

**Sticks 'n' Sushi Holding
A/S**
Nansensgade 49
1366 Copenhagen
Central Business Registration
No 32838502

Annual report 2016/17

The Annual General Meeting adopted the annual report on 06.10.2017

Chairman of the General Meeting



Name: Jakob Vestergaard Jensen

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Entity details

Entity

Sticks 'n' Sushi Holding A/S
Nansensgade 49
1366 Copenhagen

Central Business Registration No: 32838502

Registered in: København K

Financial year: 01.07.2016 - 30.06.2017

Board of Directors

Erik Preben Holm, chairman
Axel Weber
Susanna Anita Lindberg
Roderick Wallace Mckie
Siri Lande

Executive Board

Kim Rahbek Hansen

Bank

Danske Bank

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Mailbox 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Sticks 'n' Sushi Holding A/S for the financial year 01.07.2016 - 30.06.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.


In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2017 and of the results of its operations and cash flows for the financial year 01.07.2016 - 30.06.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

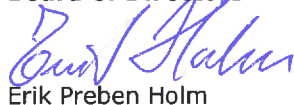
Copenhagen, 06.10.2017

Executive Board



Kim Rahbek Hansen

Board of Directors



Erik Preben Holm

chairman



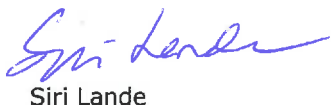
Roderick Wallace Mckie



Axel Weber



Susanna Anita Lindberg



Siri Lande

Independent auditor's report

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

Opinion

We have audited the consolidated financial statements and the parent financial statements of Sticks 'n' Sushi Holding A/S for the financial year 01.07.2016 - 30.06.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.06.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.07.2016 - 30.06.2017 in accordance with 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.


Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 06.10.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556


Bjørn Winkler Jakobsen
State Authorised Public Accountant



Henrik Hartmann Olesen
State Authorised Public Accountant

Management commentary

	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000	2012/13 DKK'000
Financial highlights					
Key figures					
Revenue	449.224	423.767	350.949	286.546	248.300
Gross profit/loss	239.090	220.309	185.892	158.009	137.521
Operating profit/loss	11.718	4.805	10.021	11.780	6.571
Net financials	(4.369)	(6.513)	3.535	472	(1.726)
Profit/loss for the year	5.225	(644)	9.829	8.763	4.015
Total assets	164.533	132.441	123.257	82.738	67.321
Investments in property, plant and equipment	25.982	28.535	47.276	22.285	6.817
Equity incl minority interests	43.901	39.020	40.600	30.029	19.255
Cash flows from (used in) operating activities	36.127	11.355	40.353	27.940	16.168
Cash flows from (used in) investing activities	(27.897)	(30.628)	(51.551)	(22.931)	(8.711)
Cash flows from (used in) financing activities	(432)	482	(97)	447	(10.595)
Employees in average	692	656	560	419	326
Ratios					
Gross margin (%)	53,2	52,0	53,0	55,1	55,4
Return on equity (%)	12,6	(1,6)	27,8	35,6	25,0
Equity ratio (%)	26,7	29,5	32,9	36,3	28,6
Revenue per employee	649,2	646,0	626,7	683,9	761,7

Financial highlights are adjusted for the financial year 2015/16 following the matter mentioned under accounting policies. Comparative figures for other years have not been subject to adjustments.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Revenue per employee	$\frac{\text{Revenue}}{\text{Revenue per employee}}$	The entity's productivity

Management commentary

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 softdrinks.

The first Sticks'n'Sushi restaurant was opened in March 1994 at Nansensgade 59 in Copenhagen, and has since been followed by 10 more restaurants in the Greater Copenhagen Area, 5 in and around London 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 in January 2017 a new restaurant in Berlin, Germany.

Annually Sticks'n'Sushi A/S serves more than 2 million guests in our 17 restaurants or as takeaway. This requires high quality and hygiene standards, rigorous training of our staff and uniform processes. The more than 1.100 employees have all been through extensive introductory and product training courses to secure the continuous execution of high standards of quality and hostmanship anywhere at which our many guests are being welcomed.

Beside our 17 restaurants the Group consists of a central kitchen at Rødovre, Copenhagen, with more than 30 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

In total the Group's revenue grew year-on-year by 25,4 million or 6,0% to bring revenue above DKK 449 million for 2016/17 compared with DKK 423,8 million in the financial year 2015/16. Adjusting for GBP exchange rate loss our EBITDA would have grown year-on-year by DKK 3 million.

The financial year ended with an EBITDA of DKK 32,4 million equal to 7,2% of net sales against the comparable DKK 24,8 million or 5,9% of revenue in the previous financial year. Operational profit improved compared to last year despite increased raw material prices and increasing labor cost due to improved operational performance from our newly opened restaurants, which are now well established in their local neighborhoods. Earnings before interest and tax (EBIT) amounting to DKK 11,7 million against DKK 4,8 million.

Group net income for the year amounted to DKK 5,2 million compared to a loss of DKK 0,6 million for the financial year 2015/16.

The group have in 2016/17 opened a new restaurant in Berlin marking the entrance of Sticks'n'Sushi into a new market. Sticks'n'Sushi is now operating in Denmark, UK and Germany. As in 2015/16 the group have initiated some long term investments into digital solutions and not least into opening of the German market.

Management is content with the result of the year, given the investments into continuing the expansion strategy.

Management commentary

Unusual circumstances affecting recognition and measurement

No uncertainty exists or change in relation to recognition or valuation of our balance Sheet items.

Outlook

In 2017/18 operational excellence is continuing to be the group's primary focus. We continue to invest to strengthen the operational organization as well as invest to provide the operation with the right tools and best support functions needed. The plan is to open 4-5 new restaurants in 2017/18, one in Copenhagen and 3-4 new restaurants in London. We will also start the process of searching for a second location in Germany.

In 2016/17 we have seen that our latest opened restaurants started to contribute to a further increase of the revenue and operating profit for the group and we expect these to perform and contribute at the same level as our more established restaurants. The group expects to deliver an EBITDA for the financial year 2017/18 in the range between DKK 33 – 36 million.

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 products and improved sustainability in combination with resource shortages and usual increase in costs for raw material will in itself 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.

As we are expanding and investing in our UK business we have to accept the risks derived from UK's Brexit. We do not believe that Brexit will have a serious negative effect on our existing business and planned openings in UK, but are monitoring effects coming from the Brexit negotiations closely.

Financial risks

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.

Intellectual capital resources

The hotel and restaurant industry, domestically as well as internationally, generally experiences challenges in recruiting kitchen staff. To a certain degree this is also true for Sticks'n'Sushi. 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.

Environmental performance

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

Management commentary

Sticks'n'Sushi have a no-waste policy and aim to produce as little waste as possible. This goes both for our menucard engineering and in the daily operations. We have recently hosted a management seminar for around 60 employees, where food waste was the theme and we have furthermore hosted special dinners for our guests, where we addressed this topic. This will in the future be an implemented part of the Stick'n'Sushi brand.

In 2016/17 we have continued our project to replace all our yakatori stick grills from coal to gas, which improves the environment significantly both inside the restaurants for employees and guests but also from reducing the amount of coal. The project represents a DKK Million investment.

Research and development activities

The group is in the process of developing a new IT platform in order to provide our guests with the best online experience ordering take-away and improving efficiency in our operation. This is also a DKK Million investment.

Statutory report on corporate social responsibility

Social responsibility and sustainability have always been a central part of Sticks'n'Sushi's values and business model and the responsibility for CSR lays within the area of the CEO in order to give this topic top attention.

Sticks'n'Sushi has signed the United Nations Global Compact principles and are also working over the years to fulfill the United Nations SDG goals. Despite the focus from top management on CSR topics the group has as a consequence of its size of the organization and limited resources available not established separate CSR policies why there in the management commentary is no specific statement for the groups work with social responsibility.

In April 2016 Sticks'n'Sushi went organic on almost all vegetables in our Danish restaurants and we have continued to replace items in our production and kitchens in 2016/17 in order to provide our guests with as much organic as possible. 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.

However, it is not easy to provide our guests with organic food. We are continuously testing new products and working with different suppliers in order to come up with the right combination of organic and high quality. We have in 2016/17 continued our cooperation with the Danish company "Aarstiderne" to deliver the organic vegetables we need in the right quality. It is not only a matter of ideology, but also ensuring a better taste in our food despite the price is higher and the production time often is longer than nonorganic vegetables.

The fish being Sticks'n'Sushi's 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.

Finally, our chicken and pork comes from welfare chicken and free-range pigs and the goal is that all meat also will be served organic.

Management commentary

Statutory report on the underrepresented gender

Sticks'n'Sushi continuously wishes to employ, retain and develop the best qualified employees for the respective job positions within the Group irrespective of gender and age but simultaneously aims at having a good balance in the composition of the personnel's gender, age and seniority realizing that the restaurant industry is an industry with a relatively high level of job rotation.

As at the end of the financial year 2016/17 the gender composition of the management was as follows:

Board of directors: 66,6% men and 33,3% women

Management group: 66,6% men and 33,3% women

It is the objective of Sticks'n'Sushi to retain as a minimum the current level of female representation in management, but raising the female ratio would be welcomed.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Revenue	1	449.224	423.767
Other operating income		1.223	0
Cost of sales		(122.421)	(122.650)
Other external expenses	2	(88.936)	(80.808)
Gross profit/loss		239.090	220.309
Staff costs	3	(206.678)	(195.486)
Depreciation, amortisation and impairment losses	4	(20.694)	(20.018)
Operating profit/loss		11.718	4.805
Other financial income	5	5	197
Other financial expenses	6	(4.374)	(6.710)
Profit/loss before tax		7.349	(1.708)
Tax on profit/loss for the year	7	(2.124)	1.064
Profit/loss for the year	8	5.225	(644)

Consolidated balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Completed development projects		3.707	4.329
Acquired trademarks		10	14
Goodwill		1.123	1.497
Development projects in progress		1.359	0
Intangible assets	9	<u>6.199</u>	<u>5.840</u>
Other fixtures and fittings, tools and equipment		20.481	20.450
Leasehold improvements		82.261	78.424
Property, plant and equipment	10	<u>102.742</u>	<u>98.874</u>
Deposits		5.002	4.900
Fixed asset investments	11	<u>5.002</u>	<u>4.900</u>
Fixed assets		<u>113.943</u>	<u>109.614</u>
Manufactured goods and goods for resale		5.500	4.843
Inventories		<u>5.500</u>	<u>4.843</u>
Trade receivables		8.096	8.075
Deferred tax	13	1.353	0
Other receivables		4.322	1.401
Income tax receivable		1.228	0
Prepayments	12	6.238	6.596
Receivables		<u>21.237</u>	<u>16.072</u>
Cash		<u>23.853</u>	<u>1.912</u>
Current assets		<u>50.590</u>	<u>22.827</u>
Assets		<u>164.533</u>	<u>132.441</u>

Consolidated balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Contributed capital		4.551	4.551
Retained earnings		39.350	34.469
Equity		43.901	39.020
Deferred tax	13	6.403	5.121
Provisions		6.403	5.121
Finance lease liabilities		45	333
Debt to other credit institutions		412	564
Income tax payable		1.657	0
Non-current liabilities other than provisions	14	2.114	897
Current portion of long-term liabilities other than provisions	14	438	430
Bank loans		46.468	32.325
Trade payables		32.387	15.042
Income tax payable		354	1.124
Other payables		32.468	38.482
Current liabilities other than provisions		112.115	87.403
Liabilities other than provisions		114.229	88.300
Equity and liabilities		164.533	132.441
Unrecognised rental and lease commitments	16		
Mortgages and securities	17		
Subsidiaries	18		

Consolidated statement of changes in equity for 2016/17

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	4.551	32.345	36.896
Corrections of errors	0	1.228	1.228
Changes in accounting policies	0	896	896
Adjusted equity, beginning of year	4.551	34.469	39.020
Exchange rate adjustments	0	(344)	(344)
Profit/loss for the year	0	5.225	5.225
Equity end of year	4.551	39.350	43.901

Consolidated cash flow statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Operating profit/loss		11.716	4.516
Amortisation, depreciation and impairment losses		20.694	20.307
Working capital changes	15	8.617	(11.876)
Cash flow from ordinary operating activities		41.027	12.947
Financial income received		3	197
Financial income paid		(3.295)	(1.362)
Income taxes refunded/(paid)		(1.608)	(427)
Cash flows from operating activities		36.127	11.355
Acquisition etc of intangible assets		(2.009)	(1.764)
Acquisition etc of property, plant and equipment		(25.982)	(28.535)
Sale of property, plant and equipment		94	0
Acquisition of fixed asset investments		0	(329)
Cash flows from investing activities		(27.897)	(30.628)
Loans raised		0	882
Instalments on loans etc		(432)	(400)
Cash flows from financing activities		(432)	482
Increase/decrease in cash and cash equivalents		7.798	(18.791)
Cash and cash equivalents beginning of year		(30.413)	(11.622)
Cash and cash equivalents end of year		(22.615)	(30.413)
Cash and cash equivalents at year-end are composed of:			
Cash		23.853	1.912
Short-term debt to banks		(46.468)	(32.325)
Cash and cash equivalents end of year		(22.615)	(30.413)

Notes to consolidated financial statements

	2016/17 DKK'000	2015/16 DKK'000
1. Revenue		
Revenue by geographical market		
Denmark	306.089	296.053
United Kingdom	135.609	127.714
Germany	7.526	0
	449.224	423.767
Revenue by activity		
Restaurants	449.224	423.767
	449.224	423.767
	2016/17 DKK'000	2015/16 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	365	662
Other assurance engagements	0	4
Tax services	120	97
Other services	337	280
	822	1.043
	2016/17 DKK'000	2015/16 DKK'000
3. Staff costs		
Wages and salaries	182.984	177.549
Pension costs	8.706	4.354
Other social security costs	4.622	5.557
Other staff costs	10.366	8.026
	206.678	195.486
Average number of employees	692	656
	Remuneration of management 2016/17 DKK'000	Remuneration of management 2015/16 DKK'000
Total amount for management categories	2.590	2.424
	2.590	2.424

Notes to consolidated financial statements

	2016/17 DKK'000	2015/16 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.650	1.685
Depreciation of property, plant and equipment	19.065	18.044
Profit/loss from sale of intangible assets and property, plant and equipment	(21)	289
	20.694	20.018
	2016/17 DKK'000	2015/16 DKK'000
5. Other financial income		
Exchange rate adjustments	5	197
	5	197
	2016/17 DKK'000	2015/16 DKK'000
6. Other financial expenses		
Interest expenses	1.673	1.128
Exchange rate adjustments	2.701	5.582
	4.374	6.710
	2016/17 DKK'000	2015/16 DKK'000
7. Tax on profit/loss for the year		
Tax on current year taxable income	2.147	272
Change in deferred tax for the year	(71)	(1.336)
Adjustment concerning previous years	48	0
	2.124	(1.064)
	2016/17 DKK'000	2015/16 DKK'000
8. Proposed distribution of profit/loss		
Retained earnings	5.225	(644)
	5.225	(644)

Notes to consolidated financial statements

	Completed develop- ment projects DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000	Develop- ment projects in progress DKK'000
9. Intangible assets				
Cost beginning of year	9.876	40	16.116	0
Additions	650	0	0	1.359
Cost end of year	10.526	40	16.116	1.359
Amortisation and impairment losses beginning of year	(5.547)	(26)	(14.619)	0
Amortisation for the year	(1.272)	(4)	(374)	0
Amortisation and impairment losses end of year	(6.819)	(30)	(14.993)	0
Carrying amount end of year	3.707	10	1.123	1.359

Development projects in progress

Development projects in progress comprises of a new digital web presence to drive more traffic to our website and increase online sales. The project include design analysis, design creation, programming and project management. The project end result will be a new website part of Sticks'n'Sushi digital IT platform. The project is expected to be completed during the first quarter of 2018.

Notes to consolidated financial statements

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
10. Property, plant and equipment		
Cost beginning of year	61.244	133.595
Changes in accounting policies	0	1.659
Exchange rate adjustments	(1.089)	(3.102)
Additions	7.670	18.312
Disposals	(104)	(59)
Cost end of year	67.721	150.405
Depreciation and impairment losses beginning of the year	(40.794)	(56.067)
Changes in accounting policies	0	(763)
Exchange rate adjustments	550	686
Depreciation for the year	(7.050)	(12.015)
Reversal regarding disposals	54	15
Depreciation and impairment losses end of the year	(47.240)	(68.144)
Carrying amount end of year	20.481	82.261
Recognised assets not owned by entity	343	-
11. Fixed asset investments		
Cost beginning of year		4.900
Additions		122
Disposals		(20)
Cost end of year		5.002
Carrying amount end of year		5.002
12. Prepayments		
Prepayments comprise incurred costs relating to subsequent financial years.		

Notes to consolidated financial statements

	2016/17 DKK'000	2015/16 DKK'000
13. Deferred tax		
Intangible assets	1.038	955
Property, plant and equipment	2.082	3.956
Fixed asset investments	0	(19)
Inventories	0	(42)
Provisions	4.850	6.079
Tax losses carried forward	(2.920)	(5.808)
	5.050	5.121

Changes during the year

Beginning of year	5.121
Recognised in the income statement	(71)
End of year	5.050

	Instalments within 12 months 2016/17 DKK'000	Instalments within 12 months 2015/16 DKK'000	Instalments beyond 12 months 2016/17 DKK'000
14. Liabilities other than provisions			
Finance lease liabilities	286	0	45
Debt to other credit institutions	152	286	412
Income tax payable	0	0	1.657
Other payables	0	144	0
	438	430	2.114

	2016/17 DKK'000	2015/16 DKK'000
15. Change in working capital		
Increase/decrease in inventories	(657)	(326)
Increase/decrease in receivables	(2.073)	(5.491)
Increase/decrease in trade payables etc	11.347	(11.680)
Other changes	0	5.621
	8.617	(11.876)

	2016/17 DKK'000	2015/16 DKK'000
16. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	281.577	271.355

Notes to consolidated financial statements

17. Mortgages and securities

The group has provided guarantees in respect of suppliers of goods at 30 June 2017, which amounts to t.DKK 2.000.

The group has provided guarantees in respect of landlords at 30 June 2017, which amounts to t.DKK 3.006.

As collateral for bank debt a bill of sale has been issued, nominal value of t.DKK 5.000.

The group has pledged a company charge of t.DKK 10.000 as collateral to credit institutions. At 30 June 2017, the company charge comprises the following assets with the following carrying amounts:

Goodwill, domain names and rights, t.DKK 1.123
 Other plant, fixtures and fittings, tools and equipment, t.DKK 20.481
 Inventories, t.DKK 5.500
 Trade receivables, t.DKK 8.096

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
18. Subsidiaries			
Sticks 'n' Sushi A/S	Copenhagen	A/S	100,0
Sticks 'n' Sushi UK Limited	London	Ltd.	100,0
Sticks 'n' Sushi Germany GmbH	Berlin	GmbH	100,0

Parent income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Other external expenses		(143)	(250)
Operating profit/loss		(143)	(250)
Income from investments in group enterprises		5.606	(275)
Other financial income	1	0	49
Other financial expenses		(344)	(272)
Profit/loss before tax		5.119	(748)
Tax on profit/loss for the year	2	106	104
Profit/loss for the year	3	5.225	(644)

Parent balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Investments in group enterprises		56.571	46.700
Fixed asset investments	4	<u>56.571</u>	<u>46.700</u>
Fixed assets		<u>56.571</u>	<u>46.700</u>
Receivables from group enterprises		4.763	4.356
Joint taxation contribution receivable		2.627	2.379
Receivables		<u>7.390</u>	<u>6.735</u>
Current assets		<u>7.390</u>	<u>6.735</u>
Assets		<u>63.961</u>	<u>53.435</u>

Parent balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Contributed capital	5	4.551	4.551
Reserve for net revaluation according to the equity method		18.420	6.035
Retained earnings		20.930	28.434
Equity		43.901	39.020
Deferred tax	6	4.850	6.079
Other provisions	7	7.123	2.514
Provisions		11.973	8.593
Income tax payable		1.657	0
Non-current liabilities other than provisions		1.657	0
Income tax payable		354	0
Other payables		6.076	5.822
Current liabilities other than provisions		6.430	5.822
Liabilities other than provisions		8.087	5.822
Equity and liabilities		63.961	53.435
Contingent liabilities	8		
Mortgages and securities	9		
Related parties with controlling interest	10		

Parent statement of changes in equity for 2016/17

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	4.551	3.911	28.434	36.896
Corrections of errors	0	1.228	0	1.228
Changes in accounting policies	0	896	0	896
Adjusted equity, beginning of year	4.551	6.035	28.434	39.020
Exchange rate adjustments	0	(344)	0	(344)
Profit/loss for the year	0	12.729	(7.504)	5.225
Equity end of year	4.551	18.420	20.930	43.901

Notes to parent financial statements

	2016/17 DKK'000	2015/16 DKK'000
1. Other financial income		
Financial income arising from group enterprises	0	49
	0	49
	2016/17 DKK'000	2015/16 DKK'000
2. Tax on profit/loss for the year		
Tax on current year taxable income	1.123	(104)
Change in deferred tax for the year	(1.229)	0
	(106)	(104)
	2016/17 DKK'000	2015/16 DKK'000
3. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	12.729	(3.335)
Retained earnings	(7.504)	2.691
	5.225	(644)
		Investments in group enterprises DKK'000
4. Fixed asset investments		
Cost beginning of year		38.151
Cost end of year		38.151
Revaluations beginning of year		8.549
Exchange rate adjustments		(344)
Amortisation of goodwill		(374)
Share of profit/loss for the year		5.980
Investments with negative equity transferred to provisions		4.609
Revaluations end of year		18.420
Carrying amount end of year		56.571

In the carrying amount end of year recognized goodwill amounts to DKK'000 1.123.

Notes to parent financial statements

	<u>Number</u>	<u>Par value DKK'000</u>	<u>Nominal value DKK'000</u>
5. Contributed capital			
Shares	45.510.900	0,0001	4.551
	<u>45.510.900</u>		<u>4.551</u>
6. Deferred tax			
Equity		<u>4.850</u>	<u>6.079</u>
		<u>4.850</u>	<u>6.079</u>
Changes during the year			
Beginning of year		6.079	
Recognised in the income statement		(1.229)	
End of year		<u>4.850</u>	

7. Other provisions

Other provisions comprises provision for group enterprises with negative equity.

8. Contingent liabilities

The Entity participates in an international joint taxation arrangement in which Sticks 'n' Sushi Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore alternatively liable from the financial year 2013 for income taxes etc for the jointly taxed entities.

9. Mortgages and securities

The company has provided a guarantee for its subsidiaries debt to credit institutions. The guarantee is unlimited. The subsidiaries debt to credit institutions amounts to t.DKK 14.576 at the balance sheet date.

10. Related parties with controlling interest

The company has not traded with, granted loans to, pledged collateral, provided recourse guarantees to or undertaken guarantee obligations for the Board of Directors, the Executive Board or the shareholder or any non-group enterprises in which the parties concerned have interests.

Notes to parent financial statements

Incentive programmes:

The incentive programme for the executives and senior managers includes the possibility to subscribe for nominal DKK 98.360 shares free of charge until 30 December 2021.

Furthermore has executives and senior managers the possibility to subscribe for nominal DKK 65.872 shares at a price calculated at the grant date plus 10% per annum. The subscription can take place in the period up to 30 October 2022.

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 or terminated by merger and demerger.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (big).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year, with the exception of a few reclassifications in the comparative figures and the changes described below.

Previous years

As a consequence of aligning group principles and accounting policies Management has become aware that the recognition in FY 2015/16 of a balance with an affiliated company is incorrect as the exchange rate adjustment of the balance has been recognised directly under equity and not in the income statement. In addition, the exchange adjustment has not been subject to a tax deduction.

The adjustment has been corrected directly in the Company's equity in the financial statements for 2016/17. The Company's comparative figures for 2015/16 have been adjusted accordingly, affecting profit/loss before tax for 2015/16 negatively by DKK 5.582 thousand as a result of the adjustment of financial expenses. Tax liability payable has been reduced by DKK 1.228 thousand. Profit/loss for 2015/16 after adjustment of the tax effect is negatively affected by DKK 4.354 thousand whereas the Company's equity at 1 July 2016 is positively affected by DKK 1.228 thousand.

Changes in accounting policies

The Group has aligned its accounting policies on leasehold improvements, as costs in previous years for leasehold improvements have been restated.

The restatement has been incorporated in the comparative figures for 2015/16 thus reducing other external expenses by DKK 896 thousand and increasing depreciation by DKK 150 thousand. The Group's property, plant and equipment have been increased by DKK 896 thousand.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Accounting policies

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Accounting policies

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

Income statement

Revenue

Revenue from the sale of goods is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises interest income, including net capital gains on securities, and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses, including net capital losses on securities and transactions in foreign currencies.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is taxed jointly with all the consolidated enterprises as well as all danish and foreign subsidiaries. The parent is the administrations company for the international joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 5 to 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot

Accounting policies

be estimated reliably, it is fixed at 10 years. For development projects, protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 5 to 10 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 5-10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Equity investments in subsidiaries with a negative carrying amount are measured at DKK 0. Any receivables from such enterprises are impaired to the extent that such receivables are irrecoverable. If the parent has a

Accounting policies

legal or constructive obligation to cover a deficit which exceeds the receivable, the remaining amount is recognised under provisions.

Inventories

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

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Accounting policies

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, instalments on interest-bearing debt and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.