Food Folk Danmark ApS

Falkoner Alle 20
2000 Frederiksberg

CVR no. 24 21 40 87

Annual report 2019

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

on 1 April 2020

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chairman of the annual general meeting

Contents

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 2019.

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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019.

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, 1 April 2020

Executive board:

Mads Friis

Board of directors:

Mads Friis
Chairman

KPMG

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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 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 2019 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 scepticism throughout the audit. We also:

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

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report (continued)

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

— 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, 1 April 2020

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Niels Vendelbo
State Authorised
Public Accountant
MNE no. 34532

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

Managing Director

Mads Friis

Auditor

KPMG
Statsautooriseret revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen

Annual general meeting

The annual general meeting will be held on 1 April 2020.

Financial highlights

DKK'000	2019	2018	2017	2016	2015*
Key figures					
Revenue	457 068	414 321	381 641	421 706	421 702
Operating profit	176 963	156 422	123 129	159 327	113 945
Net financials	(8 015)	(22 725)	(18 032)	(29)	(204)
Profit for the year	124 601	103 523	82 293	124 513	87 545
Balance sheet total	1 866 917	1 378 918	1 437 751	1 431 549	909 049
Investments in property, plant and equipment	23 983	13 851	1 814	34 344	47 394
Equity	456 544	529 730	554 207	1 153 589	792 827
Financial ratios					
Return on assets	10,9	11,1	8,6	13,6	12,5
Equity ratio	24,5	38,4	38,5	80,6	87,2
Return on equity	25,3	19,1	9,6	12,8	11,1
Average number of full-time employees	56	57	51	134	303

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

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

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

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

Return on equity
$$\frac{profit/loss\ for\ the\ year\ x\ 100}{Average\ equity}$$

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 subsidy of McDonald's Corporation, but was acquired by Food Folk Danmark Holdings ApS on 31/3-2017.

By the end of 2019, Food Folk had 88 licensed McDonald's restaurants in Denmark, all operated by 22 independent franchisees on contract for the operation of the individual restaurants for a period of up to 20 years. The total number of McDonald's restaurants was unchanged compared to 2018.

Unusual circumstances

To the management's knowledge, no unusual circumstances have occurred during 2019.

Events after the balance sheet date

We acknowledge the risk caused by Covid-19 outbreak after the reporting date. However, it does not materially affect the company's financial position at 31 December 2019, because there were no existing uncertainties at this time giving any implications or adjusting the financial position.

Development in activities and financial position

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

During 2019, the McDonald's restaurants in Denmark increased system wide sales* by 9.6% (2018: +7.5%)

The Company realized a revenue increase of 10.3% compared to the previous year (2018: +9%), mainly driven by a combination of increased System Wide Sales and franchised income from franchised restaurants.

Operating profit for the year increased by DKK 20,541 thousand to DKK 176,963 thousand (2018: DKK 156,422 thousand) which corresponds to an increase of 13.1%. The increase in operating income is primarily driven by higher sales whereas operating expenses are in line with last year.

The result of the year increased by DKK 21,078 thousand to a total of DKK 124,601 thousand (2018: DKK 103,523 thousand), which corresponds to a increase of 20.4%.

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

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

Outlook

In February / March 2020, Covid-19 broke out in Europe and this will have an impact on Food Folk Denmark Aps full-year result for 2020. At the time of rendering of accounts, it is not possible to predict the extent of that impact in a reliable way more than to mention it will have a significant negative impact. Food Folk Denmark Aps is following developments and the authorities' recommendations closely and is taking the measures that are deemed necessary to reduce the impact in the short and long term.

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 18.

Food Folk Corporate Social Responsibility

Food Folk Denmark's CSR strategy and initiatives

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

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

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

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

Risk

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

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

On environment we are aware that all companies have a task in the green transition, which is why we have implemented new packaging and contributed to counter littering in Denmark in several years including 2019.

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

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

Impact on climate

We continuously aim to lessen our carbon footprint. Food production has a significant impact on climate change. This is why we aimed to lessen our food waste, when we rebuilt 77 restaurants out of 88 in 2017-2019 - now redesigned to the new made-to-order system. The impact is already visible. Last year alone, the food waste decreased 9.3%, whilst the business grew in sales.

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

Food Folk Corporate Social Responsibility (continued)

Human rights

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

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

All suppliers, for which Food Folk Danmark is considered responsible, passed their audits in 2019. All global suppliers are connected to one McDonald's market, who is responsible for their auditing.

Environment

We continuously evaluate our packaging and look for greener alternatives – to save on plastics, harmful waste, and CO2. In 2019, Food Folk conducted tests with paper straws in Norway and plastic trays out of marine plastic litter. These tests will likely result in new packaging on one or several areas of McDonald's in Denmark in 2020.

McDonald's in Denmark wish to make a difference on littering too. In 2019, we raised our financial commitment to our co-founded NGO 'Keep Denmark Clean'. In their project called 'Clean Nature' they organized 329 routes of litter collection in 2019. A total of 30 municipalities participated along with over 6000 volunteers. We are proud of their success and monitor the project closely.
In 2019 we continued our 'one block policy', entailing employees to collect litter in the immediate area surrounding each restaurant. The one block policy results in McDonald's staff continuously helping the local area keeping the streets clean not only for McDonald's own litter, but also the society's general littering.

Furthermore, McDonald's is continuing to work for animal welfare by focusing on a cage eggs phase out. In 2018, McDonald's laid the foundation for removing cage eggs and during 2019 the process was done and McDonald's in Denmark is now completely cage eggs free – also when it comes to so called hidden eggs, e.g. in sauces, dressings and cakes.

Anti-corruption and bribery

All employees at the headquarters of McDonald's in Denmark have previously conducted a yearly e-learning course on how to avoid corruption and bribery. In 2019 and 2020 McDonald's in the Nordics will develop a specific Nordic policy on anti-corruption and Code of Conduct. A new scheme is thus in the making to further improve this area in McDonald's.

Social and staff matters

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

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

Our optional educations are created in collaboration with external academies in Denmark. Thus, we offer our employees a unique opportunity to combine work and education. In 2019, 199 employees were enrolled in one of our external education programs.

Furthermore, McDonald's corporates closely with KLAPjob, which is part of LEV, an organization for people with cognitive disabilities. Since 2014, McDonald's has hired 76 people with cognitive disabilities. LEV states, that they are very happy with the cooperation and that the disabled citizens enjoy a great welcome every time in the restaurants.

Gender diversity

At the management level, the gender ratio of managers are 53.3% females and 46.7% males. For the future, a similar approx. 50/50 split between genders is expected to be continued.

The board consists of one male director.

Statement of profit or loss and other comprehensive income

DKK'000	Note	2019	2018 *
Revenue	1	**457 068**	**414 321**
Other external expenses	3	(167 956)	(177 319)
Depreciation, amortisation and impairment	8, 9	(69 337)	(43 119)
Staff cost	4	(40 920)	(40 163)
Other operating income, net	2	(1 892)	2 702
Total expenses		**(280 105)**	**(257 899)**
Operating profit or loss		**176 963**	**156 422**
Financial income	5	59 336	0
Financial expense	6	(67 351)	(22 725)
Net finance expenses		**(8 015)**	**(22 725)**
Share of profit of equity accounted investees, net of tax	10	(32)	(72)
Profit or loss before tax		**168 916**	**133 625**
Tax for the year	7	(44 315)	(30 102)
Profit or loss		**124 601**	**103 523**
Attributable to			
Reserves		124 601	103 523
Profit or loss		**124 601**	**103 523**
Statement of comprehensive income			
Profit or loss		124 601	103 523
Other comprehensive income for the year, net of income tax		**0**	**0**
Comprehensive income for the year		**124 601**	**103 523**

* The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of application.

Statement of financial position at 31 December

DKK'000	Note	**2019**	**2018** *
Assets			
Non current assets			
Property, plant and equipment	8	1 669 052	1 227 221
Intangible assets	9	9 329	7 689
Investments in associates	10	109	140
		1 678 490	**1 235 050**
Current assets			
Trade and other receivables	12	70 206	74 773
Receivables from related parties	22	115 421	69 095
Tax receivable		2 800	0
Cash and cash equivalents	13	0	0
		188 427	**143 868**
Total Assets		**1 866 917**	**1 378 918**
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	14	30 000	30 000
Proposed dividends	14	0	0
Retained earnings		426 544	499 730
Total equity		**456 544**	**529 730**
Non current liabilities			
Other interest-bearing loans and borrowings	15	1 075 795	542 719
Provisions	16	13 677	18 821
Deferred tax liabilities	11	174 079	157 545
		1 263 551	**719 085**
Current liabilities			
Other interest-bearing loans and borrowings	15	64 483	25 890
Trade and other payables	17	74 995	102 694
Payables to related parties	22	6 720	774
Tax payable		0	245
Provisions	16	624	500
		146 822	**130 103**
Total liabilities		**1 410 373**	**849 188**
Total equity and liabilities		**1 866 917**	**1 378 918**

* The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of application.

Statement of changes in equity

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

DKK'000	Share capital	Proposed dividends	Retained earnings	Total equity
Balance at 1 January 2019	30 000	0	499 730	529 730
Profit or loss	0	0	124 601	124 601
Total comprehensive income for the period	**0**	**0**	**124 601**	**124 601**
Adjustment on initial application of IFRS 16 (net of tax)	0	0	27 213	27 213
Transactions with owners, recorded directly in equity:				
Dividends	0	0	0	0
Interim dividend	0	0	(225 000)	(225 000)
Total contributions by and distributions to owners	**0**	**0**	**(197 787)**	**(197 787)**
Balance at 31 December 2019	**30 000**	**0**	**426 544**	**456 544**

* The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of application.

Statement of cash flows

DKK'000	Note	**2019**	**2018** *
Cash flow from operating activities			
Profit for the year		124 601	103 523
Adjustments for:			
Depreciation, amortisation and impairment		69 337	43 119
Financial income		(59 336)	0
Financial expense		67 351	22 725
Share of profit of equity accounted investees, net of tax		32	72
Other income/expense non-monetary		1 819	0
(Gain)/loss on sale of property, plant and equipment		73	(257)
Taxation		44 315	30 102
		123 591	**95 761**
Decrease/increase in trade and other receivables	12	6 273	(3 095)
Decrease/increase in trade and other payables	17	7 190	8 359
Decrease/increase in related parties balances	22	5 597	(3 675)
Decrease/increase in provisions	16	(800)	(13 132)
		18 260	**(11 543)**
Tax paid		(38 501)	(30 800)
		(38 501)	**(30 800)**
Net cash from operating activities		**227 951**	**156 941**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	8	0	4 000
Acquisition of property, plant and equipment	8	(22 397)	(13 851)
Acquisition of intangible assets	9	(4 789)	(1 248)
Net cash from investing activities		**(27 186)**	**(11 099)**
Cash flows from financing activities			
Proceeds from new loan	24	750 033	0
Change in restricted cash	13	0	52 192
Change in cash-pooling balances	22	(45 977)	(68 635)
Interest paid		(21 239)	(20 966)
Financing transaction cost		(10 420)	0
Repayment of borrowings	24	(611 797)	(26 937)
Payment of lease liabilities (interest portion)	24	(13 373)	0
Payment of lease liabilities (principal portion)	24	(22 992)	0
Dividends paid	14	(225 000)	(127 042)
Net cash from financing activities		**(200 765)**	**(191 388)**
Net increase/decrease in cash and cash equivalents		0	(45 546)
Cash and cash equivalents at 1 January		0	45 546
Effect of exchange fluctuations on cash held		0	0
Cash and cash equivalents at 31 December	13	**0**	**0**

* The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of application.

Basis of preparation

Reporting entity

Food Folk Danmark ApS is a limited liability company domiciled in Denmark.
The financial statements for the period 31 December 2018 and 31 December 2019 comprise the financial statements for Food Folk Danmark ApS.

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

The Board of Directors and the Managing Director discussed and approved the Financial Statements for 2019 of Food Folk Danmark ApS on 1 April 2020.

Accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except for the implementation of IFRS16 Leases as described in the section below.

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 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and additional requirements in the Danish Financial Statements Act.

This is the first set of financial statements in which IFRS 16 Leases has been adopted. Changes to significant accounting policies are described below.

Details of the accounting policies are included below.

Changes in significant accounting policies

The Company initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards (as IFRIC 23) are also effective from 1 January 2019 but they do not have a material effect on the Company’s financial statements.

Adoption of IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees.
A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.
IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.
Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented as previously reported, under IAS 17 and related interpretations.

The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration.
On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

The Company leases mainly properties.

The Company presents right-of-use assets that do not meet the definition of investment property in "Property, plant and equipment", the same line item as it presents underlying assets of the same nature that it owns.

The Company presents lease liabilities in "Other interest-bearing loans and borrowings" in the statement of financial position.

Basis of preparation (continued)

i. Significant accounting policies

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, and subsequently at cost less any accumulated depreciation and impairment losses, 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 Company's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Company classified property leases as operating leases under IAS 17.

At transition, lease liabilities are measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and the book value of the contra asset to the Dilapidation provision. In addition, since the payments due under the lease are already included in the lease liability, the Onerous contract provision has not been recognized anymore but reclassified against the right-of-use assets as an impairment as at 1 January 2019.

Lease incentives and other straight lining effects are included in the lease liability, resulting in the straight lining asset/liability to be derecognised against retained earnings at the transition date.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Company used the following practical expedients when applying IFRS 16:

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

C. As a lessor

The Company leases out part of its properties, including right-of-use assets. The Company has classified these leases as operating leases.

The accounting policies applicable to the Company as a lessor are not different from those under IAS 17. However, when the Company is an intermediate lessor, the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company is not required to make any adjustment on transition to IFRS 16 for leases in which it acts as a lessor.

The Company sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases.

On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented according to point B above, while sub-lease contracts are classified as operating leases under IFRS 16.

D. Impacts on financial statements

i. Impacts on transition

On transition to IFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in the retained earnings. The impact on transition is summarised below:

Financial statements line item	***Derecognition***	***Recognition of lease***	**DKK'000 1 January 2019**
Right-of-use assets (presented in Property, plant and equipment)	(6 548)	490 750	484 202
Prepaid expense (presented in Trade and Other Receivables)	-	(645)	(645)
Deferred taxes	(7 675)	-	(7 675)
Straight-line lease liability (presented in Trade and Other Payables)	34 888	-	34 888
Onerous contracts (presented in Long term provisions)	6 548	-	6 548
Financial Lease liabilities	-	(490 105)	(490 105)
Retained earnings	(27 213)	-	(27 213)

Basis of preparation (continued)

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 2.7%.

	DKK'000
Operating lease commitment at 31 December 2018 as disclosed in the Company's financial statements	172 297
Discounted using the incremental borrowing rate at 1 January 2019	143 331
Finance lease liabilities recognised as at 31 December 2018	-
Recognition exemption for leases of low-value assets	(2 652)
Recognition exemption for leases with less than 12 months of lease term at transition	-
Extension options reasonably certain to be exercised	349 427
Lease liabilities recognised at 1 January 2019	**490 105**

ii. Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised as at 31 December 2019:

	DKK'000
- Right-of-use assets (presented in Property, plant and equipment - see note 8)	459 206
- Prepaid expense (presented in Trade and Other Receivables)	(660)
- Financial Lease liabilities (presented in Other interest-bearing loans and borrowings - see note 15)	(468 195)

Also, in relation to those leases under IFRS 16, during the year ended 31 December 2019, the Company has recognised:

	DKK'000
- depreciation charges and impairment reversal	27 257
- interest costs	13 096
- (instead of) operating lease expense	(36 366)

Expenses recognized among "Other external expenses" during 2019, excluded from the application of IFRS16, are:

	DKK'000
- variable lease payments not included in the measurement of lease liabilities	1 959
- expenses relating to other short-term leases	-
- expenses relating to leases of low-value assets	1 730
- other expenses	14

iii. Variable lease payments based on sales

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 2019 were as follows:

	DKK'000
Fixed payments	1 568
Variable payments	1 959
Total lease payments based on sales	**3 527**

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

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 control.

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 McDonald's to close a specific restaurant.

As a consequence, all available extension options have already been 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 therefore be disclosed.

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 2020. The approved, though not yet effective, standards and IFRICs will be applied as they become mandatory for the Company.

Basis of preparation (continued)

Use of judgements and estimates
In preparing the financial statements, Management has made judgements, estimates and assumptions that affect how the Company's accounting policies are applied and the amount of assets, liabilities, income and expenses reported. The actual results may deviate from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

Gross vs. net recognition of royalty income and out-of-pocket expenses
Food Folk both receives royalty income from the sub-franchisees and pays royalty income to McDonald's. These amounts represent the fees for using the McDonald's brand and intellectual property.

McDonald's has stipulated that Food Folk is required to charge its sub-franchisee a fixed percentage of systemwide sales as a royalty expense.

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

Costs and fees (out-of-pocket expenses) related to leaseholds that are used by sub-franchisees are invoiced with no mark-up to the sub-franchisee, and recognised net of payments received from franchisees.
Based on the indicators in IFRS 15 management has assessed that Food Folk is acting as an agent (requiring out-of-pocket costs to be recognised net). This is substantiated by the fact that other parties are primary responsible for providing the services related to the out-of-pocket costs and that the price for the services related to the out-of-pocket costs are not determined by Food Folk.

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

Minimum lease term
The lease term has an impact on the accounting for:
— right-of-use assets
— 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 2019:

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

Provisions
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 systemwide sales in restaurants, cost per square meter for restoring leaseholds and the discount rate used to calculate the present value of the future cash flows. Please refer to note 16 for more details related to the provisions.

Significant accounting policies

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

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 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 operating income, net

Other operating income, net is secondary to the principal activities of the Company and includes gains and losses on disposal of intangible assets and property, plant and equipment.

Raw materials and consumables

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

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.

Significant accounting policies (continued)

Financial income and expenses

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

Positive changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included. Financial expenses comprise interest, losses on transactions denominated in foreign currencies, amortisation of financial liabilities, including finance lease commitments, and surcharges under the Danish tax prepayment scheme, etc. Negative changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Share of profit of equity accounted investees

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

Tax for the year

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

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

Statement of financial position

Property, plant and equipment

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

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries. The present value of estimated liabilities related to restoring leaseholds is added to the cost of leasehold improvements or buildings if the liabilities are provided for.

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

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

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

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

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

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

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

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

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

Significant accounting policies (continued)

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 activities, net.

Investments in associates

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

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

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

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

Impairment of non-financial assets

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

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

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss under 'Depreciation and amortisation'. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

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.

Significant accounting policies (continued)

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

Cash and cash equivalents
Cash comprises cash balances and bank balances. Due to the nature of the scheme, balances in the Company's cash pool scheme are not considered cash but are recognised under 'Receivables from/Payables to related parties'.

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

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

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

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

Other liabilities are measured at net realisable value.

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
The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

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.

This policy is applied to contracts entered into, on or after 1 January 2019.

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 Group 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 'Other interest-bearing loans and borrowings' in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

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

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

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

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

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

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

Significant accounting policies (continued)

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	**2019**	**2018**
Sub-franchisee income (fixed)	143 050	141 063
Sub-franchisee income (variable)	314 018	273 258
Total revenues	**457 068**	**414 321**

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	**2019**	**2018**
Less than one year	136 927	128 876
Between one and five years	488 596	470 621
More than five years	1 151 330	1 121 874
Total leases as lessor	**1 776 853**	**1 721 371**

2 Other operating income, net

DKK'000	**2019**	**2018**
Net gain on disposal of property, plant and equipment	(73)	257
Other income/expense	(1 819)	2 445
Total other operating income, net	**(1 892)**	**2 702**

3 Other external expenses

DKK'000	**2019**	**2018**
Royalties and other fees	133 837	122 397
Lease expense	3 704	39 578
Other expenses	30 415	15 344
Total other external expenses	**167 956**	**177 319**

Fees to auditors and other operating expenses

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

4 Staff cost

DKK'000	**2019**	**2018**
Wages and salaries	37 370	36 765
Social security costs	657	533
Contributions to defined contribution plans	2 893	2 865
Total staff cost	**40 920**	**40 163**
Average number of full-time employees	56	57
Average number of key management personnel	1	1

Remuneration paid to Management in 2019 has been excluded from the financial statements with reference to section 98b(3) of the Danish Financial Statements Act.

5 Financial income

DKK'000		2019	2018
Other interest income	(see note 15)	59 336	0
Total finance income		**59 336**	**0**

6 Financial expense

DKK'000	2019	2018
Net foreign exchange loss	80	12
Interest on financial liabilities	52 482	21 309
Interest on financial lease liabilities	13 096	0
Interests on related parties liabilities	1 389	436
Unwinding of discounts	298	186
Other interest expense	6	782
Total	**67 351**	**22 725**

7 Tax for the year

Recognised in the income statement

DKK'000	2019	2018
Current year	35 456	31 044
Adjustments for prior years	0	493
Total current tax expense	**35 456**	**31 537**
Deferred tax expense		
Origination and reversal of temporary differences	8 859	(1 435)
Total deferred tax expense	**8 859**	**(1 435)**
Tax expense in income statement (excluding share of tax of equity accounted investees)	44 315	30 102
Total tax expense	**44 315**	**30 102**
Reconciliation of effective tax rate		
Profit or loss before tax	**168 916**	**133 625**
Tax using the corporation tax rate in Denmark of 22%	37 162	29 398
Non-deductible expenses	7 153	211
Under / (over) provided in prior years	0	493
Total tax expense	**44 315**	**30 102**

Notes *(continued)*

8 Property, plant and equipment

DKK'000	Land and buildings	Leasehold improvements	Right-of-use asset	Fixtures, fittings and equipment	Under construction	Total
Cost						
Balance at 1 January 2018	1 266 569	55 291	0	9 618	0	1 331 478
Other acquisitions	940	11 041	0	494	1 376	13 851
Disposals	(3 954)	53	0	(20)	0	(3 921)
Balance at 31 December 2018	**1 263 555**	**66 385**	**0**	**10 092**	**1 376**	**1 341 408**
Balance at 1 January 2019	1 263 555	66 385	0	10 092	1 376	1 341 408
Adjustment on initial application of IFRS 16	0	(688)	491 438	0	0	490 750
Other acquisitions	0	844	1 586	316	21 237	23 983
Transfer	0	265	0	190	(455)	0
Disposals / Other movements	0	0	0	(157)	(93)	(250)
Balance at 31 December 2019	**1 263 555**	**66 806**	**493 024**	**10 441**	**22 065**	**1 855 891**

DKK'000	Land and buildings	Leasehold improvements	Right-of-use asset	Fixtures, fittings and equipment	Under construction	Total
Depreciation and impairment						
Balance at 1 January 2018	62 149	6 359	0	4 422	0	72 930
Depreciation charge for the year	33 149	5 848	0	2 435	0	41 432
Disposals	(212)	53	0	(16)	0	(175)
Balance at 31 December 2018	**95 086**	**12 260**	**0**	**6 841**	**0**	**114 187**
Balance at 1 January 2019	95 086	12 260	0	6 841	0	114 187
Adjustment on initial application of IFRS 16	0	(13)	6 561	0	0	6 548
Depreciation charge for the year	32 064	5 752	33 805	1 115	0	72 736
Impairment losses/(reversal)	0	0	(6 548)	0	0	(6 548)
Disposals	0	0	0	(84)	0	(84)
Balance at 31 December 2019	**127 150**	**17 999**	**33 818**	**7 872**	**0**	**186 839**
Net book value						
At 31 December 2018	**1 168 469**	**54 125**	**0**	**3 251**	**1 376**	**1 227 221**
At 31 December 2019	**1 136 405**	**48 807**	**459 206**	**2 569**	**22 065**	**1 669 052**

Impairment loss and subsequent reversal

In 2019, 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 an impairment reversal on Tangible Assets of DKK 6,548 thousand. The estimate of value in use was calculated using a pre-tax discount rate of 11.9%.

Notes (continued)

8 Property, plant and equipment (continued)

Security

At 31 December 2019, properties with a carrying amount of DKK 1,101 million (2018: DKK 1,130 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 750 million.

9 Intangible assets

DKK'000	Contractual rights	Other	Total
Cost			
Balance at 1 January 2018	0	8 440	8 440
Other acquisitions – externally purchased	0	1 248	1 248
Transfer	4 658	(4 658)	0
Balance at 31 December 2018	**4 658**	**5 030**	**9 688**
Balance at 1 January 2019	4 658	5 030	9 688
Other acquisitions – externally purchased	0	4 789	4 789
Balance at 31 December 2019	**4 658**	**9 819**	**14 477**

DKK'000	Contractual rights	Other	Total
Amortisation and impairment			
Balance at 1 January 2018	0	315	315
Amortisation for the year	658	1 029	1 687
Disposals	0	(3)	(3)
Transfer	252	(252)	0
Balance at 31 December 2018	**910**	**1 089**	**1 999**
Balance at 1 January 2019	910	1 089	1 999
Amortisation for the year	658	2 491	3 149
Balance at 31 December 2019	**1 568**	**3 580**	**5 148**
Net book value			
At 31 December 2018	**3 748**	**3 941**	**7 689**
At 31 December 2019	**3 090**	**6 239**	**9 329**

10 Investments in associates

DKK'000	**Profit after tax**	**Other comprehen-sive income**	**Total comprehen-sive income**	**Investment in subsidiaries**
Associates	(32)	0	(32)	109

		Legal form	Domicile	Interest %	Equity	Net result
*	I/S Fællesskiltning	I/S	Denmark	41.5%	236	(76)
	McDonald's Marketing Coop Danmark A/S	AS	Denmark	1.1%	-	-

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

11 Deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**	
DKK'000	**2019**	**2018**	**2019**	**2018**
Property, plant and equipment	(2 304)	0	165 276	168 682
Intangible assets	0	0	1 575	1 063
Interest-bearing loans and borrowings	0	(278)	12 542	0
Provisions	(3 010)	(11 922)	0	0
Other	0	0	0	0
Tax (assets) / liabilities	**(5 314)**	**(12 200)**	**179 393**	**169 745**
Net of tax liabilities/(assets)	5 314	12 200	(5 314)	(12 200)
Net tax (assets) / liabilities	**0**	**0**	**174 079**	**157 545**

Movement in net deferred tax during the year

DKK'000	**2019**	**2018**
Opening balance	157 545	158 980
Recognised in equity (adjustment on initial application of IFRS 16)	7 675	0
Recognised in profit or loss	8 859	(1 435)
31 December	174 079	157 545
Total movement	**16 534**	**(1 435)**

12 Trade and other receivables

DKK'000	**2019**	**2018**
Trade receivables	52 960	52 316
Deposits	7 430	7 553
Prepayments	6 940	6 052
Other receivables	2 876	8 852
Total trade and other receivables	**70 206**	**74 773**

Notes *(continued)*

13 Cash and cash equivalents

DKK'000	**2019**	**2018**
Cash and cash equivalents	0	0
Total cash and cash equivalents	**0**	**0**

14 Share capital

DKK'000	**Ordinary shares 2019**	**2018**
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 2019**	**2018**
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 change 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	**2019**	**2018**
DKK 3,750 (2018: 633 and 1,500) per qualifying ordinary share	225 000	128 000

15 Other interest-bearing loans and borrowings

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

DKK'000	2019	2018
Non-current other interest-bearing loans and borrowings		
Secured bank loans	631 276	542 719
Financial lease liabilities	444 519	0
Total non-current other interest-bearing loans and borrowings	**1 075 795**	**542 719**
Current other interest-bearing loans and borrowings		
Secured bank loans	40 807	25 890
Financial lease liabilities	23 676	0
Total current other interest-bearing loans and borrowings	**64 483**	**25 890**

In July 2019, the Company together with the Food Folk Group completed the refinancing process started by the end of 2018. Two new facilities (A2-B2) have been obtained for a total amount of DKK 171 mln, while the original one (B1) has been renegotiated in Sep 2019 with a positive impact due to the derecognition of the liability for an amount of DKK 59 mln booked within the "financial income" line (see Note 5).

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
DKK'000				2019	2019
Danske Bank A/S - Facility A2	DKK	Variable	2024	18 888	18 400
Realkredit Danmark - Facility B1	DKK	0.56%	2034	569 782	511 309
Realkredit Danmark - Facility B2	DKK	0.91%	2037	148 344	142 374
Total				**737 014**	**672 083**

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

16 Provisions

DKK'000	Dilapidation	Onerous contract	Total
Balance at 1 January 2019	12 773	6 548	19 321
Adjustment on initial application of IFRS 16	0	(6 548)	(6 548)
Provisions made during the year	1 730	0	1 730
Provisions used during the year	(500)	0	(500)
Unwinding of discounted amount	298	0	298
Balance at 31 December 2019	**14 301**	**0**	**14 301**
Non-current	13 677	0	13 677
Current	624	0	624
Balance at 31 December 2019	**14 301**	**0**	**14 301**

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.

17 Trade and other payables

DKK'000	2019	2018
Trade payables	22 885	24 309
Interest payable	81	0
Deposits received	9 401	9 439
VAT & duties	8 175	8 237
Payroll related	15 599	12 232
Other payables and accrued expenses	18 854	48 477
Total trade and other payables	**74 995**	**102 694**

18 Financial instruments

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

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

18 (a) Fair values of financial instruments

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

DKK'000	2019	2018
Cash and cash equivalents	0	0
Receivables from related parties	115 421	69 095
Trade and other receivables	70 206	74 773
Total financial assets at amortised cost	**185 627**	**143 868**
Financial assets used as hedging instruments	0	0
Financial assets designated as fair value through profit or loss	0	0
Total financial assets	**185 627**	**143 868**
* Other interest-bearing loans and borrowings	672 083	568 609
Trade and other payables	74 995	102 694
Payables to related parties	6 720	774
Provisions	14 301	19 321
Total financial liabilities at amortised cost	**768 099**	**691 398**
Financial liabilities used as hedging instruments	0	0
Financial liabilities designated as fair value through profit or loss	0	0
Total financial liabilities	**768 099**	**691 398**
Total net financial instruments	**(582 472)**	**(547 530)**

* Note: for the current year the fair value disclosure of lease liabilities is not required.

The fair value of financial instruments is deemed to be materially equivalent to the carrying value, except for other interest-bearing loans and borrowings. The fair value of other interest-bearing loans and borrowings for the Company is DKK 859,217 thousand.

18 Financial instruments (Continued)

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

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

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

18 (b) Credit risk

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

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

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

The Company also has a limited credit risk arising from trade receivables, which represent outstanding fees receivable. The risk is limited due to short payment terms and no receivables being past due. The Company has not realised any credit losses in 2019.

18 (c) Liquidity risk

Financial risk management

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

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

31 December 2019

DKK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to 5 years	over 5 years
Non-derivative financial liabilities						
Secured bank loans	672 083	859 217	63 777	63 039	186 699	545 702
Payables to related parties	6 720	6 720	6 720	0	0	0
Trade and other payables	74 995	74 995	74 995	0	0	0
Total	**753 798**	**940 932**	**145 492**	**63 039**	**186 699**	**545 702**

31 December 2018

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

18 Financial instruments (Continued)

18 (d) Market risk

Market risk - Foreign currency risk

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

Market risk - Interest rate risk

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

DKK'000	2019	2018
Fixed rate instruments		
Financial assets	0	0
Financial liabilities	(653 683)	(568 609)
Total fixed rate instruments	**(653 683)**	**(568 609)**
Variable rate instruments		
Financial assets	114 612	68 635
Financial liabilities	(18 400)	0
Total variable rate instruments	**96 212**	**68 635**

Sensitivity analysis
A change of 100 basis points in interest over the year would have increased/decreased the result for the year by DKK 962 thousand (2018: DKK 686 thousand). The analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of all financial instruments with variable interest rates.

18 (e) Capital management

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

The capital structure of the Company consists of net debt, which includes the borrowings disclosed in note 15 after deducting cash and cash equivalents, and equity attributable to the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

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

19 Leases

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

Non-cancellable lease rentals are payable as follows:

DKK'000	2019	2018
Less than one year	35 364	32 671
Between one and five years	58 825	56 108
More than five years	71 865	83 518
Total non-cancellable lease rentals	**166 054**	**172 297**

20 Commitments

Capital commitments

During the year ended 31 December 2019, the Company entered into contracts to purchase property, plant and equipment for DKK 5,450 thousand (2018: DKK 4,058 thousand).

Off-balance sheet arrangements

The Company is jointly and severally liable with the co-owners of I/S Fællesskiltning for the partnership's obligations. The total statement of financial position amounts to DKK 264 thousand at year end (2018: DKK 337 thousand).

Other guarantees amount to DKK 7,909 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 Falkoner Allé 20, 2000 Frederiksberg, Denmark.

Key management personnel compensation

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

Group related party transactions

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.

DKK'000	*Sale of services* **2019**	*Royalties* **2019**	*Purchase of services* **2019**	*Interest income* **2019**	*Interest expenses* **2019**
Food Folk Group Holdings AS	3 011	0	(7 215)	0	(1 389)
Food Folk Norge Holdings AS	50	0	0	0	0
Food Folk Holdings Danmark ApS	50	0	0	0	0
Food Folk Holdings Suomi Oy	50	0	0	0	0
Food Folk Holdings Sverige AB	50	0	0	0	0
Food Folk Norge AS	4 600	0	(705)	0	0
Zero Five AS	732	0	0	0	0
Food Folk Suomi Oy	4 597	0	0	0	0
Food Folk Sverige AB	277	0	(5 472)	0	0
Total	**13 417**	**0**	**(13 392)**	**0**	**(1 389)**

Notes (continued)

22 Related parties (continued)

DKK'000	*Loans payable outstanding* 2019	*Cash-pooling balances* 2019	*Receivables outstanding* 2019	*Payables outstanding* 2019	*Dividends paid* 2019
Food Folk Group Holdings AS	0	114 612	233	(545)	0
Food Folk Holdings Danmark ApS	0	0	0	(5 551)	(225 000)
Food Folk Norge AS	0	0	247	(34)	0
Zero Five AS	0	0	34	0	0
Food Folk Suomi Oy	0	0	241	0	0
Food Folk Sverige AB	0	0	54	(590)	0
Total	**0**	**114 612**	**809**	**(6 720)**	**(225 000)**

DKK'000	*Sale of services* 2018	*Royalties* 2018	*Purchase of services* 2018	*Interest income* 2018	*Interest expenses* 2018
Food Folk Group Holdings AS	2 383	0	(4 147)	0	(436)
Food Folk Norge Holdings AS	50	0	0	0	0
Food Folk Holdings Danmark ApS	50	0	0	0	0
Food Folk Holdings Suomi Oy	50	0	0	0	0
Food Folk Holdings Sverige AB	50	0	0	0	0
Food Folk Norge AS	4 275	0	0	0	0
Zero Five AS	523	0	0	0	0
Food Folk Suomi Oy	2 609	0	0	0	0
Food Folk Sverige AB	1 393	0	(6 751)	0	0
Total	**11 383**	**0**	**(10 898)**	**0**	**(436)**

DKK'000	*Loans payable outstanding* 2018	*Cash-pooling balances* 2018	*Receivables outstanding* 2018	*Payables outstanding* 2018	*Dividends paid* 2018
Food Folk Group Holdings AS	0	68 635	0	(774)	0
Food Folk Norge Holdings AS	0	0	0	0	0
Food Folk Holdings Danmark ApS	0	0	0	0	(128 000)
Food Folk Norge AS	0	0	70	0	0
Food Folk Suomi Oy	0	0	70	0	0
Food Folk Sverige AB	0	0	320	0	0
Total	**0**	**68 635**	**460**	**(774)**	**(128 000)**

23 Subsequent events

We acknowledge the risk caused by Covid-19 outbreak after the reporting date, which could potentially impact the financial statement of 2020. However, it does not materially affect the company’s financial position at 31 December 2019, because there were no existing uncertainties at this time giving any implications or adjusting the financial position.

24 Changes in liabilities from financing activities

DKK'000	Opening balance	IFRS 16 initial application	Cash flows	Non-cash transactions	Closing balance
2019					
Debt to credit institutions	542 719	0	150 862	(62 305)	631 276
Financial lease liabilities	0	463 299	(36 365)	17 585	444 519
Long-term liabilities	**542 719**	**463 299**	**114 497**	**(44 720)**	**1 075 795**
Debt to credit institutions	25 890	0	(20 519)	35 436	40 807
Financial lease liabilities	0	26 806	0	(3 130)	23 676
Short-term liabilities	**25 890**	**26 806**	**(20 519)**	**32 306**	**64 483**
Liability from financing activities for 2019	**568 609**	**490 105**	**93 978**	**(12 414)**	**1 140 278**
2018					
Debt to credit institutions	568 608	0	(26 937)	1 048	542 719
Long-term liabilities	**568 608**	**0**	**(26 937)**	**1 048**	**542 719**
Debt to credit institutions	25 365	0	0	525	25 890
Short-term liabilities	**25 365**	**0**	**0**	**525**	**25 890**
Liability from financing activities for 2018	**593 973**	**0**	**(26 937)**	**1 573**	**568 609**

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"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

Mads Kaad Friis
Adm. direktør
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