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

Annual report 2017/18

The Annual General Meeting adopted the annual report on 28.11.2018

Chairman of the General Meeting

Name: Jakob Vestergaard Jensen

Contents

Entity details

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

Central Business Registration No: 32838502
Registered in: København K
Financial year: 01.07.2017 - 30.06.2018

Board of Directors
Erik Preben Holm, chairman
Kim Rahbek Hansen, vice chairman
Thorkil Ernst Brzuchanski Rewers Andersen
Thomas Riis

Executive Board
Roderick Wallace Mckie

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 01.07.2017 - 30.06.2018.

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 30.06.2018 and of the results of its operations and cash flows for the financial year 01.07.2017 - 30.06.2018.

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, 28.11.2018

Executive Board

Roderick Wallace Mckie

Board of Directors

Erik Preben Holm chairman	Kim Rahbek Hansen vice chairman	Thorkil Ernst Brzuchanski Rewers Andersen

Thomas Riis

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 01.07.2017 - 30.06.2018, 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 30.06.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.07.2017 - 30.06.2018 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, 28.11.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Bjørn Winkler Jakobsen
State Authorised Public Accountant
Identification number (MNE) mne32127

Henrik Hartmann Olesen
State Authorised Public Accountant
Identification number (MNE) mne34143

Management commentary

	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000
Financial highlights					
Key figures					
Revenue	494.747	449.224	423.767	350.949	286.546
Gross profit/loss	254.731	239.090	220.309	185.892	158.009
EBITDA	25.626	32.412	24.823	24.917	25.035
Operating profit/loss	2.543	11.718	4.805	10.021	11.780
Net financials	(2.138)	(4.369)	(6.513)	3.535	472
Profit/loss for the year	(1.238)	(1.900)	(644)	9.829	8.763
Total assets	178.381	163.180	132.441	123.257	82.738
Investments in property, plant and equipment	43.629	25.982	28.535	47.276	22.285
Equity incl minority interests	35.461	36.776	39.020	40.600	30.029
Cash flows from (used in) operating activities	23.021	36.127	11.355	40.353	27.940
Cash flows from (used in) investing activities	(46.741)	(27.897)	(30.628)	(51.551)	(22.931)
Cash flows from (used in) financing activities	(482)	(432)	482	(97)	447
Employees in average	748	692	656	560	419
Ratios					
Gross margin (%)	51,5	53,2	52,0	53,0	55,1
Return on equity (%)	(3,4)	(5,0)	(1,6)	27,8	35,6
Equity ratio (%)	19,9	22,5	29,5	32,9	36,3
Revenue per employee	661,4	649,2	646,0	626,7	683,9

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 (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests x 100}}{\text{Total assets}}$	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 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, 7 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 a new restaurant in Tivoli Garden, Copenhagen and in Oxford and Victoria in London.

Annually Sticks'n'Sushi A/S serves close to 2,1 million guests in our 20 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 hostmanship anywhere at which our many guests are being welcomed.

Beside our 20 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 45,5 million or 10,1% to bring revenue above DKK 494,7 million for 2017/18 compared with DKK 449,2 million in the financial year 2016/17.

The financial year ended with an EBITDA of DKK 25,6 million equal to 5,2% of net sales against the comparable DKK 32,4 million or 7,2% of revenue in the previous financial year. Operational profit did not reach same level compared to last year due to increasing labour and pension cost and the opening of three new restaurants, which are getting established into their local neighbourhoods. Earnings before interest and tax (EBIT) amounting to DKK 2,5 million against DKK 11,7 million due to staff and expansion costs.

Group net loss for the year amounted to DKK 1,2 million compared to net loss of DKK 1,9 million for the financial year 2016/17.

The group have in 2017/18 opened a new restaurant in heart of Copenhagen in Tivoli Garden, one restaurant in Oxford and one in Victoria London. The Sticks'n'Sushi Group now counts 12 restaurants in Copenhagen, 7 restaurants in London and one in Berlin. As in 2016/17 the group have continued its long term investments into digital solutions and first stage was started end of the Financial year by starting rolling a new point of sale system out to some DK restaurants.

As the expectations for the year was an EBITDA within the range between DKK 33 – 36 million the Management accepts 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 2018/19 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 2 new restaurants in London in 2018/19. One will open October 2018 and the other one expects to open Spring 2019. We will also start the process of searching for a second location in Germany.

We expect to see that our latest opened restaurants starts to 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 2018/19 at the same level as the financial year 2017/18.

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 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 must accept the risks derived from UK's Brexit. We do not believe that Brexit have had or 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 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.

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

Management commentary

In 2017/18 we have continued and almost finalized our project to replace all our yakitori 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 last two restaurants will have their grill replaced in 2018/19. 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 values and business model and the responsibility for CSR lays within the area of the CEO in order to give this topic top attention.

In 2017/18 Sticks’n’Sushi are proud not just to be a part of the newly founded industry-cooperation REGA (Restaurateurs’ Guarantee Scheme) but also have played a role in founding REGA.

The REGA cooperation is based on the UN Global Compact and the UN Guiding Principles for Business and Human Rights and is the first industry-initiative in the world to stringently apply the standard.

Despite the focus from top management on CSR topics the group has because 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.

All vegetables in our Danish production and kitchens are 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 to come up with the right combination of organic and high quality.

The fish being Sticks’n’Sushi 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 come from welfare chicken and free-range pigs and the goal is that all meat also will be served organic.

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.

Management commentary

As at the end of the financial year 2017/18 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
Other than described above, the only event of significant importance for the Group is the employment of Rod McKie as new Group CEO.

Consolidated income statement for 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Revenue	1	494.747	449.224
Other operating income		0	1.223
Cost of sales		(143.590)	(122.421)
Other external expenses	2	(96.426)	(88.936)
Gross profit/loss		**254.731**	**239.090**
Staff costs	3	(229.104)	(206.678)
Depreciation, amortisation and impairment losses	4	(23.084)	(20.694)
Operating profit/loss		**2.543**	**11.718**
Other financial income	5	0	5
Other financial expenses	6	(2.138)	(4.374)
Profit/loss before tax		**405**	**7.349**
Tax on profit/loss for the year	7	(1.643)	(9.249)
Profit/loss for the year	8	**(1.238)**	**(1.900)**

Consolidated balance sheet at 30.06.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Completed development projects		6.336	3.707
Acquired trademarks		6	10
Goodwill		749	1.123
Development projects in progress		0	1.359
Intangible assets	9	**7.091**	**6.199**
Other fixtures and fittings, tools and equipment		26.364	20.481
Leasehold improvements		98.761	82.261
Property, plant and equipment	10	**125.125**	**102.742**
Deposits		5.167	5.002
Fixed asset investments	11	**5.167**	**5.002**
Fixed assets		**137.383**	**113.943**
Manufactured goods and goods for resale		6.951	5.500
Inventories		**6.951**	**5.500**
Trade receivables		12.546	8.096
Other receivables		3.279	4.322
Income tax receivable		2.458	1.228
Prepayments	12	7.222	6.238
Receivables		**25.505**	**19.884**
Cash		**8.542**	**23.853**
Current assets		**40.998**	**49.237**
Assets		**178.381**	**163.180**

Consolidated balance sheet at 30.06.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Contributed capital		4.551	4.551
Retained earnings		30.910	32.225
Equity		**35.461**	**36.776**
Deferred tax	13	10.793	10.355
Provisions		**10.793**	**10.355**
Finance lease liabilities		0	45
Debt to other credit institutions		254	412
Income tax payable		0	3.477
Non-current liabilities other than provisions	14	**254**	**3.934**
Current portion of long-term liabilities other than provisions	14	159	438
Bank loans		55.359	46.468
Finance lease liabilities		51	0
Trade payables		32.596	32.387
Income tax payable		4.055	354
Other payables		39.653	32.468
Current liabilities other than provisions		**131.873**	**112.115**
Liabilities other than provisions		**132.127**	**116.049**
Equity and liabilities		**178.381**	**163.180**
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Mortgages and securities	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2017/18

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	4.551	39.350	43.901
Corrections of errors	0	(7.125)	(7.125)
Adjusted equity, beginning of year	**4.551**	**32.225**	**36.776**
Exchange rate adjustments	0	(77)	(77)
Profit/loss for the year	0	(1.238)	(1.238)
Equity end of year	**4.551**	**30.910**	**35.461**

Consolidated cash flow statement for 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Operating profit/loss		2.543	11.716
Amortisation, depreciation and impairment losses		23.084	20.694
Working capital changes	15	1.552	8.617
Cash flow from ordinary operating activities		**27.179**	**41.027**
Financial income received		0	3
Financial income paid		(2.379)	(3.295)
Income taxes refunded/(paid)		(1.779)	(1.608)
Cash flows from operating activities		**23.021**	**36.127**
Acquisition etc of intangible assets		(2.947)	(2.009)
Acquisition etc of property, plant and equipment		(43.629)	(25.982)
Sale of property, plant and equipment		0	94
Acquisition of fixed asset investments		(165)	0
Cash flows from investing activities		**(46.741)**	**(27.897)**
Instalments on loans etc		(482)	(432)
Cash flows from financing activities		**(482)**	**(432)**
Increase/decrease in cash and cash equivalents		**(24.202)**	**7.798**
Cash and cash equivalents beginning of year		(22.615)	(30.413)
Cash and cash equivalents end of year		**(46.817)**	**(22.615)**
Cash and cash equivalents at year-end are composed of:			
Cash		8.542	23.853
Short-term debt to banks		(55.359)	(46.468)
Cash and cash equivalents end of year		**(46.817)**	**(22.615)**

Notes to consolidated financial statements

	2017/18 DKK'000	2016/17 DKK'000
1. Revenue		
Revenue by geographical market		
Denmark	320.997	306.089
United Kingdom	155.434	135.609
Germany	18.316	7.526
	494.747	**449.224**
Revenue by activity		
Restaurants	494.747	449.224
	494.747	**449.224**

	2017/18 DKK'000	2016/17 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	388	365
Tax services	132	120
Other services	177	337
	697	**822**

	2017/18 DKK'000	2016/17 DKK'000
3. Staff costs		
Wages and salaries	200.800	182.984
Pension costs	11.972	8.706
Other social security costs	6.223	4.622
Other staff costs	10.109	10.366
	229.104	**206.678**
Average number of employees	**748**	**692**

	Remuneration of management 2017/18 DKK'000	Remuneration of management 2016/17 DKK'000
Total amount for management categories	2.820	2.590
	2.820	**2.590**

Notes to consolidated financial statements

	2017/18 DKK'000	2016/17 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.055	1.650
Depreciation of property, plant and equipment	21.029	19.065
Profit/loss from sale of intangible assets and property, plant and equipment	0	(21)
	23.084	**20.694**

	2017/18 DKK'000	2016/17 DKK'000
5. Other financial income		
Exchange rate adjustments	0	5
	0	**5**

	2017/18 DKK'000	2016/17 DKK'000
6. Other financial expenses		
Interest expenses	1.829	1.673
Exchange rate adjustments	309	2.701
	2.138	**4.374**

	2017/18 DKK'000	2016/17 DKK'000
7. Tax on profit/loss for the year		
Tax on current year taxable income	1.282	1.865
Change in deferred tax for the year	438	7.336
Adjustment concerning previous years	(77)	48
	1.643	**9.249**

	2017/18 DKK'000	2016/17 DKK'000
8. Proposed distribution of profit/loss		
Retained earnings	(1.238)	(1.900)
	(1.238)	**(1.900)**

Notes to consolidated financial statements

9. Intangible assets	**Completed develop-ment projects DKK'000**	**Acquired trademarks DKK'000**	**Goodwill DKK'000**	**Develop-ment projects in progress DKK'000**
Cost beginning of year	10.526	40	16.116	1.359
Transfers	1.359	0	0	(1.359)
Additions	2.947	0	0	0
Cost end of year	**14.832**	**40**	**16.116**	**0**
Amortisation and impairment losses beginning of year	(6.819)	(30)	(14.993)	0
Amortisation for the year	(1.677)	(4)	(374)	0
Amortisation and impairment losses end of year	**(8.496)**	**(34)**	**(15.367)**	**0**
Carrying amount end of year	**6.336**	**6**	**749**	**0**

Development projects in progress

Development projects in progress comprised 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's digital IT platform. The project was completed during 2017/18.

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	67.721	150.405
Exchange rate adjustments	(94)	(243)
Additions	13.618	30.011
Cost end of year	**81.245**	**180.173**
Depreciation and impairment losses beginning of the year	(47.240)	(68.144)
Exchange rate adjustments	53	67
Depreciation for the year	(7.694)	(13.335)
Depreciation and impairment losses end of the year	**(54.881)**	**(81.412)**
Carrying amount end of year	**26.364**	**98.761**
Recognised assets not owned by entity	**49**	**-**

	Deposits DKK'000
11. Fixed asset investments	
Cost beginning of year	5.002
Additions	165
Cost end of year	**5.167**
Carrying amount end of year	**5.167**

12. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

Notes to consolidated financial statements

	2017/18 DKK'000	2016/17 DKK'000
13. Deferred tax		
Intangible assets	1.395	1.038
Property, plant and equipment	3.187	3.004
Provisions	6.443	6.313
Tax losses carried forward	(232)	0
	10.793	**10.355**

Changes during the year	
Beginning of year	10.355
Recognised in the income statement	438
End of year	**10.793**

Deferred tax for provisions relates to recapture of tax loss.

	Instalments within 12 months 2017/18 DKK'000	Instalments within 12 months 2016/17 DKK'000	Instalments beyond 12 months 2017/18 DKK'000
14. Liabilities other than provisions			
Finance lease liabilities	0	286	0
Debt to other credit institutions	159	152	254
	159	**438**	**254**

	2017/18 DKK'000	2016/17 DKK'000
15. Change in working capital		
Increase/decrease in inventories	(1.451)	(657)
Increase/decrease in receivables	(4.391)	(2.073)
Increase/decrease in trade payables etc	7.394	11.347
	1.552	**8.617**

	2017/18 DKK'000	2016/17 DKK'000
16. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**440.382**	**281.577**

Notes to consolidated financial statements

17. Contingent liabilities

During the financial year, one of the entities has terminated a lease with removal in 2019. At the time of presentation of the annual report, the statement of the final restoring liability of the lease was not yet fixed due to uncertainty regarding the extent of the work to be performed. Consequently, Management has not recognised a liability at 30 June 2018 related to restoring of the lease.

18. Mortgages and securities

The group has provided guarantees in respect of suppliers of goods at 30 June 2018, which amounts to DKK 2.000 thousand.

The group has provided guarantees in respect of landlords at 30 June 2018, which amounts to DKK 4.113 thousand.

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

The group has pledged a company charge of DKK 10.000 thousand as collateral to credit institutions. At 30 June 2018, the company charge comprises the following assets with the following carrying amounts:

Goodwill, domain names and rights, DKK 749 thousand
Other plant, fixtures and fittings, tools and equipment, DKK 26.364 thousand
Inventories, DKK 6.951 thousand
Trade receivables, DKK 12.546 thousand

	Registered in	Corporate form	Equity interest %
19. 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 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Other external expenses		(146)	(143)
Operating profit/loss		**(146)**	**(143)**
Income from investments in group enterprises		(900)	(498)
Other financial income	1	181	0
Other financial expenses		(301)	(344)
Profit/loss before tax		**(1.166)**	**(985)**
Tax on profit/loss for the year	2	(72)	(915)
Profit/loss for the year	3	**(1.238)**	**(1.900)**

Parent balance sheet at 30.06.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Investments in group enterprises		52.358	51.327
Fixed asset investments	4	**52.358**	**51.327**
Fixed assets		**52.358**	**51.327**
Receivables from group enterprises		4.326	4.763
Income tax receivable		1.230	0
Joint taxation contribution receivable		1.046	2.627
Receivables		**6.602**	**7.390**
Current assets		**6.602**	**7.390**
Assets		**58.960**	**58.717**

Parent balance sheet at 30.06.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Contributed capital	5	4.551	4.551
Reserve for net revaluation according to the equity method		14.207	18.420
Retained earnings		16.704	13.805
Equity		**35.462**	**36.776**
Deferred tax	6	6.408	6.313
Other provisions	7	9.130	7.123
Provisions		**15.538**	**13.436**
Income tax payable		0	1.657
Non-current liabilities other than provisions		**0**	**1.657**
Income tax payable		1.573	772
Other payables		6.387	6.076
Current liabilities other than provisions		**7.960**	**6.848**
Liabilities other than provisions		**7.960**	**8.505**
Equity and liabilities		**58.960**	**58.717**
Contingent liabilities	8		
Mortgages and securities	9		
Related parties with controlling interest	10		

Parent statement of changes in equity for 2017/18

	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	18.420	20.930	43.901
Corrections of errors	0	0	(7.125)	(7.125)
Adjusted equity, beginning of year	**4.551**	**18.420**	**13.805**	**36.776**
Exchange rate adjustments	0	(76)	0	(76)
Profit/loss for the year	0	(4.137)	2.899	(1.238)
Equity end of year	**4.551**	**14.207**	**16.704**	**35.462**

Notes to parent financial statements

	2017/18 DKK'000	2016/17 DKK'000
1. Other financial income		
Financial income arising from group enterprises	181	0
	181	**0**

	2017/18 DKK'000	2016/17 DKK'000
2. Tax on profit/loss for the year		
Tax on current year taxable income	0	681
Change in deferred tax for the year	95	234
Refund in joint taxation arrangement	(23)	0
	72	**915**

	2017/18 DKK'000	2016/17 DKK'000
3. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	(4.137)	12.729
Retained earnings	2.899	(14.629)
	(1.238)	**(1.900)**

	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	13.176
Exchange rate adjustments	(76)
Amortisation of goodwill	(374)
Share of profit/loss for the year	(526)
Investments with negative equity transferred to provisions	2.007
Revaluations end of year	**14.207**
Carrying amount end of year	**52.358**

In the carrying amount end of year recognized goodwill amounts to DKK 749 thousand.

Notes to parent financial statements

	Number	Par value DKK'000	Nominal value DKK'000
5. Contributed capital			
Shares	45.510.900	0,0001	4.551
	45.510.900		**4.551**

	2017/18 DKK'000	2016/17 DKK'000
6. Deferred tax		
Provisions	6.443	6.313
Tax losses carried forward	(35)	0
	6.408	**6.313**

Changes during the year	
Beginning of year	6.313
Recognised in the income statement	95
End of year	**6.408**

Deferred tax for provisions relates to recapture of tax loss.

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 some of its subsidiaries debt to credit institutions. The guarantee is unlimited. The subsidiaries debt to credit institutions amounts to DKK 14.716 thousand 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 excecutives 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.

Previous years

As a consequence of adjustments to the taxable income in subsidiaries for the income year 2017 and the subsequent impact of the Danish international joint taxation for the income year 2017 the Group has become aware that tax expense on profit for the year of 2016/17 has been understated.

The adjustment has been corrected directly in the Group's equity in the financial statements for 2017/18. The Company's comparative figures for 2016/17 have been adjusted accordingly, affecting profit for year negatively by DKK 7.125 thousand as a result of the adjustment of the tax expense. Deferred tax liabilities have been increased with DKK 2.385 thousand and deferred tax asset has been reduced by DKK 2.920 thousand. The tax payable in the Group has been increased with DKK 1.820 thousand. Profit/loss for 2016/17 after adjustment of the tax expense is a loss of DKK 1.900 thousand.

In the parent company for 2016/17, income from investments in group enterprises has been reduced with DKK 6.104 thousand and the tax expense has increased with DKK 1.021 thousand. Profit/loss for 2016/17 after the adjustments is a loss of DKK 1.900 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.

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

Accounting policies

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.

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.

Accounting policies

Income statement

Revenue

Revenue from the sale of goods in restaurants 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.

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.

Accounting policies

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 pauments 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 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 3 to 10 years.

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

Accounting policies

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 straigth-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 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.

Accounting policies

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.

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.

Accounting policies

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.

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