
Sticks 'n' Sushi Holding A/S

Nansensgade 49, DK-1366 Copenhagen

Annual Report for 1 July 2019 - 30 June 2020

CVR No 32 83 85 02

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
23/11 2020

Jakob Vestergaard Jensen
Chairman of the General
Meeting



pwc

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	8
Consolidated and Parent Company Financial Statements	
Income Statement 1 July - 30 June	20
Balance Sheet 30 June	21
Statement of Changes in Equity	24
Cash Flow Statement 1 July - 30 June	25
Notes to the Financial Statements	26

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Sticks 'n' Sushi Holding A/S for the financial year 1 July 2019 - 30 June 2020.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 June 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019/20.

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

Copenhagen, 23 November 2020

Executive Board

Andreas Karlsson
CEO

Board of Directors

Jens Aaløse
Chairman

Roderick Wallace Mckie

Thorkil Ernst Brzuchanski
Rewers Andersen

Carsten Kaag

Erik Preben Holm

Thomas Riis

Independent Auditor's Report

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

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 30 June 2020 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 July 2019 - 30 June 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Sticks 'n' Sushi Holding A/S for the financial year 1 July 2019 - 30 June 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 23 November 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant
mne33262

Mads Blichfeldt Henriksen
State Authorised Public Accountant
mne46065

Company Information

The Company

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

CVR No: 32 83 85 02
Financial period: 1 July - 30 June
Municipality of reg. office: Copenhagen

Board of Directors

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

Executive Board

Andreas Karlsson

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	Group				
	2019/20	2018/19	2017/18	2016/17	2015/16
	kDKK	kDKK	kDKK	kDKK	kDKK
Key figures					
Profit/loss					
Revenue	484,979	538,905	494,747	449,224	423,767
Gross profit/loss	229,675	266,747	254,731	239,090	220,309
EBITDA	11,707	10,613	25,636	32,412	24,823
Profit/loss before financial income and expenses	-18,984	-18,283	2,543	11,718	4,805
Net financials	-5,217	-2,489	-2,138	-4,369	-6,513
Net profit/loss for the year	-20,793	-15,766	-1,238	-1,900	-644
Balance sheet					
Balance sheet total	217,429	189,508	178,381	163,180	132,441
Investment in property, plant and equipment for the year	18,234	27,394	43,729	25,982	28,535
Equity	32,595	23,602	35,461	36,776	39,020
Equity, incl. subordinate loan	58,446	48,700	35,461	36,776	39,020
Cash flows					
Cash flows from:					
- operating activities	17,880	29,030	22,862	36,127	11,355
- investing activities	-21,584	-32,951	-46,741	-27,897	-30,628
including investment in property, plant and equipment	-16,859	-27,394	-43,629	25,982	28,535
- financing activities	56,082	24,939	-482	-432	482
Change in cash and cash equivalents for the year	52,378	21,018	-24,361	7,798	-18,791
Number of employees	741	777	625	649	646

Financial Highlights

	Group				
	2019/20	2018/19	2017/18	2016/17	2015/16
	kDKK	kDKK	kDKK	kDKK	kDKK
Ratios					
Gross margin	47.4%	49.5%	51.5%	53.2%	52.0%
Solvency ratio	15.0%	12.5%	19.9%	22.5%	29.5%
Solvency ratio 2, incl. subordinate loan	25.8%	25.7%	19.9%	22.5%	29.5%
Return on equity	-74.0%	-53.4%	-3.4%	-5.0%	-1.6%
Revenue per employee	654	694	625	649	646

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

Management's Review

Primary activities

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

The first Sticks'n'Sushi restaurant was opened in March 1994 at Nansensgade 59 in Copenhagen and has since been followed by 11 more restaurants in the Greater Copenhagen Area, 9 in and around London 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.

The Sticks 'n' Sushi Group served around 1,9 million guests in our 22 restaurants or as takeaway. This requires high quality and hygiene standards, rigorous training of our staff and uniform processes. The more than 1200 employees have all been through extensive introductory and product training courses to secure the continuous execution of high standards of quality and ensuring the best possible guest experience possible.

In addition to our 22 restaurants Sticks 'n' Sushi Holding A/S has a central kitchen at Rødovre, Copenhagen, with around 20 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. Four administrative employees are based in the UK, working primarily out of the restaurants and partly from home.

Management's Review

Development in activities and finances

The income statement of the Group for 2019/20 shows a loss of kDKK 20,793, and at 30 June 2020 the balance sheet of the Group shows equity of kDKK 32,595.

The financial year ended with an EBITDA of DKK 11.7 million equal to 2.4% of net sales against the comparable DKK 10.6 million or 2.0% of revenue in 2018/19. The Covid-19 restrictions in all markets, with closed restaurants and only revenue from take-away, made the financial year 2019/20 an operational tough year and caused an operational loss of ~mDKK 24 despite government support packages in DK, UK and DE. Until beginning of March 2020 Sticks'n'Sushi was tracking sales ahead of budget in all three countries, to achieve the EBITDA budget of mDKK 40 for 2020/21.

Earnings before interest and tax (EBIT) amounting to a loss of DKK 19.0 million against a loss of DKK 18.3 million in 2018/19. Depreciations has increased with DKK 1.8 million compared to 2018/19 to bring depreciations to a total of DKK 30.7 million as a result of our continuous expansion.

Group net result for the year amounted to a loss of DKK 20.8 million compared to DKK 15.8 million loss for the financial year 2018/19.

The group have in 2019/20 opened another new flagship restaurant in heart of Soho, London. In 2019/20 the company have continued its long-term digital investment programme to enhance our guest's digital experience with even more convenience and smoothness to meet the growing expectations from our guests in relation to online ordering of TakeAway and delivery food.

Covid-19 has impacted the business significantly in 2019/20 and the realised result is not satisfactory. We do however take comfort in the strong performance until the March lockdown in our three markets and the way the team has handled the difficult situation for the rest of the financial year.

Capital resources

Based on current bank agreement and the budget prepared for the financial year 2020/21 management is confident that the necessary capital resources are in place for the entire financial year 2020/21. The financial statements are therefore prepared basis on the going concern assumption.

Management's Review

Particular risks

Business related risks

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

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

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

Targets and expectations for the year

In 2020/21 organic growth in our existing restaurants as well as operational excellence is our primary focus areas. We will invest further to strengthen our value chain into the restaurants, continue training our staff and implement uniform processes as well as investing into our brand.

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy.

Sticks 'n' Sushi A/S has applied for compensation under the economic stimulus packages introduced by the Danish Government.

Management is monitoring developments closely. It is, however, too early yet to give an opinion on the extent to which COVID-19 will impact revenue and earnings in 2020/21. Naturally, Management will make every effort to recapture any lost revenue later in the year. The company expects to deliver an EBITDA for the financial year 2020/21 in the range between DKK 35 – 45 million, but with respect for the Covid-19 situation.

Research and development activities

The Sticks 'n' Sushi group is continuing its investments into improving our guests' digital journey with the best online ordering experience for take-away and at the same time improving efficiency and scalability in our operation.

Management's Review

External environment

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

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

Intellectual capital resources

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

Statement of corporate social responsibility

Business model

Sticks 'n' Sushi Holding A/S covers Sticks 'n' Sushi A/S and Sticks 'n' Sushi UK Limited. This portfolio covers the twenty-two Sticks 'n' Sushi restaurants internationally, twelve in Denmark, nine in the United Kingdom and one in Germany. At Sticks 'n' Sushi we have a holistic approach to Corporate Social Responsibility (CSR). We take pride in being a business that acts responsibly and prioritises decency.

Corporate Social Responsibility is embedded in our organisational culture, it is in the way we do everything, it is in our policies, processes, and actions. However, we can always do more. We dedicate a considerable amount of time and resources looking for areas where improvements can be made. Our business model is designed with a consideration for the planet and its inhabitants, these actions form the bottom line of our culture and philosophy. Subsequently, below we outline our journey; what we do now and what we intend to initiate going forwards.

Management's Review

Risk evaluation

Our work with sustainability is an endless journey and we do not want to pretend that we are perfect. The truth is that a company can always improve. And we are working on it. One step at a time. Our CSR efforts are intended to contribute positively to the well-being of employees, guests, suppliers, the restaurant industry and wider society.

We are members of a sustainable restaurant association called the Restaurateur's Guarantee Association (REGA). As part of this membership we partake in impact assessments aligned to the United Nations (UN) Global Compacts Guidelines for Responsible Business in the following three areas: The Environment, Anti-Corruption and Human Rights (including Workers Rights). These impact assessments identify factors that are perceived as high risk to our industry in the countries we operate.

We have recently completed all three impact assessments and examples of identified risks include, the creation of food waste, overfishing and workplace discrimination. In many cases we are already partaking in actions that work against said risks however, where new risks for our industry are identified we will seek, in the upcoming financial year, to implement activities targeting these aspects. We are currently in the process of developing policies in each of the three areas: The Environment, Anti-Corruption and Human Rights (including, workers' rights). Sticks 'n' Sushi will also begin being audited by REGA on our commitments in the aforementioned areas.

We are also active status members of the UN Global Compact Network, for which we conduct annual communications on our progress with relation to the UN Global Compacts Guiding Principles on Responsible Business. We are also members of the Sustainable Restaurant Association (SRA), a UK based sustainable business organisation, by whom we will also begin being audited. All of the membership organisations we are part of, require the identification of actual and potential risks and require the provision of remedies to diminish or prevent said risks.

Management's Review

Policies, activities and results

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

We also focus on collaborating with networks of industry-colleagues, so communally we can influence the market on a larger scale, notably through our collaborations with REGA, the UN Global Compact and the SRA. A key example being the SDG's in the Value Chain Project, which we will discuss in greater detail later in this report. Although, many of the events and activities of these organisations have been on hold due to the covid-19 pandemic, we are as committed as ever to these collaborations and hope to partake in many projects in the future.

This financial year we also employed a CSR Coordinator, responsible for tracking progress with relation to our CSR agenda. This facilitates a greater focus on sustainability and responsibility allowing a more ambitious agenda moving forwards. Below we will outline our intentions, actions and results in the following areas: The Environment, Employee Conditions and Human Rights and Anti-Corruption.

Management's Review

The environment

As a business we have a responsibility to mitigate risks to the environment and promote greater environmental responsibility. Our promise to our guests is to serve high quality food, made with the best ingredients, that taste great. When it comes to our products, we never compromise on quality. We are willing to pay extra when it is needed, and we are transparent in terms of where our products come from and how they are produced.

Fish are our key product yet globally they are a vulnerable natural resource. Many species are at risk of overfishing and there is frequently insufficient public regulation and control to prevent this. We make sure that the fish we choose to serve our guests do not belong to species threatened by extinction, and where there is full traceability from the fishing boat through to the guest's plate. Rare fish will never be on our menu. We have increased the number of seafood items with certifications for environmental and social responsibility in recent years. We now have full ASC, MSC or BAP certifications for the following items: Yellowtail Kingfish, Scallops, Black Cod, Prawns, and Shrimp (for Tempura). The new edition to our menu in September, our Halibut, is also from a certified packaging station and slaughterhouse.

Our biggest selling seafood items however, are Salmon and Tuna where the certification volumes are more mixed. This results in our overall proportion of seafood with certifications being lower. We have recently developed a key performance indicator (KPI) to increase the volume of certified seafood to 50% of total seafood sales by the end of the financial year 2020/21. We aim to increase this volume until we reach 100%. We are in discussions with our salmon suppliers to increase the proportion of salmon that is certified. We previously planned to have certified tuna by the end of the financial year 2019/20 however, the covid-19 pandemic disrupted our supply chains and made this initiative difficult. We now intend to have certification for our tuna by the end of the financial year 2020/21. We have also begun working with the Marine Conservation Society, a UK based charitable organisation, in this financial year. The aim being to gain a further overview of factors affecting aquaculture sustainability in the areas our suppliers operate so, we always remain knowledgeable on areas of best practice.

We believe, that in the future, we will have less meat in the menu card and want to continuously develop our menu to be comprised of organic, green ingredients. In the menu card release in September 2020 we have moved our vegetarian menu option from a separate vegetarian section on the last page in the menu card to a more central position where it sits alongside the other set menu's. We hope this acts as a nudging technique so more guests will select it. We believe a focus on animal welfare and organic produce is very important. We buy the majority of our Danish fruit and vegetables from an organic supplier who have a no-fly policy. Our chicken comes from welfare chickens and the pork in all our restaurants is from a Danish organic and free-range farm. We always work with our suppliers, and potential new suppliers, to ensure we continue to serve high quality and responsibly sourced products.

Management's Review

We are continuously working on our packaging for take away food to ensure we have the best possible product - both for our guests and for the environment. This is the first year we now serve all takeaway food in packaging made of 100% recycled plastic, that is also 100% recyclable. We have worked intensely to find alternatives to the current recycled PET plastic containers. At this stage we have decided the recycled PET plastic is the best solution, but within a few months we will have a new product ready for testing.

We have engaged in a partnership with an innovative science group from a local university to develop and test new types of sustainable packaging and we are expecting a full roll-out within the current year, if the products meet our expectations in terms of food safety, transportation fitness and design.

We are also part of a project with REGA and the UN Global Compact titled Sustainable Development Goals (SDG's) in the Value Chain where communally amongst the members we attempt to find solutions to some of the industry's biggest sustainability challenges. The topic Sticks 'n' Sushi is working on is A Takeaway System for the Future so, we await with interest the results here too. We are also introducing reusable takeaway bags, to hold these takeaway boxes, which will be available for our guests to buy in all restaurants by the end of the financial year 2020/21. Our packaging focus also goes beyond takeaway, even our chopsticks are made of FSC certified bamboo. We will continue to focus on areas where our packaging can be produced in a more environmentally sustainable manner going forwards.

We have a no-waste philosophy behind everything from menu engineering to daily operations to events. We want to provide guests with a treat without wasting culinary resources. We have a constant focus on reducing waste in our operations and have managed to reduce the general waste from our kitchens, cardboard waste and food waste significantly in the past. In the previous year we altered the techniques we used to cook our rice which we believe reduced wastage in this area considerably however, in light on the corona virus, it is difficult to compare volumes across months. In the financial year 2019/20 we have switched to using only paper straws however, we still want to reduce our usage of these items.

Subsequently, we have designed our drinks menu's so only a small number of cocktails will be served with a straw. All other drinks will no longer use these items. We will continue our focus on reducing waste across all categories in 2020/21.

We believe sustainability also extends to the restaurant atmosphere – after all sustainability and hygge go hand-in-hand. Going forward we are interested in tracking the volume of energy-saving lightbulbs across all our restaurants. We are committed to having a 30% proportion of energy-saving lightbulbs across the group by the end of the financial year 2020/21 and a 60% share by the end of the financial year 2021/22.

Management's Review

Employee conditions & Human Rights

Our CSR Strategy is aligned along three principles: The Environment, Anti-Corruption and Human Rights (including, Workers Rights) as this aligns with the impact assessments, we conduct through REGA. We see Human Rights as referring to our responsibility as an organisation to support and respect internationally proclaimed human rights and ensure we are not complicit in the abuse of these Human Rights both within our business, with regards to guests visiting our restaurants and across our supply chains. Employee conditions refers to our responsibility to ensure that our employees are safe, satisfied and their rights are protected in our work environment.

Employee conditions and Human Rights are highly important to us as a business. We are very conscious when selecting our suppliers as we do not want to work with any organisations associated with Human Rights abuses. We also want our staff to be enjoy coming to work so we try to be flexible with regards to shift patterns, we provide a minimum of several weeks' notice prior to shifts and we have a range of training and development opportunities for staff to partake in. We normally conduct regular employee satisfaction surveys to confidentially gage employee experiences of working with us however, the disruptions associated with the covid-19 pandemic have made the survey difficult in this financial year. However, previous versions have suggested employees are generally happy with the work conditions and have not experienced Human Rights abuses.

One highly important area regarding employee conditions and Human Rights considers antidiscrimination. We employ people from all over the world and having highly multicultural teams is something we are very proud of. We are communally from around 35 different nationalities and we want to promote a diverse workforce, where people from near and far come together and work towards the same goals. However, discrimination can always occur, and we seek to identify areas where this can happen. In this financial year we developed an Equal Pay for Equal Roles policy where we commit to having job descriptions for all employees with attached specified salary brackets. This reduces areas where discrimination in status and subsequently pay can occur. We are already in this process, with an aim of having full coverage for all employees and roles by the end of 2021 thus, relating to the end of financial year 2021/22.

Also, relating to employee conditions and Human Rights we have an employee feedback mechanism known as the Fish Tank in our Danish restaurants .This system consists of an independent employee-elected representative in each restaurant who employees can voice concerns to, such as if their human rights or workers' rights have been violated or if they are unhappy with an aspect related to their workforce. This representative can then escalate these concerns confidentially. We will expand this system to our UK restaurants, with the aim of achieving full coverage by the end of the financial year 2020/21.

Management's Review

Anti-corruption

We believe part of being a responsible business involves highlighting areas where corruption and bribery could occur and working to prevent these activities from happening. We do not see ourselves as highly at risk with regard to corruption or bribery and have not had any reported serious incidences in the previous financial year however, we should not become complacent.

We are in the process of developing an Anti-Corruption Policy where we initiate actions to combat areas where corruption can occur. The previously discussed Fish Tank acts as a whistle-blower system where employees who view corrupt activities can confidentially report this. The Equal Pay for Equal Roles Policy we have been working on in this financial year, also works against nepotism in salary provision, a form of corruption. As this removes subjectivity in pay brackets. In the next financial year, we will further implement activities that prevent areas where corruption can occur.

Management's Review

Statement on gender composition

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

We aim to achieve a fair and representative balance with regards to the composition of gender, age and seniority, recognising that the restaurant industry is an industry with a relatively high level of job rotation.

At the end of the financial year 2019/20 the gender composition at board level was as follows:
Board of Directors: 100% male.

The board of directors contains the same members for Sticks 'n' Sushi Holding A/S and Sticks 'n' Sushi A/S.

At the end of the previous financial year the composition at board level was also 100% male however we aim to have 20% female in the future and no later than the financial year 2022/23. In this year, a board position was made available however, no female candidates were up for election. In the financial year 2019/20 a chairman was elected by the board, this candidate was already affiliated with the board members and this position was not offered to external candidates.

At the end of the financial year 2019/20 the gender composition at senior management level was as follows:

Senior Management: 22% female to 78% male.

Management's Review

Last Financial year the composition was 25% female to 75% male and the goal for this financial year was to maintain the ratio we had last year as a minimum. This goal was not met, likely due to the addition of a new role to the senior management team which is occupied by a male. It is the objective of Sticks 'n' Sushi Holdings A/S and Sticks 'n' Sushi A/S to raise the female ratio representation at both the board And management levels and we continue our work of recruiting females with the right experience and competencies.

The aforementioned Equal Pay for Equal Roles policy is also initiated to prevent discrepancies in pay between males and females in the same roles, hopefully reducing partly the gender pay gap typically experienced by female employees.

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 30 June 2020 of the Group and the results of the activities and cash flows of the Company for the Financial year for 2019/20 have been affected negatively by Covid-19 restrictions during several weeks with closed restaurants and only revenue from take-away.

Income Statement 1 July - 30 June

	Note	Group		Parent	
		2019/20 kDKK	2018/19 kDKK	2019/20 kDKK	2018/19 kDKK
Revenue	1	484,979	538,905	0	0
Other operating income		927	0	0	0
Expenses for raw materials and consumables		-139,195	-149,560	0	0
Other external expenses		-117,036	-122,598	-296	-117
Gross profit/loss		229,675	266,747	-296	-117
Staff expenses	2	-217,968	-256,134	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-30,691	-28,896	0	0
Profit/loss before financial income and expenses	4	-18,984	-18,283	-296	-117
Income from investments in subsidiaries		0	0	-20,257	-17,572
Financial income	5	302	441	918	298
Financial expenses	6	-5,519	-2,930	-1,112	-416
Profit/loss before tax		-24,201	-20,772	-20,747	-17,807
Tax on profit/loss for the year	7	3,408	5,006	-46	2,041
Net profit/loss for the year		-20,793	-15,766	-20,793	-15,766

Balance Sheet 30 June

Assets

	Note	Group		Parent	
		2020 kDKK	2019 kDKK	2020 kDKK	2019 kDKK
Completed development projects		4,609	3,456	0	0
Acquired trademarks		0	2	0	0
Goodwill		0	375	0	0
Development projects in progress		0	2,178	0	0
Intangible assets	8	4,609	6,011	0	0
Other fixtures and fittings, tools and equipment		18,653	22,409	0	0
Leasehold improvements		97,766	103,754	0	0
Property, plant and equipment	9	116,419	126,163	0	0
Investments in subsidiaries	10	0	0	30,159	35,321
Deposits	11	10,871	8,834	0	0
Fixed asset investments		10,871	8,834	30,159	35,321
Fixed assets		131,899	141,008	30,159	35,321
Inventories		6,950	6,087	0	0
Trade receivables		5,154	13,899	0	0
Receivables from group enterprises		0	0	46,881	29,282
Other receivables		2,337	1,920	0	0
Deferred tax asset	12	3,654	0	85	0
Corporation tax		486	723	486	723
Corporation tax receivable from group enterprises		1,892	975	0	212
Prepayments	13	737	16,539	0	0
Receivables		14,260	34,056	47,452	30,217
Cash at bank and in hand		64,320	8,357	7	2,627
Currents assets		85,530	48,500	47,459	32,844
Assets		217,429	189,508	77,618	68,165

Balance Sheet 30 June

Liabilities and equity

	Note	Group		Parent	
		2020 kDKK	2019 kDKK	2020 kDKK	2019 kDKK
Share capital		5,132	4,551	5,132	4,551
Retained earnings		27,463	19,051	27,463	19,051
Equity	14	32,595	23,602	32,595	23,602
Provision for deferred tax	12	2,190	1,551	0	0
Provisions relating to investments in group enterprises		0	0	10,162	9,853
Other provisions	16	6,450	4,600	0	0
Provisions		8,640	6,151	10,162	9,853
Subordinate loan capital		25,851	25,098	25,851	25,098
Credit institutions		25,000	44	0	0
Payables to group enterprises relating to corporation tax		0	0	2,061	2,142
Other payables		3,844	0	0	0
Long-term debt	17	54,695	25,142	27,912	27,240

Balance Sheet 30 June *(continued)*

Liabilities and equity

	Note	Group		Parent	
		2020 kDKK	2019 kDKK	2020 kDKK	2019 kDKK
Credit institutions	17	37,901	34,316	0	0
Trade payables		33,380	52,419	50	50
Payables to owners and Management		6,899	6,570	6,899	6,570
Corporation tax		3,247	4,144	0	0
Other payables	17	37,103	35,674	0	850
Deferred income	18	2,969	1,490	0	0
Short-term debt		121,499	134,613	6,949	7,470
Debt		176,194	159,755	34,861	34,710
Liabilities and equity		217,429	189,508	77,618	68,165
Distribution of profit	15				
Contingent assets, liabilities and other financial obligations	21				
Related parties	22				
Fee to auditors appointed at the general meeting	23				
Subsequent events	24				
Accounting Policies	25				

Statement of Changes in Equity

Group

	Share capital kDKK	Share premium account kDKK	Retained earnings kDKK	Total kDKK
Equity at 1 July	4,551	0	19,051	23,602
Cash capital increase	581	29,419	0	30,000
Exchange adjustments relating to foreign entities	0	0	-84	-84
Other equity movements	0	0	-130	-130
Net profit/loss for the year	0	0	-20,793	-20,793
Transfer from share premium account	0	-29,419	29,419	0
Equity at 30 June	5,132	0	27,463	32,595

Parent

Equity at 1 July	4,551	0	19,051	23,602
Cash capital increase	581	29,419	0	30,000
Exchange adjustments relating to foreign entities	0	0	-84	-84
Other equity movements	0	0	-130	-130
Net profit/loss for the year	0	0	-20,793	-20,793
Transfer from share premium account	0	-29,419	29,419	0
Equity at 30 June	5,132	0	27,463	32,595

Cash Flow Statement 1 July - 30 June

	Note	Group	
		2019/20 kDKK	2018/19 kDKK
Net profit/loss for the year		-20,793	-15,766
Adjustments	19	32,377	26,379
Change in working capital	20	12,832	19,787
Cash flows from operating activities before financial income and expenses		24,416	30,400
Financial income		302	441
Financial expenses		-5,521	-2,931
Cash flows from ordinary activities		19,197	27,910
Corporation tax paid/refunded		-1,317	1,120
Cash flows from operating activities		17,880	29,030
Purchase of intangible assets		-2,689	-1,891
Purchase of property, plant and equipment		-16,859	-27,394
Fixed asset investments made etc		-2,036	-3,666
Cash flows from investing activities		-21,584	-32,951
Installments on loans		0	-159
Raising of subordinated loan capital from parent company		753	25,098
Raising of loans from credit institutions		25,000	0
Raising of loans from company owners		329	0
Cash capital increase		30,000	0
Cash flows from financing activities		56,082	24,939
Change in cash and cash equivalents		52,378	21,018
Cash and cash equivalents at 1 July		-25,959	-46,977
Cash and cash equivalents at 30 June		26,419	-25,959
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		64,320	8,357
Credit institutions		-37,901	-34,316
Cash and cash equivalents at 30 June		26,419	-25,959

Notes to the Financial Statements

	Group		Parent	
	2019/20 kDKK	2018/19 kDKK	2019/20 kDKK	2018/19 kDKK
1 Revenue				
Geographical segments				
Denmark	273,191	309,660	0	0
United Kingdom	194,807	209,047	0	0
Germany	16,981	20,198	0	0
	484,979	538,905	0	0
2 Staff expenses				
Wages and salaries	191,888	226,643	0	0
Pensions	11,644	13,495	0	0
Other social security expenses	7,630	7,457	0	0
Other staff expenses	6,806	8,539	0	0
	217,968	256,134	0	0
Including remuneration to the Executive Board and Board of Directors	2,140	4,022	0	0
Average number of employees	741	777	0	0

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

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

Notes to the Financial Statements

	Group		Parent	
	2019/20	2018/19	2019/20	2018/19
	kDKK	kDKK	kDKK	kDKK
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	4,090	2,971	0	0
Depreciation of property, plant and equipment	26,566	24,468	0	0
Impairment of property, plant and equipment	35	1,457	0	0
	30,691	28,896	0	0

4 Special items

The Group received compensation via Government help packages in the financial year 2019/20. The compensation is recognized under the respective financial statement line items for each compensation. The Group received compensation for fixed costs of DKK 1,893k which is offset in other operating expenses and salary compensation of DKK 19,533k which is offset in wages and salaries.

5 Financial income

Interest received from group enterprises	0	0	918	162
Other financial income	302	136	0	136
Exchange gains	0	305	0	0
	302	441	918	298

6 Financial expenses

Interest paid to group enterprises	0	0	1,081	98
Other financial expenses	4,277	2,924	12	318
Exchange adjustments, expenses	1,242	6	19	0
	5,519	2,930	1,112	416

Notes to the Financial Statements

	Group		Parent	
	2019/20	2018/19	2019/20	2018/19
	kDKK	kDKK	kDKK	kDKK
7 Tax on profit/loss for the year				
Current tax for the year	-537	-190	-28	-62
Deferred tax for the year	-3,015	-2,855	-85	-21
Adjustment of tax concerning previous years	84	-1,961	159	-1,958
Adjustment of deferred tax concerning previous years	60	0	0	0
	-3,408	-5,006	46	-2,041

8 Intangible assets

Group

	Completed development projects	Acquired trade-marks	Goodwill	Development projects in progress
	kDKK	kDKK	kDKK	kDKK
Cost at 1 July	14,538	40	16,116	2,178
Additions for the year	2,690	0	0	0
Transfers for the year	2,178	0	0	-2,178
Cost at 30 June	19,406	40	16,116	0
Impairment losses and amortisation at 1 July	11,081	38	15,741	0
Amortisation for the year	3,716	2	375	0
Impairment losses and amortisation at 30 June	14,797	40	16,116	0
Carrying amount at 30 June	4,609	0	0	0

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

Notes to the Financial Statements

9 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment kDKK	Leasehold improvements kDKK
Cost at 1 July	85,685	202,016
Exchange adjustment	-700	-2,040
Additions for the year	5,494	12,740
Disposals for the year	-566	0
Cost at 30 June	<u>89,913</u>	<u>212,716</u>
Impairment losses and depreciation at 1 July	63,276	98,262
Exchange adjustment	-467	-896
Impairment losses for the year	35	0
Depreciation for the year	8,982	17,584
Reversal of impairment and depreciation of sold assets	-566	0
Impairment losses and depreciation at 30 June	<u>71,260</u>	<u>114,950</u>
Carrying amount at 30 June	<u>18,653</u>	<u>97,766</u>

Notes to the Financial Statements

	Parent	
	2020 kDKK	2019 kDKK
10 Investments in subsidiaries		
Cost at 1 July	38,151	38,151
Additions for the year	15,000	0
Cost at 30 June	<u>53,151</u>	<u>38,151</u>
Value adjustments at 1 July	-12,683	5,074
Exchange adjustment	-84	-187
Net profit/loss for the year	-19,883	-17,196
Other equity movements, net	-130	0
Amortisation of goodwill	-374	-374
Value adjustments at 30 June	<u>-33,154</u>	<u>-12,683</u>
Equity investments with negative net asset value transferred to provisions	<u>10,162</u>	<u>9,853</u>
Carrying amount at 30 June	<u>30,159</u>	<u>35,321</u>

Investments in subsidiaries are specified as follows:

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

11 Other fixed asset investments

	Group Deposits kDKK
Cost at 1 July	8,834
Exchange adjustment	-178
Additions for the year	<u>2,215</u>
Cost at 30 June	<u>10,871</u>
Carrying amount at 30 June	<u>10,871</u>

Notes to the Financial Statements

	Group		Parent	
	2020 kDKK	2019 kDKK	2020 kDKK	2019 kDKK
12 Deferred tax asset				
Deferred tax asset at 1 July	0	0	0	0
Amounts recognised in the income statement for the year	3,654	0	85	0
Deferred tax asset at 30 June	3,654	0	85	0

Deferred tax assets mainly consists of tax losses to carry forward. The Group expects to utilize the tax losses within the next 3-5 years.

13 Prepayments

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

14 Equity

The share capital consists of 51,532,080 shares of a nominal value of DKK 0.10. No shares carry any special rights.

The share capital has developed as follows:

	2019/20 kDKK	2018/19 kDKK	2017/18 kDKK	2016/17 kDKK	2015/16 kDKK
Share capital at 1 July	4,551	4,551	4,551	4,551	4,551
Capital increase	581	0	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 30 June	5,132	4,551	4,551	4,551	4,551

Notes to the Financial Statements

15 Distribution of profit	Parent	
	2019/20	2018/19
	kDKK	kDKK
Reserve for net revaluation under the equity method	0	-14,020
Retained earnings	-20,793	-1,746
	-20,793	-15,766

16 Other provisions	Group		Parent	
	2020	2019	2020	2019
	kDKK	kDKK	kDKK	kDKK
Other provisions consists of expected loss from onerous rent contracts.				
Other provisions	6,450	4,600	0	0
	6,450	4,600	0	0

17 Long-term debt

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

The debt falls due for payment as specified below:

Subordinate loan capital

Between 1 and 5 years	25,851	25,098	25,851	25,098
Long-term part	25,851	25,098	25,851	25,098
Within 1 year	0	0	0	0
	25,851	25,098	25,851	25,098

Credit institutions

After 5 years	5,000	0	0	0
Between 1 and 5 years	20,000	44	0	0
Long-term part	25,000	44	0	0
Other short-term debt to credit institutions	37,901	34,316	0	0
	62,901	34,360	0	0

Notes to the Financial Statements

17 Long-term debt (continued)

	Group		Parent	
	2020 kDKK	2019 kDKK	2019/20 kDKK	2019 kDKK
Payables to group enterprises relating to corporation tax				
Between 1 and 5 years	0	0	2,061	2,142
Long-term part	0	0	2,061	2,142
Within 1 year	0	0	0	0
	0	0	2,061	2,142
Other payables				
Between 1 and 5 years	3,844	0	0	0
Long-term part	3,844	0	0	0
Other short-term payables	37,103	35,674	0	850
	40,947	35,674	0	850

18 Deferred income

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

Notes to the Financial Statements

	Group	
	<u>2019/20</u> kDKK	<u>2018/19</u> kDKK
19 Cash flow statement - adjustments		
Financial income	-302	-441
Financial expenses	5,519	2,930
Depreciation, amortisation and impairment losses, including losses and gains on sales	30,693	28,896
Tax on profit/loss for the year	-3,408	-5,006
Other adjustments	-125	0
	<u>32,377</u>	<u>26,379</u>
20 Cash flow statement - change in working capital		
Change in inventories	-863	864
Change in receivables	24,132	-9,311
Change in other provisions	1,850	4,600
Change in trade payables, etc	-12,287	23,634
	<u>12,832</u>	<u>19,787</u>

Notes to the Financial Statements

21 Contingent assets, liabilities and other financial obligations

Charges and security

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

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

The group has pledged a company charge of TDKK 10,000 as collateral for debt. At 30 June 2020, the company charge comprises the following assets with the following carrying amounts:

	Group		Parent	
	2020 kDKK	2019 kDKK	2020 kDKK	2019 kDKK
Goodwill and acquired trademarks	0	377	0	0
Property, plant and equipment	116,419	125,551	0	0
Inventories	6,950	6,087	0	0
Trade receivables	5,154	13,899	0	0

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	39,807	40,284	0	0
Between 1 and 5 years	137,042	134,342	0	0
After 5 years	230,981	255,628	0	0
	407,830	430,254	0	0

Guarantee obligations

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

The group has provided guarantees in respect of landlords at 30 June 2020, which amounts to TDKK 7,687.

Other contingent liabilities

The Entity has contingent liabilities regarding partial outsourcing of inventories to third party of TDKK 8,687.

Notes to the Financial Statements

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

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

22 Related parties

Basis

Controlling interest

MIE4 Holding 2 ApS, Copenhagen

Parent company

Transactions

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

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

Consolidated Financial Statements

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

Name

Place of registered office

MIE4 Holding 2 ApS

Copenhagen

Notes to the Financial Statements

	Group	
	<u>2019/20</u>	<u>2018/19</u>
	kDKK	kDKK
23 Fee to auditors appointed at the general meeting		
PricewaterhouseCoopers		
Audit fee	590,400	802,632
Other assurance engagements	40,000	17,500
Tax advisory services	103,950	411,500
Other services	205,100	266,548
	<u>939,450</u>	<u>1,498,180</u>

24 Subsequent events

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

Notes to the Financial Statements

25 Accounting Policies

The Annual Report of Sticks 'n' Sushi Holding A/S for 2019/20 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2019/20 are presented in kDKK.

Recognition and measurement

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

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

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

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

Basis of consolidation

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

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

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

Notes to the Financial Statements

25 Accounting Policies (continued)

Leases

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

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

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

Translation policies

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

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

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

Revenue

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

Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an outflow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

Notes to the Financial Statements

25 Accounting Policies (continued)

Income Statement

Revenue

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

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

Expenses for raw materials and consumables

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

Other external expenses

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

Government support packages

The company has received compensation via Government help packages in the financial year 2019/20. The compensation is recognized under the respective financial statement line items for each compensation.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Notes to the Financial Statements

25 Accounting Policies (continued)

Income from investments in subsidiaries

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

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Balance Sheet

Intangible assets

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

Acquired trademarks are measured at the lower of cost less accumulated amortisation and recoverable amount. Acquired trademarks are amortised over 10 years.

Costs of development projects comprise salaries and other expenses directly attributable to the Company’s development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Notes to the Financial Statements

25 Accounting Policies (continued)

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item “Reserve for development costs”. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3-10 years.

Property, plant and equipment

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

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

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

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

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

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Notes to the Financial Statements

25 Accounting Policies (continued)

Investments in subsidiaries

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

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

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

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

Other fixed asset investments

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

Inventories

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

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

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

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

Receivables

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

Notes to the Financial Statements

25 Accounting Policies (continued)

Prepayments

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

Provisions

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

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

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

Notes to the Financial Statements

25 Accounting Policies (continued)

Deferred income

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

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise

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

Notes to the Financial Statements

25 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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