Sticks 'n' Sushi Holding A/S

Nansensgade 49, DK-1366 Copenhagen

Annual Report for 1 July 2018 - 30 June 2019

CVR No 32 83 85 02

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/11 2019

Jakob Vestergaard Jensen
Chairman of the General Meeting

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Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Sticks 'n' Sushi Holding A/S for the financial year 1 July 2018 - 30 June 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 June 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018/19.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 28 November 2019

Executive Board

Andreas Karlsson
CEO

Board of Directors

Jens Aaløse Chairman	Roderick Wallace Mckie	Thorkil Ernst Brzuchanski Rewers Andersen
Carsten Kaag	Erik Preben Holm	Thomas Riis

Independent Auditor's Report

To the Shareholders of Sticks 'n' Sushi Holding A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 30 June 2019 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 July 2018 - 30 June 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Sticks 'n' Sushi Holding A/S for the financial year 1 July 2018 - 30 June 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 are independent of the Group 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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 and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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

Independent Auditor's Report

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Hellerup, 28 November 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Ulrik Ræbild statsautoriseret revisor mne33262	Josephine Kilsgaard Holm statsautoriseret revisor mne44114

Company Information

The Company	Sticks 'n' Sushi Holding A/S Nansensgade 49 DK-1366 Copenhagen CVR No: 32 83 85 02 Financial period: 1 July - 30 June Municipality of reg. office: Copenhagen
Board of Directors	Jens Aaløse, Chairman Roderick Wallace Mckie Thorkil Ernst Brzuchanski Rewers Andersen Carsten Kaag Erik Preben Holm Thomas Riis
Executive Board	Andreas Karlsson
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2018/19	2017/18	2016/17	2015/16	2014/15
	kDKK	kDKK	kDKK	kDKK	kDKK
Key figures					
Profit/loss					
Revenue	538.905	494.747	449.224	423.767	350.949
Gross profit/loss	266.747	254.731	239.090	220.309	185.892
EBITDA	10.613	25.636	32.412	24.823	24.917
Profit/loss before financial income and expenses	-18.283	2.543	11.718	4.805	10.021
Net financials	-2.489	-2.138	-4.369	-6.513	3.535
Net profit/loss for the year	-15.766	-1.238	-1.900	-644	9.829
Balance sheet					
Balance sheet total	189.508	178.381	163.180	132.441	123.257
Equity	23.602	35.461	36.776	39.020	40.600
Equity, incl. subordinate loan	48.700	35.461	36.776	39.020	40.600
Cash flows					
Cash flows from:					
- operating activities	29.029	22.862	36.127	11.355	40.353
- investing activities	-32.951	-46.741	-27.897	-30.628	-51.551
including investment in property, plant and equipment	-27.394	-43.629	25.982	28.535	47.276
- financing activities	24.939	-482	-432	482	-97
Change in cash and cash equivalents for the year	21.017	-24.361	7.798	-18.791	-11.295
Number of employees	913	792	692	656	419
Ratios					
Gross margin	49,5%	51,5%	53,2%	52,0%	53,0%
Solvency ratio	12,5%	19,9%	22,5%	29,5%	32,9%
Solvency ratio 2, incl. subordinate loan	25,7%	19,9%	22,5%	29,5%	32,9%
Return on equity	-53,4%	-3,4%	-5,0%	-1,6%	27,8%
Revenue per employee	590	625	649	646	627

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management’s Review

Primary activities

Sticks’n’Sushi produces and serves healthy high-quality food of the "affordable luxury" category based on a unique combination of traditional sushi and yakitori sticks rooted in Japanese as well as Danish gastronomical traditions. In the later years, a more “green line” has been introduced with salads, starters and more vegetarian menus also including bioorganic wines and soft drinks.

The first Sticks’n’Sushi restaurant was opened in March 1994 at Nansensgade 59 in Copenhagen and has since been followed by 11 more restaurants in the Greater Copenhagen Area, 9 in and around London with Soho opening in October 2019 and one in Berlin. Every one of these restaurants, each having its own individual design and interior, forms a natural part of the local area environment which invites comfort and togetherness. As the latest addition we opened a new restaurant in King’s Road on London.

The Sticks’n’Sushi Group served in 2018/19 more than 2,2 million guests in our 21 restaurants or as takeaway. This requires high quality and hygiene standards, rigorous training of our staff and uniform processes. The more than 1.200 employees have all been through extensive introductory and product training courses to secure the continuous execution of high standards of quality and ensuring the best possible guest experience possible.

Beside our 22 restaurants the Group consists of a central kitchen at Rødovre, Copenhagen, with more than 25 employees who support the Group’s restaurants with semi-finished products, sauces and desserts etc. At “Baghuset” in Nansensgade 49, Copenhagen we have our office that covers managerial and administrative support functions as well as R&D functions.

Development in activities and finances

The income statement of the Group for 2018/19 shows a loss of kDKK 15,766, and at 30 June 2019 the balance sheet of the Group shows equity of kDKK 23,602.

In total the Group’s revenue grew year-on-year by DKK 44.2 million or 9.0% to bring revenue at DKK 538.9 million for 2018/19 compared with DKK 494.7 million in the financial year 2017/18. Like for like (organic growth) the revenue grew with DKK 17.8 million or 3.6% going from 2016/17 to 2017/18.

The financial year ended with an EBITDA of DKK 10.6 million equal to 2.0% of net sales against the comparable DKK 25.6 million or 5.2% of revenue in 2017/18. The fiscal year was heavily impacted by significant one-off costs related to restructuring of our organisation as well as extraction from previously engaged contractually property commitments. Given the significantly one-off costs the EBITDA for the fiscal year ended at only DKK 10.6 million. Increasing competition on especially the Danish market made the financial year 2018/19 an operational tough year. Beside increasing competition, increasing raw material prices and labour cost due to labour shortage have become a constant pressure on earnings margins over the last years.

Management's Review

Earnings before interest and tax (EBIT) amounting to a loss of DKK 18.3 million against a profit of DKK 2.5 million in 2017/18. Depreciations has increased with DKK 5.8 million compared to 2017/18 to bring depreciations to a total of DKK 28.9 million as a result of our continuous expansion.

Group net result for the year amounted to a loss of DKK 15.8 million compared to DKK 1.2 million loss for the financial year 2017/18.

The group have in 2018/19 opened a new restaurant in heart of London on King's Road. In 2018/19 the group have continued its long-term digital investment programme and besides a new point of sale system in all the group's restaurants a web shop platform has equally been launched in all three markets. Next step is to enhance our guest's digital experience with even more convenience and smoothness to meet the growing expectations from our guests in relation to online ordering of TakeAway food.

As the expectations for the year was an EBITDA at same level as previous year the Management is not satisfied with the result of the year, but confident that the one-off costs and investments done into organisation and property in 2018/19 will support the Group into continuing the expansion strategy in the years to come.

In October 2019 the group opened a new restaurant in Soho, London.

Capital resources

Based on current bank agreement and the budget prepared for the financial year 2019/20 Management is confident that the capital resources of the Group is in place and accurate for the entire financial year 2019/20. The Consolidated Financial Statements is prepared based on these assumptions.

Particular risks

Business related risks

Sticks'n'Sushi is of course subject to the usual risks of the restaurant industry such as changing economic trends, consumer preference changes and demand, food security and raw material supplies, etc. The desire for more organic and local produced products and improved sustainability in combination with resource shortages and usual increase in costs for raw material will provide pressure on the profitability. A challenge of Sticks'n'Sushi in the years on will be the task of finding new and improved alternatives on the raw material side.

Given we have a high exposure in UK, we must accept the risks derived from the Brexit vote and the subsequent lack of clarity it has created. We do not believe that Brexit have had or will have a serious negative effect on our existing business.

Beside from normal financial risk operating in the hospitality sector Sticks'n'Sushi is subject to usual financial risks from operating in three different markets and its related exchange rate risk.

Management's Review

Targets and expectations for the year ahead

In 2019/20 organic growth in our existing restaurants as well as operational excellence is the group's primary focus areas. We will to invest to strengthen our value chain into the restaurants, continue training our staff and implement uniform processes as well as investing into our brand. On top of opening of Soho in October 2019 we will start the process of searching for a second location in Germany to open in the beginning of 2021.

As we have seen our latest opened restaurants have proven to develop strongly as planned, we expect to see them continue contribute to a further increase of the revenue and operating profit for the group. The group expects to deliver an EBITDA for the financial year 2019/20 in the range between DKK 30 – 35 million.

Research and development activities

The group is continuing its investments into improving our guests' digital journey with the best online ordering experience for take-away and at the same time improving efficiency and scalability in our operation. End of 2018/19 the group started a restructuring project around our value chain set up to ensure better product quality as well as improving the agility and scalability of our central production facilities.

Environmental performance

Sustainability has always been a central part of Sticks'N'Sushi values and business model from food procurement of raw materials, waste management, efficient energy use and the daily operations in the kitchens right to the food which we serve for our guests.

Sticks'n'Sushi have a no-waste policy and aim to produce as little waste as possible. This goes both for our menu card engineering and in the daily operations.

Intellectual capital resources

The hotel and restaurant industry, domestically as well as internationally, generally experiences challenges in recruiting kitchen staff. However, we do have a good and stable pool of employees holding considerable competences within operation and development of the restaurants and total business concept of Sticks'n'Sushi. Human resource management and development holds a very high priority at Sticks'n'Sushi and is a decisive factor in attracting and retaining the best qualified employees that currently comprise as much as 45 different nationalities.

Statement of corporate social responsibility

Business model

In Sticks'n'Sushi, we have a holistic approach to CSR. With 22 restaurants (including Soho opened in October 2019) operating in 3 countries, behaving well and running sustainable restaurants is some-thing that is embedded in our philosophy and closely linked to our culture and values. We believe in a

Management's Review

responsible way of doing business that embraces everything from employees to purchasing, products and projects. We want to serve sublime food without compromising the well-being of animals or the environment. We take pride in decency and fairness, and we want to operate with care and foresight.

We call this a "People - Planet - Profit" approach, based on a triple bottom line philosophy.

Risk evaluation

Our work with sustainability is an endless journey and we don't want to pretend that we are totally redeemed. The truth is that a company can always improve. And we are working on it. One step at a time. Our CSR efforts are intended to contribute positively to both the well-being of employees, guests, surrounding communities and the restaurant industry.

In terms of anti-corruption and human rights Sticks'n'Sushi does not have specific policies relating to these areas since have a close relationship with all our suppliers and thus we have a high level of transparency when it comes to the value chain of all our products. As a member of REGA (the Restaura-teurs' Guarantee Association) we are being audited on a yearly basis within these two areas, and we have not yet had any remarks. Social responsibility and sustainability are two areas we are very con-cerned with, both of which feed into our "People – Planet – Profit" approach. We have several policies within these areas, which we strive to abide by every day, although we are aware that some goals take longer time to fulfill than other.

Policies, activities and results

We want to make a difference where we can and therefore, we wish to form sustainable partnerships that contribute to causes that go beyond the daily operation of Sticks'n'Sushi. We believe that the restaurant industry plays an important role in making demands to suppliers, and that we also have an obligation to support the local, sustainable producers that operate with the same level of transparency as we do – both when it comes to the environment, people and their financials. Establishing such collaborations often takes years of patience and dedication. Therefore, we have a long-term focus, when we go into dialogue with potential suppliers.

Our promise to our guests is to serve high quality food made with the best ingredients with great taste. When it comes to our products, we never compromise on quality, and are also willing to pay extra when it is needed. And we are transparent in terms of where our products come from and how they are produced. Rare fish will never be on our menu, and we sail well clear of grey areas. The fish being our key product is globally a vulnerable natural resource and many species are under threats of being overfished in addition to insufficient public regulation and control. We make sure that the fish which we choose to serve for our guests do not belong to species threatened by extinction, and furthermore that from fishing boat to plate the fish may be traceable in full.

As of the FY 18/19 we now have ASC certified hiramasa (Yellowtail Kingfish), and we are currently working on getting our tuna MSC certified, which we expect to pass during 2019/20. With our "People – Planet – Profit" philosophy in mind we are constantly moving closer to get all our fish and seafood certified. Adding the last two certifications to the list we have taken a huge step in this direction. We expect to add at least one or two extra fish certification beside the tuna to the list of certified fish in 2019/20.

We believe, that in the future, we will have less meat on the card, and want to continuously develop our menu to be comprised of organic, green ingredients. Today 84.5% of all our vegetables are organic and we aim to get 5 out of the remaining 9 vegetables organic before 2022. We believe that going organic and paying attention to animal welfare is the right path in a world where we put more and more pressure on our nature. Our chicken and pork come from welfare chicken and free-range pigs and the goal is that all meat also will be served organic.

We aim to change our products to local products as much as possible. In terms of production, we focus on local, sustainable productions and suppliers who put emphasis on animal welfare. In the 2018/19 we have been in close contact with our chicken and pork suppliers and we also make sure to constant explore al-ternatives hereunder new farmers and evaluate new initiatives, to ensure we continue to serve the best possible product. We strive to engage into partnerships that aim to strengthen good gastronomy, sustainable production methods and sustainable running of companies in general as part of our People - Planet – Profit philosophy.

We are continuously working on our packaging for take away food to ensure we have the best possible product – both for our guests and for the environment. Within the 2018/19 we have worked intensely to find alternatives to out current PET plastic containers. At this stage the PET plastic is the best solution, but we are hoping to have a new product ready for testing within the new fiscal year. During 2018/19 we have engaged in a partnership with an innovative science group from a local university to develop and test new types of sustainable packaging and we are expect-ing a full roll-out within the next two years, if the products meet our expectations in terms of food safety, transportation fitness and design.

We live in a culture, where we often use and throw away as we wish. We want to do things differently and be better at using our resources to the fullest. The Japanese term 'Mottainai' refers to the dislike of waste, and is the basis for our no-waste philosophy behind everything from menu engineering to daily operations, events etc. We want to provide a treat with no waste of culinary resources, and we want to be as sustainable as possible in our daily operations. We have a constant focus on reducing waste in our operation and have managed to reduce our general waste from our kitchens, cardboard waste and food waste significantly during 2018/19. We have reduced general kitchen waste with more than 10%, cardboard waste with more than 5% and food waste with more than 15%. We continue in 2019/20 to focus on initiatives that are reducing our waste further in all categories.

We strongly believe that a company that embraces diversity, tolerance and trust is very rich on the value and culture side. Since the beginning, we have employed people from all over the world, and hav-ing highly multicultural teams is something that we are proud of. We have around 45 nationalities on board, and we want to promote a diverse workforce, where people from near and far come together and work towards the same goals. We also want to take our part of the responsibility for helping vul-nerable groups in society becoming employed.

For many years we have been collaborating with Job Centres and local initiatives called High Five that helps ex-cons get back onto the job market. Despite the challenges in integrating diversities into our workforce, we are continuing the close work and dialogues with local initiatives to improve the integration process and thus hopefully employ and retain some great people in the future.

We focus on collaborating in networks of industry-colleagues, so we can influence the market on a bigger scale, e.g. with the organization REGA and Global Compact.

We are in the process to implement an online tool to measure employee satisfaction on a regular basis and with this new tool we can ensure to meet the demands from our employees and engage with them to improve our working conditions.

Statement on gender composition

It is our policy to continuously aim for the highest competence level for our employees and we strive to recruit the best qualified candidates regardless of gender, age, religion, ethnicity and/or sexual orientation. We want Sticks'n'Sushi to be an attractive workplace for both women and men with equal opportunity for career advancement and management promotions. It is equally important that the right competencies are present, and it is thus the company's policy to ensure qualified development and training – internal as well as external – in order to give aspiring men and women the best possible opportunities within the company. At all levels of the organisation we have internal classes and individual training programs for those who wish to advance and take their career to the next level. We offer leadership courses from both internal and external teachers to all aspiring leaders and encourage everyone including the underrepresented gender to attend.

We wish to employ, retain and develop the best qualified employees for the respective job positions within the Group irrespective of gender and age. Simultaneously, we want to achieve a good balance in the composition of gender, age and seniority realizing that the restaurant industry is an industry with a relatively high level of job rotation.

At the end of the financial year 2018/19 the gender composition at board level was as follows:

Board of Directors: 100% men

Last FY the composition at board level was 40% woman and 60% men and the goal for the FY of 18/19 was to keep a 40/60 ratio as a minimum level. This FY the board has changed, which has resulted in a composition of 100% men, as there were no female candidates running for the open board positions.

At the end of the financial year 2018/19 the gender composition of the management was as follows:

Management group: 80% men and 20% women

On management level the composition was 33,33% women and 66,66% men and the goal for this FY was to keep the ratio we had last year as a minimum. There have been some organisational changes, which has resulted in just one female employee remaining at management level. It is the objective of

Management's Review

Sticks'n'Sushi to raise the female ratio representation in both the board and management and we continue our work on recruiting females with the right experience and competencies. It is the groups' goal to obtain a ratio of 60/40 both on the board and management within the next three years and no later than end of FY 2022/23.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Income Statement 1 July - 30 June

	Note	Group 2018/19	Group 2017/18	Parent 2018/19	Parent 2017/18
		kDKK	kDKK	kDKK	kDKK
Revenue	1	**538.905**	**494.747**	**0**	**0**
Expenses for raw materials and consumables		-149.560	-143.590	0	0
Other external expenses		-122.598	-96.426	-117	-146
Gross profit/loss		**266.747**	**254.731**	**-117**	**-146**
Staff expenses	2	-256.134	-229.104	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-28.896	-23.084	0	0
Profit/loss before financial income and expenses		**-18.283**	**2.543**	**-117**	**-146**
Income from investments in subsidiaries		0	0	-17.572	-900
Financial income	4	435	0	298	181
Financial expenses	5	-2.924	-2.138	-416	-301
Profit/loss before tax		**-20.772**	**405**	**-17.807**	**-1.166**
Tax on profit/loss for the year	6	5.006	-1.643	2.041	-72
Net profit/loss for the year		**-15.766**	**-1.238**	**-15.766**	**-1.238**

Balance Sheet 30 June

Assets

		Group		Parent	
	Note	2019	2018	2019	2018
		kDKK	kDKK	kDKK	kDKK
Completed development projects		3.456	6.336	0	0
Acquired trademarks		2	6	0	0
Goodwill		375	749	0	0
Development projects in progress		2.178	0	0	0
Intangible assets	7	**6.011**	**7.091**	**0**	**0**
Other fixtures and fittings, tools and equipment		22.409	26.364	0	0
Leasehold improvements		103.754	98.761	0	0
Property, plant and equipment	8	**126.163**	**125.125**	**0**	**0**
Investments in subsidiaries	9	0	0	35.321	52.358
Deposits	10	8.834	5.167	0	0
Fixed asset investments		**8.834**	**5.167**	**35.321**	**52.358**
Fixed assets		**141.008**	**137.383**	**35.321**	**52.358**
Inventories		**6.087**	**6.951**	**0**	**0**
Trade receivables		13.899	12.546	0	0
Receivables from group enterprises		0	0	29.282	4.326
Other receivables		1.920	3.279	0	0
Corporation tax		723	2.458	723	1.230
Corporation tax receivable from group enterprises		975	0	212	1.045
Prepayments	11	16.539	7.222	0	0
Receivables		**34.056**	**25.505**	**30.217**	**6.601**
Cash at bank and in hand		**8.357**	**8.542**	**2.627**	**0**
Currents assets		**48.500**	**40.998**	**32.844**	**6.601**
Assets		**189.508**	**178.381**	**68.165**	**58.959**

Balance Sheet 30 June

Liabilities and equity

	Note	Group 2019 kDKK	Group 2018 kDKK	Parent 2019 kDKK	Parent 2018 kDKK
Share capital		4.551	4.551	4.551	4.551
Reserve for net revaluation under the equity method		0	0	0	14.207
Retained earnings		19.051	30.910	19.051	16.703
Equity	12	**23.602**	**35.461**	**23.602**	**35.461**
Provision for deferred tax	14	1.551	10.793	0	6.408
Provisions relating to investments in group enterprises		0	0	9.853	9.130
Provisions		**1.551**	**10.793**	**9.853**	**15.538**
Subordinate loan capital		25.098	0	25.098	0
Credit institutions		44	254	0	0
Payables to group enterprises relating to corporation tax		0	0	2.142	0
Long-term debt	15	**25.142**	**254**	**27.240**	**0**

Balance Sheet 30 June *(continued)*

Liabilities and equity

		Group		Parent	
	Note	2019	2018	2019	2018
		kDKK	kDKK	kDKK	kDKK
Credit institutions	15	34.316	55.518	0	0
Lease obligations		0	51	0	0
Trade payables		57.019	32.596	50	130
Payables to owners and Management		6.570	6.257	6.570	6.257
Corporation tax		4.144	4.055	0	1.573
Other payables		35.674	33.396	850	0
Deferred income	16	1.490	0	0	0
Short-term debt		**139.213**	**131.873**	**7.470**	**7.960**
Debt		**164.355**	**132.127**	**34.710**	**7.960**
Liabilities and equity		**189.508**	**178.381**	**68.165**	**58.959**

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	kDKK	kDKK	kDKK	kDKK
Equity at 1 July	4.551	0	30.910	35.461
Exchange adjustments	0	0	-187	-187
Contribution from group	0	0	4.243	4.243
Other equity movements	0	0	-149	-149
Net profit/loss for the year	0	0	-15.766	-15.766
Equity at 30 June	**4.551**	**0**	**19.051**	**23.602**

Parent

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 July	4.551	14.207	16.703	35.461
Exchange adjustments	0	-187	0	-187
Contribution from group	0	0	4.243	4.243
Other equity movements	0	0	-149	-149
Net profit/loss for the year	0	-14.020	-1.746	-15.766
Equity at 30 June	**4.551**	**0**	**19.051**	**23.602**

Cash Flow Statement 1 July - 30 June

	Note	Group 2018/19	Group 2017/18
		kDKK	kDKK
Net profit/loss for the year		-15.766	-1.238
Adjustments	17	26.379	26.865
Change in working capital	18	19.787	1.393
Cash flows from operating activities before financial income and expenses		**30.400**	**27.020**
Financial income		435	0
Financial expenses		-2.926	-2.379
Cash flows from ordinary activities		**27.909**	**24.641**
Corporation tax paid/refunded		1.120	-1.779
Cash flows from operating activities		**29.029**	**22.862**
Purchase of intangible assets		-1.891	-2.947
Purchase of property, plant and equipment		-27.394	-43.629
Fixed asset investments made etc		-3.666	-165
Cash flows from investing activities		**-32.951**	**-46.741**
Installments on loans		-159	-482
Raising of subordinated loan capital from parent company		25.098	0
Cash flows from financing activities		**24.939**	**-482**
Change in cash and cash equivalents		**21.017**	**-24.361**
Cash and cash equivalents at 1 July		-46.976	-22.615
Cash and cash equivalents at 30 June		**-25.959**	**-46.976**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		8.357	8.542
Credit institutions		-34.316	-55.518
Cash and cash equivalents at 30 June		**-25.959**	**-46.976**

Notes to the Financial Statements

	Group		Parent	
	2018/19	2017/18	2018/19	2017/18
	kDKK	kDKK	kDKK	kDKK
1 Revenue				
Geographical segments				
Denmark	309.660	320.997	0	0
United Kingdom	209.047	155.434	0	0
Germany	20.198	18.316	0	0
	538.905	**494.747**	**0**	**0**
Business segments				
Restaurants	538.905	494.747	0	0
	538.905	**494.747**	**0**	**0**

2 Staff expenses

Wages and salaries	226.643	200.800	0	0
Pensions	13.495	11.972	0	0
Other social security expenses	7.457	6.223	0	0
Other staff expenses	8.539	10.109	0	0
	256.134	**229.104**	**0**	**0**
Including remuneration to the Executive Board and Board of Directors	**4.022**	**2.820**	**0**	**0**
Average number of employees	**913**	**792**	**0**	**0**

The incentives programme for the executives and senior managers includes the possibility to subscribe for nominal DKK 79,222 shares at a price calculated at the grant date plus 10% per annum. The subscription can take place in the period up to 30. december 2021.

The above-mentioned subscription of shares may only take place if more than 90% of the company's shares are sold to a third party, the company is listed, liquidated or terminated by merger and demerger or any other transactions regarding the Company having a similar effect as any of the mentioned transactions. If the before-mentioned incidents has not taken place by 30 November 2021 at the latest the executives and senior managers holding warrant will be able to exercise the warrants in the period from 1 December 2021 to 30 December 2021. Incentive programmes are not recognised in the Financial Statements.

Notes to the Financial Statements

	Group		Parent	
	2018/19	2017/18	2018/19	2017/18
	kDKK	kDKK	kDKK	kDKK
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	2.971	2.055	0	0
Depreciation of property, plant and equipment	24.468	21.029	0	0
Impairment of property, plant and equipment	1.457	0	0	0
	28.896	**23.084**	**0**	**0**
4 Financial income				
Interest received from group enterprises	0	0	162	181
Other financial income	136	0	136	0
Exchange gains	299	0	0	0
	435	**0**	**298**	**181**
5 Financial expenses				
Interest paid to group enterprises	0	0	98	0
Other financial expenses	2.924	1.829	318	301
Exchange loss	0	309	0	0
	2.924	**2.138**	**416**	**301**
6 Tax on profit/loss for the year				
Current tax for the year	-190	1.282	-62	95
Deferred tax for the year	-2.855	438	-21	0
Adjustment of tax concerning previous years	-1.961	-77	-1.958	-23
	-5.006	**1.643**	**-2.041**	**72**

Notes to the Financial Statements

7 Intangible assets

Group

	Completed development projects	Acquired trade-marks	Goodwill	Development projects in progress
	kDKK	kDKK	kDKK	kDKK
Cost at 1 July	14.832	40	16.116	0
Additions for the year	0	0	0	2.178
Disposals for the year	-294	0	0	0
Cost at 30 June	14.538	40	16.116	2.178
Impairment losses and amortisation at 1 July	8.496	34	15.367	0
Amortisation for the year	2.593	4	374	0
Reversal of amortisation of disposals for the year	-7	0	0	0
Impairment losses and amortisation at 30 June	11.082	38	15.741	0
Carrying amount at 30 June	**3.456**	**2**	**375**	**2.178**

Development projects in progress comprised of a new app to secure a better uptime as well as a new platform to drive traffic to our take away. The project includes a product database hosted outside of the current one and owned by Sticks'n'Sushi.

The project will be completed with version 1 during 2019, but will continue to develop over time and be a part of a more data driven approach.

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	kDKK	kDKK
Cost at 1 July	81.245	180.172
Exchange adjustment	-240	-870
Additions for the year	4.680	22.714
Cost at 30 June	85.685	202.016
Impairment losses and depreciation at 1 July	54.880	81.411
Exchange adjustment	-203	-478
Impairment losses for the year	0	1.457
Depreciation for the year	8.599	15.872
Impairment losses and depreciation at 30 June	63.276	98.262
Carrying amount at 30 June	**22.409**	**103.754**

9 Investments in subsidiaries

	Parent 2019	Parent 2018
	kDKK	kDKK
Cost at 1 July	38.151	38.151
Cost at 30 June	38.151	38.151
Value adjustments at 1 July	5.074	6.050
Exchange adjustment	-187	-76
Net profit/loss for the year	-17.196	-526
Amortisation of goodwill	-374	-374
Value adjustments at 30 June	-12.683	5.074
Equity investments with negative net asset value transferred to provisions	9.853	9.133
Carrying amount at 30 June	**35.321**	**52.358**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Sticks 'n' Sushi A/S	Copenhagen	DKK 10,000,000	100%
Sticks 'n' Sushi UK Limited	London	GBP 2,010,000	100%
Sticks 'n' Sushi Germany GmbH	Berlin	EUR 25,000	100%

10 Other fixed asset investments

	Group Deposits
	kDKK
Cost at 1 July	5.167
Exchange adjustment	-21
Additions for the year	4.817
Disposals for the year	-1.129
Cost at 30 June	8.834
Carrying amount at 30 June	**8.834**

Notes to the Financial Statements

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

12 Equity

The share capital consists of 45,510,900 shares of a nominal value of DKK 0,10. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

13 Distribution of profit

	Parent	
	2018/19	2017/18
	kDKK	kDKK
Reserve for net revaluation under the equity method	-14.020	-4.137
Retained earnings	-1.746	2.899
	-15.766	**-1.238**

14 Provision for deferred tax

	Group		Parent	
	2019	2018	2019	2018
	kDKK	kDKK	kDKK	kDKK
Provision for deferred tax at 1 July	10.793	10.355	6.408	6.313
Amounts recognised in the income statement for the year	-2.855	438	-21	95
Amounts recognised in equity for the year	-6.387	0	-6.387	0
Provision for deferred tax at 30 June	**1.551**	**10.793**	**0**	**6.408**

Notes to the Financial Statements

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent	
	2019	2018	2019	2018
	kDKK	kDKK	kDKK	kDKK
Subordinate loan capital				
Between 1 and 5 years	25.098	0	25.098	0
Long-term part	25.098	0	25.098	0
Within 1 year	0	0	0	0
	25.098	**0**	**25.098**	**0**
Credit institutions				
Between 1 and 5 years	44	254	0	0
Long-term part	44	254	0	0
Other short-term debt to credit institutions	34.316	55.518	0	0
	34.360	**55.772**	**0**	**0**
Payables to group enterprises relating to corporation tax				
Between 1 and 5 years	0	0	2.142	0
Long-term part	0	0	2.142	0
Within 1 year	0	0	0	0
	0	**0**	**2.142**	**0**

16 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

		Group	
		2018/19	2017/18
		kDKK	kDKK
17	**Cash flow statement - adjustments**		
	Financial income	-435	0
	Financial expenses	2.924	2.138
	Depreciation, amortisation and impairment losses, including losses and gains on sales	28.896	23.084
	Tax on profit/loss for the year	-5.006	1.643
		26.379	**26.865**

18	**Cash flow statement - change in working capital**		
	Change in inventories	864	-1.451
	Change in receivables	-9.311	-4.391
	Change in trade payables, etc	28.234	7.235
		19.787	**1.393**

19 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

20 Contingent assets, liabilities and other financial obligations

Charges and security

The parent company, Sticks 'n' Sushi Holding A/S, has, as security for all debt that Sticks 'n' Sushi A/S has to the bank, issued a letter of subordination stating that Sticks 'n' Sushi Holding A/S will subordinate their receivables from Sticks 'n' Sushi A/S in favour of the subsidiary's debt to the bank.

As collateral for bank debt a bill of sale has been issued, nominal value of TDKK 5,000.

The group has pledged a company charge of TDKK 10,000 as collateral for debt. At 30 June 2019, the company charge comprises the following assets with the following carrying amounts:

	Group		Parent	
	2019	2018	2019	2018
	kDKK	kDKK	kDKK	kDKK
Goodwill and acquired trademarks	377	749	0	0
Property, plant and equipment	125.551	26.364	0	0
Inventories	6.087	6.951	0	0
Trade receivables	13.899	12.546	0	0

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:				
Within 1 year	40.284	28.844	0	0
Between 1 and 5 years	134.342	97.355	0	0
After 5 years	255.628	141.734	0	0
	430.254	**267.933**	**0**	**0**

Guarantee obligations

The group has issued guarantee of payment against all companies of the group.

The group has provided guarantees in respect of landlords at 30 June 2019, which amounts to TDKK 5,887.

Other contingent liabilities

The Entity has contingent liabilities regarding partial outsourcing of inventories to third party of TDKK 8.672.

Notes to the Financial Statements

20 Contingent assets, liabilities and other financial obligations (continued)

The Entity participates in an international joint taxation in which Sticks 'n' Sushi Holding A/S serves as administration company until 30 April 2019 and MIE4 Holding 2 ApS serves as administration company from 1 May 2019 and going forward. The Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements as at 30 June 2019.

21 Related parties

	Basis
Controlling interest	
MIE4 Holding 2 ApS, Copenhagen	Parent company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm’s length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

There are no related party transactions that have not been carried through on market terms.

Consolidated Financial Statements

The Company is included in the Group Report of the parent company

Name	Place of registered office
MIE4 Holding 2 ApS	Copenhagen

22 Fee to auditors appointed at the general meeting

Referring to the Danish Statements Act § 96, sub section 3, information on fees to Auditors elected on a general meeting, has been omitted. We refer to the financial statement of MIE4 Holding 2 ApS.

Notes to the Financial Statements

23 Accounting Policies

The Annual Report of Sticks 'n' Sushi Holding A/S for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2018/19 are presented in kDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Sticks 'n' Sushi Holding A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

23 Accounting Policies (continued)

Business combinations

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Notes to the Financial Statements

23 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

23 Accounting Policies (continued)

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 7 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Notes to the Financial Statements

23 Accounting Policies (continued)

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	5-10	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Notes to the Financial Statements

23 Accounting Policies (continued)

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits paid on rented premises.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums and subscriptions.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Notes to the Financial Statements

23 Accounting Policies (continued)

Other provisions include warranty obligations in respect of repair work within the warranty period of . Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

23 Accounting Policies (continued)

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

23 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Solvency ratio 2, incl. subordinate loan	$\frac{\text{(Equity at year end + subordinate loan) x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$