requiring Food Folk to ensure that there is a certain number of restaurants in the market, and restaurants can only be closed if permission is granted by McDonald's. Management has assessed that renewable leases expiring before 2037 will be in general extended, 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 2021:

- **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 the tangible and intangible assets of the unit. Estimates of future cash flows may span many years in the future and will be subject to uncertainty. The key assumptions supporting recoverable amounts mainly comprise discount rate (WACC) and expectations regarding future system-wide sales in restaurants.

- **Provisions**

The restoration provision is 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 system-wide 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.

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.

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 differences arising from the translation of certain items (such as cash flow hedges) are recognised in OCI.

Statement of profit or loss

Revenues

Revenue consists of fees from franchised restaurants recognized over time, as the customer simultaneously consumes and receives benefit from the service 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 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, etc. 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 to the 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.

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.

Other operating (expense)/income, net

Other operating (expense)/income, net are secondary to the principal activities of the Company and includes intercompany recharge of services provided, gains and losses on disposal of intangible assets and property, plant and equipment.

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, net of tax

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.

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, 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 (expense)/income net.

Intangible assets

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 or 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.

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 (expense)/income, net.

Asset held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Investments

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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 subsidiaries and 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.

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 recognized under 'Provisions' in so far as the parent has a legal or constructive obligation to cover the deficit.

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

Investment in entities in which the Company has no control or significant influence are categorized as "Other investments" and recognised at cost.

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, amortization and impairment'. 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

Income tax expense comprises current 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.

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.

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.

Deferred income

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

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index/rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and lease liabilities in 'Loans and borrowings' in the statement of financial position.

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	2021	2020
Sub-franchisee income (fixed)	150 114	145 202
Sub-franchisee income (variable)	<u>414 834</u>	<u>337 215</u>
Total revenues by nature	<u>564 948</u>	<u>482 417</u>

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	2021	2020
Less than one year	155 428	142 890
Between one and five years	579 401	536 121
More than five years	<u>1 284 802</u>	<u>1 240 116</u>
Total leases as lessor	<u>2 019 631</u>	<u>1 919 127</u>

2 Other external expenses

DKK'000	2021	2020
Royalties and other fees	176 566	148 176
Lease expense	5 014	4 269
Other expenses	<u>46 878</u>	<u>40 561</u>
Total other external expenses	<u>228 458</u>	<u>193 006</u>

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.

3 Staff cost

DKK'000	2021	2020
Wages and salaries	52 881	42 598
Social security costs	349	535
Contributions to defined contribution plans	<u>4 368</u>	<u>3 903</u>
Total staff cost	<u>57 598</u>	<u>47 036</u>
Average number of full time employees	<u>69</u>	<u>62</u>

Remuneration of key management personnel

DKK'000	2021	2020
Wages and salaries	4 471	3 265
Social security costs	733	182
Contributions to defined contribution plans	694	351
Total remuneration of key management personnel	5 898	3 798
Average number of key management personnel	1,3	1,4

Key management personnel is defined as the managing director of the company, plus the allocation of the Nordic CFO to the Danish market for both 2021 and 2020. From May 2021, key management personnel also includes the allocation of the Nordic CEO.

4 Other operating (expense)/income, net

DKK'000	2021	2020
Net gain/(loss) on disposal of property, plant and equipment	0	(144)
Income from intercompany recharges/mark-up	25 535	23 495
Other income/(expense)	(2 767)	(52)
Total other operating income, net	22 768	23 299

Caption "Other income/(expense)" mostly includes the true-up adjustment on the dilapidation provision (see Note 17).

5 Financial income

DKK'000	2021	2020
Other interest income (see note 16)	17 884	0
Total finance income	17 884	0

6 Financial expense

DKK'000	2021	2020
Net foreign exchange loss	48	278
Interest on financial liabilities	24 171	24 819
Interest on lease liabilities (see note 23)	11 884	12 830
Interests on related parties liabilities	1 656	1 667
Unwinding of discounts (see note 17)	355	302
Other interest expense	716	337
Total financial expense	38 830	40 233

7 Tax for the year

Recognised in the income statement

DKK'000	2021	2020
Current year	51 142	40 837
Current tax - Adjustments for prior years	(1)	7
Total current tax expense	51 141	40 844
Origination and reversal of temporary differences	(5 638)	(8 440)
Deferred tax - Adjustments for prior years	0	0
Total deferred tax expense	(5 638)	(8 440)
Total tax expense	45 503	32 404

Reconciliation of effective tax rate

DKK'000	2021	2020
Profit or loss before tax	206 056	146 754
Tax using the corporation tax rate	45 332	32 286
Non-deductible expenses	172	111
Tax exempt revenues	0	0
Other	0	0
Under / (over) provided in prior years	(1)	7
Total tax expense	45 503	32 404

The tax rate applied to the Company is 22%.

8 Property, plant and equipment

DKK'000	Land and buildings	Leasehold improvements	Right-of-use asset (see note 23)	Fixtures, fittings and equipment	Under construction	Total
Cost						
Balance at 1 January 2020	1 263 555	66 806	493 024	10 441	22 065	1 855 891
Other acquisitions	29 644	7 038	35 904	0	13 233	85 819
Transfer	22 062	0	0	0	(22 062)	0
Disposals/Other movements	0	(144)	(2 774)	(243)	(3)	(3 164)
Balance at 31 December 2020	1 315 261	73 700	526 154	10 198	13 233	1 938 546
Balance at 1 January 2021	1 315 260	73 700	526 154	10 198	13 233	1 938 545
Other acquisitions	52 157	4 993	104 174	174	13 907	175 405
Transfer	12 064	853	0	0	(12 917)	0
Disposals/Other movements	205	(391)	(51 271)	0	46	(51 411)
Reclassification to 'Asset held for sale'	(27 311)	0	0	0	0	(27 311)
Balance at 31 December 2021	1 352 375	79 155	579 057	10 372	14 269	2 035 228
Depreciation and impairment						
Balance at 1 January 2020	127 150	17 999	33 818	7 872	0	186 839
Depreciation charge for the year	32 774	3 295	33 545	534	0	70 148
Impairment losses / (reversal)	5 508	0	0	0	0	5 508
Transfer	0	0	0	0	0	0
Disposals / other movements	0	(71)	(2 774)	(172)	0	(3 017)
Balance at 31 December 2020	165 432	21 223	64 589	8 234	0	259 478
Balance at 1 January 2021	165 432	21 223	64 589	8 234	0	259 478
Depreciation charge for the year	33 892	3 691	31 027	436	0	69 046
Impairment losses / (reversal)	2 131	0	0	0	0	2 131
Transfer	0	0	0	0	0	0
Disposals / other movements	0	(391)	(4 996)	0	0	(5 387)
Reclassification to 'Asset held for sale'	(10 311)	0	0	0	0	(10 311)
Balance at 31 December 2021	191 144	24 523	90 620	8 670	0	314 957
Net book value						
At 31 December 2020	1 149 829	52 477	461 565	1 964	13 233	1 679 068
At 31 December 2021	1 161 231	54 632	488 437	1 702	14 269	1 720 271

For the reclassification to 'Asset held for sale' refer to Note 14.

Impairment loss and subsequent reversal

In 2021, the Company has identified that there are impairment indicators related to a number of CGUs (restaurants). Management has estimated the recoverable amount of the restaurants with impairment triggers based on its value in use. Based on the calculated value in use of restaurants the Company has recognised impairment losses on Tangible Assets of DKK 2,131 thousand. The estimate of value in use was calculated using a pre-tax discount rate of 11.9%.

Security

At 31 December 2021, properties with a carrying amount of DKK 1,149 million (2020: DKK 1,118 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 737.3 million.

9 Intangible assets

DKK'000	Contractual rights	Other	Total
Cost			
Balance at 1 January 2020	4 658	9 819	14 477
Other acquisitions – externally purchased	0	2 360	2 360
Transfers	0	0	0
Disposals	0	0	0
Balance at 31 December 2020	4 658	12 179	16 837
Balance at 1 January 2021	4 658	12 179	16 837
Other acquisitions – externally purchased	0	528	528
Transfers	0	0	0
Disposals	0	0	0
Balance at 31 December 2021	4 658	12 707	17 365
Amortisation and impairment			
Balance at 1 January 2020	1 568	3 580	5 148
Amortisation for the year	658	2 374	3 032
Impairment losses/(reversal)	0	0	0
Disposals	0	0	0
Balance at 31 December 2020	2 226	5 954	8 180
Balance at 1 January 2021	2 226	5 954	8 180
Amortisation for the year	658	2 813	3 471
Impairment losses/(reversal)	0	0	0
Disposals	0	0	0
Balance at 31 December 2021	2 884	8 767	11 651
Net book value			
At 31 December 2020	2 432	6 225	8 657
At 31 December 2021	1 774	3 940	5 714

10 Investments

a) Associates

DKK'000	Profit after tax	Other comprehensive income	Total comprehensive income	Investment in associates
2021	(10)	0	(10)	90
2020	1	0	1	100
	<u>Domicile</u>	<u>Shares (%)</u>	<u>Equity</u>	<u>Net result</u>
I/S Fællesskiltning	Denmark	41.5%	239	(25)

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

b) Other

DKK'000	Domicile	Interest %	Carrying value 2021	Carrying value 2020
Marketing Coop DK A/S	Denmark	1%	10	10

The entity handles the marketing agreements of the restaurants in the Danish market.

11 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

DKK'000	Assets		Liabilities	
	2021	2020	2021	2020
Property, plant and equipment	(5 566)	(4 420)	157 005	160 869
Intangible assets	0	0	1 018	1 546
Interest-bearing loans and borrowings	0	0	12 160	10 848
Provisions	(4 616)	(3 204)	0	0
Other	0	0	0	0
Tax (assets) / liabilities	(10 182)	(7 624)	170 183	173 263
Net of tax liabilities/(assets)	10 182	7 624	(10 182)	(7 624)
Net tax (assets) / liabilities	0	0	160 001	165 639

Movement in net deferred tax during the year

DKK'000	2021	2020
Opening balance	165 639	174 079
Recognised in profit or loss	(5 638)	(8 440)
Recognised in equity	0	0
Closing balance	160 001	165 639
Total movement	(5 638)	(8 440)

12 Trade and other receivables

DKK'000	2021	2020
Trade receivables	80 230	54 582
Deposits	8 712	8 045
Prepayments	6 959	8 317
Other receivables	35 024	20 661
Total trade and other receivables	130 925	91 605

Changes in trade and other receivables

	Opening balance for period	Cash flows	Non-cash transactions	Closing balance for period
DKK'000				
2020	<u>70 206</u>	<u>21 919</u>	<u>(520)</u>	<u>91 605</u>
2021	<u>91 605</u>	<u>39 595</u>	<u>(275)</u>	<u>130 925</u>

13 Cash and cash equivalents

DKK'000	2021	2020
Cash and cash equivalents	0	0
Total cash and cash equivalents	0	0
Restricted cash	0	0
Total restricted cash	0	0

14 Asset held for sale

In the last quarter 2021, management committed to a plan to sell the land and building associated with a restaurant closed in November 2021. Accordingly, the land and building are presented as a "Asset held for sale". Efforts to sell the assets have started and a sale is expected within the next year. Accumulated impairment losses of DKK 6,339 thousand for write-downs of the assets to the lower of its carrying amount and its fair value less costs to sell have been applied to reduce the carrying amount of property, plant and equipment. The fair value measurement for the assets of DKK 17,000 thousand has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (external evaluation).

15 Share capital

DKK'000	Ordinary shares	
	2021	2020
Share issued (thousands)	60	60
On issue at 1 January	30 000	30 000
Capital reduction	0	0
On issue at 31 December - fully paid	30 000	30 000

DKK'000	Ordinary shares	
	2021	2020
Allotted, called up and fully paid		
Ordinary shares of DKK 500 each	30 000	30 000
Total	30 000	30 000
Shares classified as liabilities	0	0
Shares classified in shareholders' funds	30 000	30 000
Total	30 000	30 000

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 changes to the Company's share capital composition during the year. No shareholder holds special rights.

Dividends

The following dividends were recognised during the period:

DKK'000	2021	2020
4,167 (2020: nil) per qualifying ordinary share	<u>250 000</u>	<u>0</u>

A dividend of DKK 1,239 per qualifying ordinary share (total of DKK 74,635 thousand) was proposed by the directors.

16 Loans and borrowings

DKK'000	2021	2020
Non-current loans and borrowings		
Secured bank loans	586 993	589 781
Lease liabilities (see Note 23)	<u>481 345</u>	<u>455 803</u>
Total non-current loans and borrowings	<u>1 068 338</u>	<u>1 045 584</u>
Current loans and borrowings		
Secured bank loans	41 591	41 495
Lease liabilities (see Note 23)	<u>26 467</u>	<u>23 260</u>
Total current loans and borrowings	<u>68 058</u>	<u>64 755</u>

Loans and borrowings are measured at amortised cost and secured against the Company's portfolio of owned land and buildings.

Terms and debt repayment schedule

DKK'000	Currency	Nominal interest rate	Year of maturity	Face value 2021	Carrying amount 2021
Danske Bank A/S - Facility A2 - DKK	DKK	Variable	2024	12 175	11 965
Realkredit Danmark - Facility B1 - DKK	DKK	0.3088%	2036	500 236	442 282
Realkredit Danmark - Facility B2 - DKK	DKK	0.3088%	2036	130 744	121 245
Realkredit Danmark - Facility B3 - DKK	DKK	0.9404%	2036	<u>54 112</u>	<u>53 092</u>
Total				<u>697 267</u>	<u>628 584</u>
DKK'000	Currency	Nominal interest rate	Year of maturity	Face value 2020	Carrying amount 2020
Danske Bank A/S - Facility A2 - DKK	DKK	Variable	2024	15 531	15 208
Realkredit Danmark - Facility B1 - DKK	DKK	0.56%	2034	532 607	481 060
Realkredit Danmark - Facility B2 - DKK	DKK	0.91%	2037	<u>140 377</u>	<u>135 008</u>
Total				<u>688 515</u>	<u>631 276</u>

Realkredit Danmark - Facilities B1/B2 have been renegotiated as at 31 March 2021 with a new maturity date (March 2036) and a new nominal interest rate of 0.3088%. The renegotiation led to a positive impact in the income statement, due to the derecognition of the liability for an amount of DKK 17,884 thousand, booked within the "financial income" line (see Note 5).

On 9 March 2021, a Capex Facility withdrawal has been granted to the Company for DDK 30,850 thousand at a nominal interest rate of 2.5% until 8 October 2021, when it has been converted into a B3 Facility for an amount of DKK 54,900 thousand at a fixed rate of 0.94% expiring on 8 October 2036.

The transaction fees on both negotiations recognized against the value of the B Facilities as at 31 December 2021 totaled DKK 2,138 thousand.

17 Provisions

DKK'000	Dilapidation	Total
Balance at 1 January 2021	14 564	14 564
Provisions made during the year	4 024	4 024
Provisions used during the year	(731)	(731)
Provisions reversed/adjusted during the year	2 767	2 767
Unwinding of discounted amount	355	355
Balance at 31 December 2021	20 979	20 979
Non-current	20 979	20 979
Current	0	0
Balance at 31 December 2021	20 979	20 979

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.

18 Trade and other payables

DKK'000	2021	2020
Trade payables	42 359	23 369
Interest payable	59	75
Deposits received	10 010	9 601
VAT & duties	9 017	8 336
Payroll related	13 967	17 413
Prepaid base rent	12 269	11 509
Other payables and accrued expenses	5 718	4 405
Total trade and other payables (current)	93 399	74 708
Payroll related	1 854	0
Total other payables (non current)	1 854	0

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 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.

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	2021	2020
Cash and cash equivalents	0	0
Restricted cash	0	0
Receivables from related parties	19 873	164 359
Trade and other receivables	<u>130 925</u>	<u>91 605</u>
Total financial assets at amortised cost	<u>150 798</u>	<u>255 964</u>
Financial assets designated as fair value through profit or loss	<u>0</u>	<u>0</u>
Total financial assets	<u>150 798</u>	<u>255 964</u>
Loans and borrowings	1 136 396	1 110 339
Trade and other payables	93 399	74 708
Payables to related parties	3 466	3 002
Provisions	<u>20 979</u>	<u>14 564</u>
Total financial liabilities at amortised cost	<u>1 254 240</u>	<u>1 202 613</u>
Financial liabilities designated as fair value through profit or loss	<u>0</u>	<u>0</u>
Total financial liabilities	<u>1 254 240</u>	<u>1 202 613</u>
Total net financial instruments	<u>(1 103 442)</u>	<u>(946 649)</u>

The fair value of financial instruments is deemed to be materially equivalent to the carrying value, except for loans and borrowings. The fair value of loans and borrowings for the Company is DKK 791,220 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.

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.

19 (b) Credit risk

Credit risk is the risk of financial loss to the Company if a franchisee 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 (short payment terms). The Company has not realised any credit losses in 2021.

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point, the amounts considered irrecoverable are written off against the trade receivables directly.

Credit quality of financial assets and impairment losses

DKK'000	Gross 2021	Gross 2020	Impairment 2021	Impairment 2020
Not past due	75 620	52 057	0	0
Past due	4 610	2 525	0	0
Total	80 230	54 582	0	0

19 (c) Liquidity risk

The 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:

DKK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to 5 years	over 5 years
31 December 2021						
Non-derivative financial liabilities						
Secured bank loans	628 584	791 220	62 814	67 599	171 329	489 478
Lease liabilities	507 812	670 791	37 179	40 061	112 490	481 061
Payables to related parties	3 466	3 466	3 466	0	0	0
Trade and other payables	95 253	95 253	93 399	0	0	1 854
Derivative financial liabilities						
Interest rate swaps	0	0	0	0	0	0
Total	1 235 115	1 560 730	196 858	107 660	283 819	972 393
31 December 2020						
Non-derivative financial liabilities						
Secured bank loans	631 276	795 439	63 039	62 288	181 038	489 074
Lease liabilities	479 063	585 099	35 950	32 695	98 859	417 595
Payables to related parties	3 002	3 002	3 002	0	0	0
Trade and other payables	74 708	74 708	74 708	0	0	0
Derivative financial liabilities						
Interest rate swaps	0	0	0	0	0	0
Total	1 188 049	1 458 248	176 699	94 983	279 897	906 669

19 (d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments.

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 is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

The Company's operations have exposure to foreign currency risk at year end due to that the carrying amount of financial instruments in foreign currencies amounts to DKK 56,278 thousand. A change of 1% in the exchange rate at year end would have impacted the carrying amount of financial instruments in foreign currency by DKK 561 thousand (2020: DKK 283 thousand), dependent on the EUR/DKK movement.

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	2021	2020
Fixed rate instruments		
Financial assets	0	0
Financial liabilities	(616 619)	(616 068)
Total fixed rate instruments	(616 619)	(616 068)
Variable rate instruments		
Financial assets	17 185	162 377
Financial liabilities	(11 965)	(15 208)
Total variable rate instruments	5 220	147 169

Sensitivity analysis

A change of 100 basis points in interest over the year would have increased/decreased the result for the year by DKK 52 thousand (2020: DKK 1,472 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.

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 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.

20 Commitments

Capital commitments

During the year ended 31 December 2021, the Company did not enter into any contracts to purchase property, plant and equipment (2020: DKK 2,070 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 net assets from the statement of financial position amounts to DKK 239 thousand at year end (2020: DKK 264 thousand).

Other guarantees amount to DKK 15,419 thousand (2020: DKK 10,177 thousand).

21 Contingencies

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 the company address: Falkoner Allé 20, 2000 Frederiksberg, Denmark.

Group related party transactions

	<i>Distributions of investment cost</i>	<i>Sale of services</i>	<i>Royalties</i>	<i>Purchase of services</i>	<i>Interest income</i>	<i>Interest expenses</i>
DKK'000	2021	2021	2021	2021	2021	2021
Food Folk Group Holdings AS	0	601	0	(7 924)	0	(1 656)
Food Folk Norge Holdings AS	0	50	0	0	0	0
Food Folk Holdings Danmark Aps	0	50	0	0	0	0
Food Folk Holdings Suomi Oy	0	50	0	0	0	0
Food Folk Holdings Sverige AB	0	50	0	0	0	0
Food Folk Norge AS	0	5 348	0	(2 230)	0	0
Zero Five AS	0	288	0	0	0	0
Food Folk Suomi Oy	0	4 824	0	(1 747)	0	0
Food Folk Sverige AB	(2 481)	14 274	0	(18 241)	0	0
Total	(2 481)	25 535	0	(30 142)	0	(1 656)
	<i>Dividends / Group Contribution (paid)/received</i>	<i>Loans receivable/ (payable) outstanding</i>	<i>Receivables outstanding</i>	<i>Payables outstanding</i>	<i>Cash-pooling receivable balances</i>	<i>Cash-pooling payable balances</i>
DKK'000	2021	2021	2021	2021	2021	2021
Food Folk Group Holdings AS	0	0	42	(697)	17 185	0
Food Folk Holdings Danmark Aps	(250 000)	0	0	0	0	0
Food Folk Norge AS	0	0	573	(181)	0	0
Zero Five AS	0	0	30	0	0	0
Food Folk Suomi Oy	0	0	516	(162)	0	0
Food Folk Sverige AB	0	0	1 527	(2 426)	0	0
Total	(250 000)	0	2 688	(3 466)	17 185	0
	<i>Distributions of investment cost</i>	<i>Sale of services</i>	<i>Royalties</i>	<i>Purchase of services</i>	<i>Interest income</i>	<i>Interest expenses</i>
DKK'000	2020	2020	2020	2020	2020	2020
Food Folk Group Holdings AS	(2 346)	1 051	0	(9 803)	0	(1 667)
Food Folk Norge Holdings AS	0	50	0	0	0	0
Food Folk Holdings Danmark Aps	0	50	0	0	0	0
Food Folk Holdings Suomi Oy	0	50	0	0	0	0
Food Folk Holdings Sverige AB	0	50	0	0	0	0
Food Folk Norge AS	0	5 214	0	(1 533)	0	0
Zero Five AS	0	336	0	0	0	0
Food Folk Suomi Oy	0	4 707	0	(1 143)	0	0
Food Folk Sverige AB	0	11 987	0	(11 686)	0	0
Total	(2 346)	23 495	0	(24 165)	0	(1 667)
	<i>Dividends / Group Contribution (paid)/received</i>	<i>Loans receivable/ (payable) outstanding</i>	<i>Receivables outstanding</i>	<i>Payables outstanding</i>	<i>Cash-pooling receivable balances</i>	<i>Cash-pooling payable balances</i>
DKK'000	2020	2020	2020	2020	2020	2020
Food Folk Group Holdings AS	0	0	36	(693)	162 377	0
Food Folk Holdings Danmark Aps	0	0	0	(203)	0	0
Food Folk Norge AS	0	0	415	(226)	0	0
Zero Five AS	0	0	24	0	0	0
Food Folk Suomi Oy	0	0	373	(132)	0	0
Food Folk Sverige AB	0	0	1 134	(1 748)	0	0
Total	0	0	1 982	(3 002)	162 377	0

Group companies within the Food Folk Group are rendering/receiving services for the use in ordinary business

operations. All transactions are priced on an arm's length basis and are settled in cash at the request of the related party. None of the balances in respect of related party transactions are secured.

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 (see Note 4).

23 Leases

The Company leases mainly properties. Information about leases for which the Company is a lessee is presented below.

i. Amounts recognised in Statement of financial position

DKK'000	2021	2020
- Right-of-use assets (presented in Property, plant and equipment - see note 8)	488 437	461 565
- Prepaid expense (presented in Trade and Other Receivables)	(193)	(675)
- Lease liabilities (presented in Other interest-bearing loans and borrowings - see note 16)	(507 812)	(479 063)

ii. Amounts recognised in Income Statement

DKK'000	2021	2020
- Depreciation charges (including impairment loss/reversal)	31 027	33 545
- Interest on lease liabilities	11 884	12 830
- variable lease payments not included in the measurement of lease liabilities (including COVID-19 rent concessions)	2 837	2 400
- expenses relating to other short-term leases	38	98
- expenses relating to leases of low-value assets	2 166	1 824
- other expenses	(27)	(53)

Some leases of restaurants contain variable lease payments that are based on sales that the Company makes at the restaurant.

Fixed and variable rental payments for the period ended 31 December 2021 were as follows:

DKK'000	2021	2020
Fixed payments	2 206	3 459
Variable payments	2 837	2 472
Total lease payments based on sales	5 043	5 931

The Company expects the incidence variable lease payments over the fixed ones to increase consistently with the sales growth expected for the future years.

iii. Amounts recognised in Statement of cash flows

DKK'000	2021	2020
- Payment of Lease liabilities (interest portion)	(12 745)	(12 820)
- Payment of Lease liabilities (principal portion)	(24 745)	(23 881)
Total cash outflow for leases	(37 490)	(36 701)

iv. Extension Options

Most of the restaurants lease contract contain extension options exercisable only by the Company and not by lessors up to a specific period (usually not higher than one year) before the end of the non-cancellable contract period. The Company assesses at lease commencement whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its controls.

According to the master franchise agreement with McDonald's, expiring 31 March 2037, a restaurant cannot be closed without its approval, even though it is loss making. It is therefore assumed that the lease term will be renewed until 31 March 2037 if there is not an approval from McDonalds to close a specific restaurant.

As a consequence, all available extension options have been already included in the lease term until the closest date to 31 March 2037. No other potential future lease payments not included in lease liabilities can be therefore disclosed.

v. Lease not yet commenced

The Company has entered during 2021 into lease agreements with few landlords not yet commenced, but committing to pay rent from the subsequent year.

The estimated amount of lease liability for the lease period has been assessed around DKK 31.2 million.

vi. Rent concessions

The Company negotiated rent concessions with its landlords for some of its leases as a result of the severe impact of the COVID-19 pandemic during the year. The Company applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to its properties leases.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Company has applied the practical expedient for COVID-19-related rent concessions is DKK 0 thousand (2020: DKK 72 thousand).

24 Changes in liabilities from financing activities

DKK'000	Secured bank loans	Lease liabilities	TOTAL
Balance at 1 January 2020	672 083	468 195	1 140 278
Proceeds from loans and borrowings	0	0	0
Transaction costs related to loans and borrowings	0	0	0
Repayment of loans and borrowings	(48 499)	0	(48 499)
Payment of lease liabilities (principal portion)	0	(23 881)	(23 881)
Total changes from financing cash flows	(48 499)	(23 881)	(72 380)
New leases and other changes	0	34 739	34 739
Capitalized borrowing costs	7 692	0	7 692
Interest expense	15 254	12 830	28 084
Payment of lease liabilities (interest portion)	0	(12 820)	(12 820)
Interest paid	(15 254)	0	(15 254)
Total liability related other changes	7 692	34 749	42 441
Balance at 31 December 2020	631 276	479 063	1 110 339
Balance at 1 January 2021	631 276	479 063	1 110 339
Proceeds from loans and borrowings	749 303	0	749 303
Transaction costs related to loans and borrowings	(2 138)	0	(2 138)
Repayment of loans and borrowings	(740 551)	0	(740 551)
Payment of lease liabilities (principal portion)	0	(24 745)	(24 745)
Total changes from financing cash flows	6 614	(24 745)	(18 131)
New leases and other changes	0	54 355	54 355
Capitalized borrowing costs	(9 306)	0	(9 306)
Interest expense	15 104	11 884	26 988
Payment of lease liabilities (interest portion)	0	(12 745)	(12 745)
Interest paid	(15 104)	0	(15 104)
Total liability related other changes	(9 306)	53 494	44 188
Balance at 31 December 2021	628 584	507 812	1 136 396

25 Subsequent events

Management has monitored the development of sales during the financial year and assessed the impact of the COVID-19 pandemic on business. Despite the pandemic, sales continued to grow strongly on an annual basis and the Company continued to renovate its restaurants and open new ones together with the franchisees. The Company has proved to survive the pandemic relatively well, relying on the strengths of its business and focusing on hygiene and safety of both customers and staff. The Company's management will continue to monitor the development of the pandemic but assumes that during 2022 the effects of the pandemic will weaken and restrictions on the industry will be removed.

The Company's management also actively monitors the current situation in Ukraine and regularly assesses its potential impact and risks on the Company's business. The Company has no business activity in Ukraine nor in Russia.

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Anders Torbjörn Hägg

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