

Food Folk Danmark Holdings ApS


Falkoner Alle 20
2000 Frederiksberg

CVR no. 38 43 38 49

Annual report 2018

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

on 22 March 2019


chairman of the annual general meeting

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Statement by the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Food Folk Danmark Holdings ApS for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

We recommend the annual report to be approved at the annual general meeting.

Copenhagen, 22 March 2019

Executive board:


Joachim Bernhard Knudsen



Independent auditor's report

To the shareholders of Food Folk Danmark Holdings ApS

Opinion

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Audited financial statements

Food Folk Danmark Holdings ApS' consolidated financial statements and separate financial statements for the financial year 1 January – 31 December 2018 comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company (the financial statements). The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark.

Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

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

Independence

We are independent of the 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 rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

Independent auditor's report

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Independent auditor's report (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company'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 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 Parent 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 Parent 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.

Copenhagen, 22 March 2019

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Niels Vendelbo
State Authorised
Public Accountant
MNE no. 34532

Management's review

Company details

General

Food Folk Danmark Holdings ApS
Falkoner Alle 20
2000 Frederiksberg

Telephone: +45 33 26 60 00
Website: www.mcdonalds.dk
E-mail: reception@dk.mcd.com

CVR no. 38 43 38 49

Established: 22 February 2017
Registered office: Falkoner Alle 20, DK-2000 Frederiksberg
Financial year: From 1 January to 31 December

Board of Directors

Joachim Bernhard Knudsen

Managing Director

Joachim Bernhard Knudsen

Auditor

KPMG
Statsautooriseret revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen

Bank

Danske Bank, Corporate Banking

Annual general meeting

The annual general meeting will be held on 22 March 2019.

Management's review (continued)

Financial highlights for the Group

DKK'000	2018	2017*
Key figures		
Revenue	414 321	297 332
Operating profit	146 273	106 144
Net financials	(51 957)	(40 290)
Profit for the year	66 375	202 564
Balance sheet total		
Investments in property, plant and equipment	1 641 704	1 632 913
Equity	389 456	323 081
Financial ratios		
Return on assets	8,9	12,1
Equity ratio	23,7	19,8
Return on equity	18,6	91,3
Average number of full-time employees	57	51

* Revenues for 2017 have been adjusted to reflect the impact from IFRS15 introduced in 2018.

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

Return on assets	$\frac{\text{Profit/loss from ordinary activities} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Closing equity} \times 100}{\text{Equity \& liabilities at year - end}}$
Return on equity	$\frac{\text{profit/loss for the year} \times 100}{\text{Average equity}}$

Management's review (continued)

Operating review

Principals activities

The main activity of the Group is to acquire real estate by leasing or buying it, renovating and fitting it for the purpose of operating a McDonald's restaurant under a master franchise agreement made with McDonald's Corporation, the holder of the McDonald's global trademark. Food Folk Danmark ApS (former name McDonald's Danmark ApS) was previously 100% owned by McD Europe Ltd, a wholly owned subsidiary of McDonald's Corporation, but was acquired by Food Folk Danmark Holdings ApS on 31/3-2017.

By the end of 2018, Food Folk had 88 licensed McDonald's restaurants in Denmark, all operated by 21 independent franchisees on contract for the operation of the individual restaurants for a period of up to 20 years. The total number of McDonald's restaurants was unchanged compared to 2017.

Unusual circumstances

To the management's knowledge, no unusual circumstances has occurred during 2018.

Events after the balance sheet date

No events have occurred after the balance sheet date that could significantly affect the Group financial position.

Development in activities and financial position

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

During 2018, the McDonald's restaurants in Denmark increased system wide sale* by 7.5 % (2017: 5,3%)

The Group realized a revenue increase of +9% compared to the previous year (2017: -15%), mainly driven by a combination of increased System Wide Sales and franchised income from refranchised restaurants.

Operating profit for the year increased by DKK 40,129 thousand to DKK 146,273 thousand (2017: DKK 106,144 thousand) which corresponds to a increase of 38%. The increase in operating income is primarily driven by higher sales whereas operating expenses are in line with last year.

The result of the year decreased by DKK 136,189 thousand to a total of DKK 66,375 thousand (2017: DKK 202,564 thousand), mainly due to the absence of the gain on bargain purchase for DKK 154,269 thousand affecting only 2017 results.

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

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

Outlook

In 2019, the Group expects an increase in the system wide sales and operating profit.

Particular risks

The Group does not have any significant risk apart from what is common from the industry since the majority of transactions is denominated in Danish Kroner, long term financing is secured with fixed interests and outstanding receivables are of short term nature. For further details on the Group's risk profile we refer to note 18.

Management's review (continued)

Food Folk Corporate Social Responsibility

Food Folk Denmark's CSR strategy and initiatives

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

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

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

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

Risk

On climate, we risk having a raising carbon footprint during growth. However, our rebuild restaurants (72 out of 88 restaurants), have succeeded in reducing food waste significantly, food, which has high carbon emission during production.

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

On environment we are aware that all companies have a task in the green transition, which is why we have implemented new packaging and contributed to counter littering in Denmark in several years including 2018.

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

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

Impact on climate

We continuously aim to lessen our carbon footprint. Food production has a significant impact on climate change. This is why we aimed to lessen our food waste, when we rebuilt 72 restaurants out of 88 in 2017/2018 - now redesigned to the new made-to-order system. The impact is already visible. Our food waste is - for each rebuilt restaurant - approximately reduced by 25 pct., as measured as cost pct. of turnover.

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

Management's review (continued)

Food Folk Corporate Social Responsibility (continued)

Human rights

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

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

All suppliers that Food Folk Danmark carries responsibility for passed their audits in 2018. All global suppliers are connected to one McDonald's market, who is responsible for their auditing.

Environment

We continuously evaluate our packaging and look for greener alternatives – to save on plastics, harmful waste, and CO2. In 2018, we implemented biodegradable tray mats and removed the plastic lids from McFlurry - all this resulting in the following improvements:

Tray mats – Saving 42 tons of harmful chemical waste per year (implemented Q4 2017, effect from 2018)

McFlurry lids – Saving 13 tons of plastic every year

Food Folk Danmark wish to make a difference on littering too. In 2018 22 routes of litter collection were completed via the McDonald's sponsored Project 'Clean Nature' organized by the NGO Keep Denmark Clean. Following the success, Food Folk Danmark decided to raise the financial commitment in the project. Food Folk Danmark holds a seat in the board of the project and will monitor the project closely.

In 2018 we continued our 'one block policy', entailing employees to collect litter in the immediate area surrounding each restaurant. The one block policy results in McDonald's staff continuously helping the local area keeping the streets clean not only for McDonald's own litter, but also the society's general littering.

Furthermore, Food Folk Danmark is continuing to work for animal welfare by focusing on cage eggs. In 2018, Food Folk Danmark laid the foundation for removing cage eggs completely from the ingredients lists, a process which will be completed in 2019. We already serve all our breakfast menu items using free range, organic eggs.

Anti-corruption and bribery

All employees at the headquarter of Food Folk Danmark conduct a yearly e-learning course on how to avoid corruption and bribery. Due to new ownership of the company the course was not performed in 2018 but was performed in 2017 and will be again in 2019. The e-learning is part of McDonald's global anti-corruption policy. For more information: <https://corporate.mcdonalds.com/corpmcd/investors-relations/codes-of-conduct.html>

Social and staff matters

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

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

Our optional educations are created in collaboration with external academies in Denmark. Thus, we offer our employees a unique opportunity to combine work and education. In 2018, 197 employees were enrolled in one of our external education programs.

Furthermore, Food Folk Danmark corporates closely with KLAPjob, which is part of LEV, an organization for people with cognitive disabilities. Since 2014, McDonald's has hired 48 people with cognitive disabilities.

Gender diversity

At the management level, the gender ratio of managers are 54,3 pct. females and 45,7 pct. males. For the future, a similar split between genders is expected to be continued.

The board consists of one male director.

Statement of profit or loss and other comprehensive income

Parent company			Group		
1 January 2018 to 31 December 2018	22 February 2017 to 31 December 2017	DKK'000	Note	1 January 2018 to 31 December 2018	31 March 2017 to 31 December 2017
0	0	Revenue	1	414 321	297 332
0	0	Raw materials and consumables		0	(18)
(149)	(67)	Other external expenses	3	(177 468)	(130 257)
0	0	Depreciation and amortisation	8, 9	(53 119)	(34 568)
0	0	Staff cost	4	(40 163)	(26 079)
0	0	Other operating income, net	2	2 702	(266)
<u>(149)</u>	<u>(67)</u>	Total expenses		<u>(268 048)</u>	<u>(191 188)</u>
<u>(149)</u>	<u>(67)</u>	Operating profit or loss		<u>146 273</u>	<u>106 144</u>
114	0	Financial income	5	114	111
(29 346)	(22 498)	Financial expense	6	(52 071)	(40 401)
<u>(29 232)</u>	<u>(22 498)</u>	Net finance expenses		<u>(51 957)</u>	<u>(40 290)</u>
0	154 269	Gain on bargain purchase		0	154 269
95 723	70 055	Share of profit of equity accounted Investees, net of tax	10	(72)	(94)
<u>66 342</u>	<u>201 759</u>	Profit or loss before tax		<u>94 244</u>	<u>220 029</u>
33	908	Tax for the year	7	(27 869)	(17 465)
<u>66 375</u>	<u>202 667</u>	Profit or loss		<u>66 375</u>	<u>202 564</u>
		Attributable to			
0	0	Dividend to shareholders		0	0
(32 378)	224 324	Reserve for net revaluation according to the equity method		0	0
98 753	(21 657)	Retained earnings		66 375	202 564
<u>66 375</u>	<u>202 667</u>	Profit or loss		<u>66 375</u>	<u>202 564</u>
		Statement of comprehensive income			
66 375	202 667	Profit or loss		66 375	202 564
0	0	Other comprehensive income for the year, net of income tax		0	0
<u>66 375</u>	<u>202 667</u>	Comprehensive income for the year		<u>66 375</u>	<u>202 564</u>

Statement of financial position at 31 December

Parent company			Group		
2018	2017	DKK'000	Note	2018	2017
Assets					
Non current assets					
0	0	Property, plant and equipment	8	1 227 222	1 258 548
0	0	Intangible assets	9	190 189	200 624
672 080	704 458	Investments in subsidiaries and associates	10	141	202
0	0	Deferred tax assets	11	0	0
672 080	704 458			1 417 552	1 459 374
Current assets					
0	0	Trade and other receivables	12	74 773	71 688
74 278	1 361	Receivables from related parties	22	143 373	1 361
6 005	908	Tax receivable		6 006	2 358
0	0	Restricted cash	13	0	52 192
0	394	Cash and cash equivalents	13	0	45 940
80 283	2 663			224 152	173 539
752 363	707 121	Total Assets		1 641 704	1 632 913
Equity and liabilities					
Equity attributable to equity holders of the parent					
30 000	30 000	Share capital	14	30 000	30 000
90 517	90 517	Share premium	14	90 517	90 517
191 946	224 324	Reserve for net revaluation according to the equity method		0	0
76 993	(21 657)	Retained earnings		268 939	202 564
389 456	323 184	Total equity		389 456	323 081
Non current liabilities					
362 839	361 750	Other interest-bearing loans and borrowings	15	905 557	930 359
0	0	Provisions	16	18 821	32 103
0	0	Deferred tax liabilities	11	197 695	201 330
362 839	361 750			1 122 073	1 163 792
Current liabilities					
0	0	Other interest-bearing loans and borrowings	15	25 890	25 365
68	65	Trade and other payables	17	102 766	94 402
0	22 122	Payables to related parties	22	774	26 109
0	0	Provisions	16	500	164
68	22 187			130 175	146 040
362 907	383 937	Total liabilities		1 252 248	1 309 832
752 363	707 121	Total equity and liabilities		1 641 704	1 632 913

Statement of changes in equity

Parent company

DKK'000	Share capital	Share premium	Reserve for net revaluation according to the equity method	Retained earnings	Total equity
Balance at 22 February 2017	0	0	0	0	0
Profit or loss	0	0	224 324	(21 657)	202 667
Total comprehensive income for the period	0	0	224 324	(21 657)	202 667
Transactions with owners, recorded directly in equity: Issue share capital	30 000	90 517	0	0	120 517
Total contributions by and distributions to owners	30 000	90 517	0	0	120 517
Balance at 31 December 2017	30 000	90 517	224 324	(21 657)	323 184

DKK'000	Share capital	Share premium	Reserve for net revaluation according to the equity method	Retained earnings	Total equity
Balance at 1 January 2018	30 000	90 517	224 324	(21 657)	323 184
Profit or loss	0	0	(32 378)	98 753	66 375
Total comprehensive income for the period	0	0	(32 378)	98 753	66 375
Other changes in equity of subsidiaries	0	0	0	(103)	(103)
Transactions with owners, recorded directly in equity: Dividends	0	0	0	0	0
Total contributions by and distributions to owners	0	0	0	0	0
Balance at 31 December 2018	30 000	90 517	191 946	76 993	389 456

Statement of changes in equity

Group	Share capital	Share premium	Reserve for net revaluation according to the equity method	Retained earnings	Total equity
DKK'000					
Balance at 31 March 2017	30 000	90 517	0	0	120 517
Profit or loss	0	0	0	202 564	202 564
Total comprehensive income for the period	0	0	0	202 564	202 564
Balance at 31 December 2017	30 000	90 517	0	202 564	323 081
DKK'000					
Balance at 1 January 2018	30 000	90 517	0	202 564	323 081
Profit or loss	0	0	0	66 375	66 375
Total comprehensive income for the period	0	0	0	66 375	66 375
Balance at 31 December 2018	30 000	90 517	0	268 939	389 456

Statement of cash flows

Parent company			Group		
1 January 2018 to 31 December 2018	22 February 2017 to 31 December 2017	DKK'000	Note	1 January 2018 to 31 December 2018	31 March 2017 to 31 December 2017
Cash flow from operating activities					
66 375	202 667	Profit for the year		66 375	202 564
Adjustments for:					
0	0	Depreciation, amortisation and impairment		53 119	34 568
(114)	0	Financial income		(114)	(111)
29 346	22 498	Financial expense		52 071	40 401
(95 723)	(70 055)	Share of profit of subsidiaries, net of tax		72	94
0	(154 269)	Gain on bargain purchase		0	(154 269)
0	0	(Gain)/loss on sale of property, plant and equipment		(257)	(17)
(33)	(908)	Taxation		27 869	17 465
(66 524)	(202 734)			132 760	(61 869)
0	0	Decrease/increase in trade and other receivables	12	(3 096)	7 011
3	65	Decrease/increase in trade and other payables	17	8 364	7 937
1 168	(1 367)	Decrease/increase in related parties balances	22	(2 410)	2 620
0	0	Decrease/increase in provisions	16	(13 132)	(168)
1 171	(1 302)			(10 274)	17 400
(4 107)	0	Tax paid		(34 907)	(21 340)
(4 107)	0			(34 907)	(21 340)
(3 085)	(1 369)	Net cash from operating activities		153 954	136 755
Cash flows from investing activities					
0	0	Proceeds from sale of property, plant and equipment	8	4 000	5 493
127 042	610 660	Dividends received		0	0
0	(1 090 794)	Acquisition of a subsidiary/business, net of cash		0	(1 094 600)
0	0	Acquisition of property, plant and equipment	8	(13 851)	(364)
0	0	Acquisition of intangible assets	9	(1 250)	(7 580)
127 042	(480 134)	Net cash from investing activities		(11 101)	(1 097 051)
Cash flows from financing activities					
0	120 517	Proceeds from the issue of share capital	14	0	0
0	361 750	Proceeds from new loan	24	0	994 039
0	0	Change in restricted cash	13	52 192	(52 192)
(74 180)	0	Change in cash-pooling balances		(142 815)	0
(50 171)	0	Interest paid		(71 233)	(16 299)
0	0	Financing transaction cost		0	(19 611)
0	0	Repayment of borrowings		(26 937)	(19 965)
(124 351)	482 267	Net cash from financing activities		(188 793)	885 972
(394)	764	Net increase/decrease in cash and cash equivalents		(45 940)	(74 324)
394	0	Cash and cash equivalents at opening balance		45 940	120 517
0	(370)	Effect of exchange fluctuations on cash held		0	(253)
0	394	Cash and cash equivalents at 31 December	13	0	45 940

Basis of preparation

Reporting entity

Food Folk Danmark Holdings ApS is a limited liability company domiciled in Denmark.

The financial statements for the period 31 December 2017 and 31 December 2018 comprise the consolidated financial statements for Food Folk Danmark Holdings ApS and its subsidiaries (the Group) and separate parent company financial statements.

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

The Board of Directors and the Managing Director discussed and approved the Financial Statements for 2018 of Food Folk Danmark Holdings ApS on 22 March 2019.

Accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated and parent company financial statements.

Functional and presentation currency

The consolidated financial statements and the parent company financial statements are presented in DKK rounded to the nearest DKK 1,000.

Basis of accounting

The consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and additional requirements in the Danish Financial Statements Act.

This is the first set of Group's consolidated financial statements in which IFRS 15 Revenue from Contracts with Customers has been adopted. Changes to significant accounting policies are described below.

Details of the Group's accounting policies are included below.

Changes in significant accounting policies

The Group has initially applied IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018. No other new standards, also effective from 1 January 2018, have been implemented and amendments to existing standards did not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information has been restated to reflect the requirements of the new standards, however there are no effects on the statements of financial position.

The effect of initially applying the standard is mainly attributed to changes in the presentation of revenues and costs due to an analysis of if the Company is acting as principal, or agent, based on the identified performance obligations.

Adoption of IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Constructions Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time as well as the agent and principal characteristics - requires judgement.

The Group has adopted IFRS 15 using the retrospective method (without practical expedients). Accordingly, the impacts in the statement of profit or loss are disclosed below. There are no effects on the statements of financial position.

The following tables summarise the impacts of adopting IFRS 15 on the Group's statement of profit or loss for the year ended 31 December 2018 and 2017 for each of the line items affected. There was not material impact on the Group's statement of cash flows for the years ended 31 December 2018 and 2017.

Basis of preparation (continued)**Adoption of IFRS 15 – Revenue from Contracts with Customers** (continued)**Impact on the consolidated statement of profit or loss**

For the year ended 31 December 2018 DKK'000	As reported	Adjustments	Amounts without adoption of IFRS 15
Continuing operations			
Revenue	414 321	(123 842)	290 479
Other external expenses	(177 468)	123 842	(53 626)
Total	236 853	-	236 853
For the year ended 31 December 2017 DKK'000	As reported	Adjustments	Amounts without adoption of IFRS 15
Continuing operations			
Revenue	297 332	(90 372)	206 960
Other external expenses	(130 257)	90 372	(39 885)
Total	167 075	-	167 075

Under IAS 18, revenue related to the royalties due to McDonald's, as well as out-of-pocket expenses, were recognized net in the financial statements. In accordance with IFRS 15, Food Folk is acting as principal in rendering the services, therefore the related amounts are being recognized gross in the statements of profit or loss.

Standards issued but not yet effective

The IASB has issued a number of new or amended accounting standards and interpretations, effective for annual periods beginning after 1 January 2018. The approved, though not yet effective, standards and IFRICs will be applied as they become mandatory for the Group.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

IFRS 16 - Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Group has not finalised the implementation, testing and assessment of controls over its new IT systems; and
- the impact of the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

i. Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of its properties (see note 19). The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous as described in note 16. Instead, the Group will include the payments due under the lease in its lease liability.

No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group estimates that it will recognise a Right-of-Use of asset and an additional lease liabilities in a range of DKK 330-360 millions as at 1 January 2019. The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the loan covenant, described in note 18.

Basis of preparation (continued)

IFRS 16 - Leases (continued)

ii. Leases in which the Group is a lessor

The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available, the Group expects that its sub-lease will continue to be classified as operating leases, therefore no significant impact is expected in the financial statements as at 1 January 2019.

iii. Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Use of judgements and estimates

In preparing the consolidated financial statement, Management has made judgements, estimates and assumptions that affect how the Group's accounting policies are applied and the amount of assets, liabilities, income and expenses reported. The actual results may deviate from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

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

Gross vs. net recognition of royalty income and out-of-pocket expenses

Food Folk both receives royalty income from the sub-franchisees and pays royalty income to McDonald's. These amounts represent the fees for using the McDonald's brand and intellectual property.

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

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

Costs and fees (out-of-pocket expenses) related to leaseholds that are used by sub-franchisees are invoiced with no mark-up to the sub-franchisee, and recognised net of payments received from franchisees.

Based on the indicators in IFRS 15 management has assessed that Food Folk is acting as an agent (requiring out-of-pocket costs to be recognised net). This is substantiated by the fact that other parties are primary responsible for providing the services related to the out-of-pocket costs and that the price for the services related to the out-of-pocket costs are not determined by Food Folk.

Investment incentives

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

Minimum lease term

The lease term has an impact on the accounting for:

- Loss making contracts
- Restoration provisions
- Straight-lining of lease expenses.

According to IAS 17 the lease term includes the non-cancellable period of the contract and any further periods for which the lessee has an option to continue to lease the asset and for which, at the time of inception of the lease, it is judged reasonably certain that the lessee will exercise that option.

Food Folk has a 20-year agreement with McDonald's requiring Food Folk to ensure that there is a certain number of restaurants in Denmark and restaurants can only be closed if permission is granted by McDonald's. Management has assessed that leases in general will be extended to 20 years. Consequently, the minimum lease term used for accounting for the above listed items has at a minimum been set to 20 years unless otherwise agreed with McDonald's.

Basis of preparation (continued)

Assumptions and estimation uncertainties

When preparing the consolidated financial statements of the Group, Management makes a number of accounting estimates and assumptions on which the recognition and measurement of the Group's assets and liabilities are based.

The following provides information about assumptions and estimation uncertainties with a significant risk of resulting in a material adjustment in the year ending 31 December 2018:

Impairment test intangible assets and property, plant and equipment

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

Provisions

Provision for onerous contracts and restoration provisions are determined based on the net present value of expected future cash flows. Estimates of future cash flows will be subject to uncertainty. The key assumptions supporting the provisions are expectations regarding future systemwide sales in restaurants, cost per square meter for restoring leaseholds and the discount rate used to calculate the present value of the future cash flows. Please refer to note 16 for more details related to the provisions.

Significant accounting policies

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

Basis of consolidation

Subsidiaries

The consolidated financial statements comprises the financial statements of Food Folk Denmark Holdings ApS and entities under its control. Control is achieved when the Group has the power to direct the relevant activities of an entity, is exposed to or has rights to variable returns from its involvement with the entity and is able to affect those returns through its power over the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

When necessary, the financial statements of subsidiaries are adjusted to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group members are fully eliminated on consolidation.

Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated in the consolidation.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

Foreign currency

Transactions in currencies other than the functional currency are foreign currency transactions.

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the transaction date. Foreign currency translation adjustments made when such transactions are settled or as a result of translation of monetary items denominated in foreign currencies at year-end exchange rates are recognised in profit or loss under financial income or financial expenses.

Foreign currency difference arising from the translation of certain items are recognised in OCI.

Statement of profit or loss

Revenues

Food Folk has initially applied IFRS 15 from 1 January 2018. Information about the Food Folk's accounting policies relating to contracts with customers and the effect of initially applying IFRS 15 is described in the section above Adoption of IFRS 15 – Revenue from Contracts with Customers.

Revenue consist of sales of goods from restaurants, recognized in the statement of income in the point in time when the sales occur, fees from franchised restaurants recognized over time, as the customer simultaneously consumes and receives benefit from the services as the service is performed.

Franchise fees from franchised restaurants are based on a percent of sales realised by the franchised restaurant if they exceed a minimum monthly amount and are recognised in the period they are earned.

Incentives granted to franchisees are calculated and recognized as part of the variable revenue for the period.

Revenue is presented net of discounts, rebates and incentives granted. Also, revenue is also presented net of VAT and other indirect taxes charged on behalf of third parties.

Other operating income, net

Other operating income, net are secondary to the principal activities of the Group and include gains and losses on disposal of intangible assets and property, plant and equipment.

Raw materials and consumables

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

Significant accounting policies (continued)

Other external expenses

Other external expenses include expenses relating to the entity's core activities, including expenses relating to advertising, administration, premises, bad debts, royalties paid to McDonald's, changes to loss making contract provisions, etc.

As of 31 December 2017 royalties paid to McDonald's were recognised net of royalty payments received from franchisees, however with the implementation of IFRS 15- Revenue from Contracts with Customer, the revenue is being recognized gross. As per the new standards Food Folk acts as a principal in rendering the services rather than agent.

Costs and fees related to leaseholds that are used by sub-franchisees are invoiced with no mark-up to the sub-franchisee, and recognised net of payments received from franchisees. According to the Franchise agreements the franchisees are required to cover all costs related premises used as restaurants, such as common costs, marketing contributions, municipality fees and property taxes. As Food Folk does not obtain control of the goods or the right to the services, more than momentarily, in advance of transferring those goods or services to the franchisee, Food Folk acts as an agent rather than as a principal in rendering the services.

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

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc., made to the Group's employees. Staff costs are net of refunds made by public authorities.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled fully within 12 months of the reporting date, then they are discounted.

Financial income and expenses

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

Positive changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Financial expenses comprise interest, losses on transactions denominated in foreign currencies, amortisation of financial liabilities, including finance lease commitments, and surcharges under the Danish tax prepayment scheme, etc.

Negative changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Share of profit of equity accounted investees

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

Tax for the year

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

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

Significant accounting policies (continued)

Statement of financial position

Property, plant and equipment

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

The cost of certain items of property, plant and equipment at 31 March 2017, the Group's date of transition to IFRS, was determined with reference to its fair value at that date.

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

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

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

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

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

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

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

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

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

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

Intangible assets

Goodwill arising of acquisition of subsidiary or restaurant from franchisee is measured at cost less accumulated impairment losses. Other intangible assets, including rights (key money), software licences that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit as incurred.

Since the period of amortisation is based on the assets expected useful life, no salvage value has been taken into account. Amortisation is calculated to write off the cost of intangible assets using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised. The estimated useful lives for current and comparative periods are as follows:

Contractual rights	2-20 years
Software licenses	3-5 years

Useful lives are reviewed at each reporting date and adjusted if appropriate.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating activities, net.

Significant accounting policies (continued)

Investments in subsidiaries and associates

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

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

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

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

Impairment of non-financial assets

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

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

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

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

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

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Significant accounting policies (continued)

Prepayments

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

Cash and cash equivalents

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

Income tax and deferred tax

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

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

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

Liabilities

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

Other liabilities are measured at net realisable value.

Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

When the Group has a legal obligation to restore a leasehold/leased land, a provision is recognised corresponding to the present value of expected future costs.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Leases

Determining whether an arrangement contains a lease

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

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

Classification of leases

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

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

Significant accounting policies (continued)

Leases (continued)

Lease payments

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

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

Presentation of cash flow statement

The consolidated cash flow statement shows the Group's cash flows from operating, investment and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning of the year.

Cash flows from operating activities are determined using the indirect method and stated as the consolidated profit for the year adjusted for non-cash operating items, including depreciations and amortisations, gain on sale of property, plant and equipment, provisions and changes in working capital, interest received and income tax paid.

Cash flows from investing activities comprises payments connected with the purchase and sale of non-current assets, including property, plant and equipment.

Cash flows from financing activities include proceeds from loans and repayments on borrowings, interest and financing cost payments, capital reductions and dividends.

Cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less and an insignificant risk of changing value.

Notes

1 Revenue

In the following table, revenue from contracts with customers is disaggregated by nature:

DKK'000	Parent company		Group	
	1 January 2018 to 31 December 2018	22 February 2017 to 31 December 2017	1 January 2018 to 31 December 2018	31 March 2017 to 31 December 2017
Sub-franchisee income (fixed)	0	0	141 063	102 764
Sub-franchisee income (variable)	0	0	273 258	194 568
Total revenues	0	0	414 321	297 332

Independent sub franchisees have under franchise agreements the right to use McDonald's restaurants. The Franchise agreements have been granted for a period of up to 20 years from the date of issue. The franchise agreements include the following future minimum payments:

DKK'000	Parent company		Group	
	1 January 2018 to 31 December 2018	22 February 2017 to 31 December 2017	1 January 2018 to 31 December 2018	31 March 2017 to 31 December 2017
Less than one year	0	0	128 876	123 928
Between one and five years	0	0	470 621	423 442
More than five years	0	0	1 121 874	1 061 423
Total leases as lessor	0	0	1 721 371	1 608 793

2 Other operating income, net

DKK'000	Parent company		Group	
	1 January 2018 to 31 December 2018	22 February 2017 to 31 December 2017	1 January 2018 to 31 December 2018	31 March 2017 to 31 December 2017
Net gain on disposal of property, plant and equipment	0	0	257	17
Other income/expense	0	0	2 445	(283)
Total other operating income, net	0	0	2 702	(266)

3 Other external expenses

DKK'000	Parent company		Group	
	1 January 2018 to 31 December 2018	22 February 2017 to 31 December 2017	1 January 2018 to 31 December 2018	31 March 2017 to 31 December 2017
Royalties and other fees to McDonald's Corporation	0	0	122 397	89 317
Lease expense	0	0	39 578	27 224
Other expenses	149	67	15 493	13 716
Total other external expenses	149	67	177 468	130 257

Fees to auditors and other operating expenses

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

Notes (continued)

4 Staff cost

	Parent company		Group	
	1 January 2018 to 31 December 2018	22 February 2017 to 31 December 2017	1 January 2018 to 31 December 2018	31 March 2017 to 31 December 2017
DKK'000				
Wages and salaries	0	0	36 765	23 527
Social security costs	0	0	533	464
Contributions to defined contribution plans	0	0	2 865	2 088
Total staff cost	0	0	40 163	26 079
Average number of full-time employees	0	0	57	51
Average number of key management personnel	0	0	1	1

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

5 Financial income

	Parent company		Group	
	1 January 2018 to 31 December 2018	22 February 2017 to 31 December 2017	1 January 2018 to 31 December 2018	31 March 2017 to 31 December 2017
DKK'000				
Net foreign exchange gain	114	0	114	111
Total finance income	114	0	114	111

6 Financial expense

	Parent company		Group	
	1 January 2018 to 31 December 2018	22 February 2017 to 31 December 2017	1 January 2018 to 31 December 2018	31 March 2017 to 31 December 2017
DKK'000				
Net foreign exchange loss	1 105	370	1 117	356
Interest on financial liabilities	0	0	21 309	16 583
Interests on related parties liabilities	28 240	22 128	28 676	22 128
Unwinding of discounts	0	0	186	358
Other interest expense	1	0	783	976
Total	29 346	22 498	52 071	40 401

Notes (continued)

7 Tax for the year

Recognised in the income statement

	Parent company		Group	
	1 January 2018 to 31 December 2018	22 February 2017 to 31 December 2017	1 January 2018 to 31 December 2018	31 March 2017 to 31 December 2017
DKK'000				
Current year	(33)	(908)	31 011	19 504
Adjustments for prior years	0	0	493	0
Total current tax expense	(33)	(908)	31 504	19 504
Deferred tax expense				
Origination and reversal of temporary differences	0	0	(3 635)	(2 039)
Total deferred tax expense	0	0	(3 635)	(2 039)
Tax expense in income statement (excluding share of tax of equity accounted investees)	(33)	(908)	27 869	17 465
Total tax expense	(33)	(908)	27 869	17 465
Total income tax from other comprehensive income	0	0	0	0
Reconciliation of effective tax rate				
Profit or loss before tax	66 342	201 759	94 244	220 029
Tax using the corporation tax rate in Denmark of 22%	14 595	44 387	20 734	48 406
Non-deductible expenses	6 431	4 056	6 642	4 140
Tax exempt revenues	(21 059)	(49 351)	0	(33 939)
Under / (over) provided in prior years	0	0	493	(1 142)
Total tax expense	(33)	(908)	27 869	17 465

Notes (continued)

8 Property, plant and equipment

Group	Land and buildings	Leasehold improvements	Fixtures, fittings and equipment	Under construction	Total
DKK'000					
Cost					
Balance at 31 March 2017	0	0	0	0	0
Acquisitions through business combinations	1 227 609	51 243	9 078	1 749	1 289 679
Other acquisitions	96	85	183	0	364
Disposals	0	0	(3 165)	(1 749)	(4 914)
Balance at 31 December 2017	1 227 705	51 328	6 096	0	1 285 129
Balance at 1 January 2018	1 227 705	51 328	6 096	0	1 285 129
Other acquisitions	940	11 041	494	1 376	13 851
Disposals	(3 954)	53	(20)	0	(3 921)
Balance at 31 December 2018	1 224 691	62 422	6 570	1 376	1 295 059
DKK'000					
Depreciation and impairment					
Balance at 31 March 2017	0	0	0	0	0
Depreciation charge for the year	23 285	2 397	1 095	0	26 777
Disposals	0	0	(196)	0	(196)
Balance at 31 December 2017	23 285	2 397	899	0	26 581
Balance at 1 January 2018	23 285	2 397	899	0	26 581
Depreciation charge for the year	33 148	5 848	2 435	0	41 431
Disposals	(212)	53	(16)	0	(175)
Balance at 31 December 2018	56 221	8 298	3 318	0	67 837
Net book value					
At 31 December 2017	1 204 420	48 931	5 197	0	1 258 548
At 31 December 2018	1 168 470	54 124	3 252	1 376	1 227 222
Security					
At 31 December 2017, properties with a carrying amount of DKK 1,130 million (2017: DKK 1,189 million) were subject to a registered debenture that forms security for bank loans. As security for mortgage loans, the Group has registered mortgage security on the Group's properties of DKK 632.4 million.					

Notes (continued)

9 Intangible assets

Group	Goodwill	Contractual rights	Other	Total
DKK'000				
Cost				
Balance at 31 March 2017	0	0	0	0
Acquisitions through business combinations	0	201 593	0	201 593
Other acquisitions – externally purchased	0	3 800	3 780	7 580
Disposals	0	(789)	0	(789)
Balance at 31 December 2017	0	204 604	3 780	208 384
Balance at 1 January 2018	0	204 604	3 780	208 384
Other acquisitions – externally purchased	0	0	1 250	1 250
Balance at 31 December 2018	0	204 604	5 030	209 634
DKK'000				
Amortisation and impairment				
Balance at 31 March 2017	0	0	0	0
Amortisation for the year	0	7 729	62	7 791
Disposals	0	(31)	0	(31)
Balance at 31 December 2017	0	7 698	62	7 760
Balance at 1 January 2018	0	7 698	62	7 760
Amortisation for the year	0	10 658	1 030	11 688
Disposals	0	0	(3)	(3)
Balance at 31 December 2018	0	18 356	1 089	19 445
Net book value				
At 31 December 2017	0	196 906	3 718	200 624
At 31 December 2018	0	186 248	3 941	190 189

Notes (continued)

10 Investments in subsidiaries and associates

Parent company

DKK'000	Profit after tax	Other comprehensive income	Total comprehensive income	Investment in subsidiaries
Subsidiaries	95 723	0	95 723	672 080
		Legal form	Domicile	Interest %
Food Folk Danmark ApS		ApS	Denmark	100 %

The subsidiary is the owner of the master franchisee agreement with McDonald's Corporation and operates McDonald's restaurants in the Danish territory.

All rights, titles, interests and benefits in shares in subsidiaries have been pledged as security for punctual payment and discharge of obligations to McDonald's Corporation.

As secondary ranking security, all rights, titles and interests in shares in subsidiaries have been pledged as security for the fulfilment of the Food Folk Group Holdings AS group obligations towards the parties that have provided the Group's credit facilities.

Group

DKK'000	Profit after tax	Other comprehensive income	Total comprehensive income	Investment in subsidiaries
Associates	(72)	0	(72)	141
		Legal form	Domicile	Interest %
I/S Fællesskiltning*		I/S	Denmark	41.5%
McDonald's Marketing Coop Danmark A/S		AS	Denmark	1.1%

*The associate (held through Food Folk Danmark Aps) operates signage in proximity to one of the Company's real estate investments.

11 Deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities	
	2018	2017	2018	2017
DKK'000				
Property, plant and equipment	0	0	168 682	173 594
Intangible assets	0	0	41 213	42 540
Provisions	(11 922)	(14 689)	0	0
Other	(278)	(115)	0	0
Tax (assets) / liabilities	(12 200)	(14 804)	209 895	216 134
Net of tax liabilities/(assets)	12 200	14 804	(12 200)	(14 804)
Net tax (assets) / liabilities	0	0	197 695	201 330

Movement in net deferred tax during the year

DKK'000	Parent company		Group	
	2018	2017	2018	2017
Opening balance	0	0	201 330	0
Acquired in acquisition	0	0	0	203 369
Recognised in profit or loss	0	0	(3 635)	(2 039)
31 December	0	0	197 695	201 330
Total movement	0	0	(3 635)	(2 039)

Notes (continued)

12 Trade and other receivables

DKK'000	Parent company		Group	
	2018	2017	2018	2017
Trade receivables	0	0	52 316	56 359
Deposits	0	0	7 553	7 419
Prepayments	0	0	6 052	6 000
Other receivables	0	0	8 852	1 910
Total trade and other receivables	0	0	74 773	71 688

13 Cash and cash equivalents

DKK'000	Parent company		Group	
	2018	2017	2018	2017
Cash and cash equivalents	0	394	0	45 940
Total cash and cash equivalents	0	394	0	45 940
Restricted cash	0	0	0	52 192
Total restricted cash	0	0	0	52 192

14 Share capital

Parent company and Group DKK'000	Ordinary shares	
	2018	2017
In thousands of shares	30 000	30 000
On issue at 22 February 2017	0	0
Issued for cash 31 March 2017	30 000	30 000
On issue at 31 December - fully paid	30 000	30 000

Parent company and Group DKK'000	Ordinary shares	
	2018	2017
Allotted, called up and fully paid Ordinary shares of DKK 1 each	30 000	30 000
Total	30 000	30 000
Shares classified as liabilities	0	0
Shares classified in shareholders' funds	30 000	30 000
Total	30 000	30 000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

No dividend was recognised during the period.

Notes (continued)

15 Other interest-bearing loans and borrowings

Group

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

DKK'000	2018	2017
Non-current other interest-bearing loans and borrowings		
Secured bank loans	542 718	568 609
Intergroup lendings	362 839	361 750
Total non-current other interest-bearing loans and borrowings	905 557	930 359
Current other interest-bearing loans and borrowings		
Secured bank loans	25 890	25 365
Total current other interest-bearing loans and borrowings	25 890	25 365

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
DKK'000				2018	2018
Realkredit Danmark	DKK	1.78%	2037	585 497	568 608
Loan from Food Folk Group Holdings AS	EUR	Variable	2042	362 839	362 839
Total				948 336	931 447

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

Loan to Food Folk Group Holdings AS (which is the only one applicable to the Parent company) is subordinated to all other creditors of the Group.

16 Provisions

Group	Dilapidation	Onerous contract	Total
DKK'000			
Balance at 1 January 2018	14 519	17 748	32 267
Provisions made during the year	687	0	687
Provisions used during the year	0	(47)	(47)
Provisions reversed during the year	(2 445)	(11 327)	(13 772)
Unwinding of discounted amount	12	174	186
Balance at 31 December 2018	12 773	6 548	19 321
Non-current	12 273	6 548	18 821
Current	500	0	500
Balance at 31 December 2018	12 773	6 548	19 321

The dilapidation provision relates to the expected cost of restoring leased premises to the condition specified in the lease documents on termination of these leases. These costs will be incurred on exit from the properties, and the amount that will be payable is primarily dependent on negotiations with the individual landlords on exit.

In 2018 the discount rate used to unwind the dilapidation reserve has been changed and the reversal impact on the income statement is equal to DKK 1,785 thousand, presented as Other Operating Income, net (see Note 2).

The onerous contract provision relates to the expected cash losses on sub-franchise agreements where the expected direct costs are greater than the expected income from the balance sheet date to the earliest date the contract can be terminated.

Notes (continued)

17 Trade and other payables

DKK'000	Parent company		Group	
	2018	2017	2018	2017
Trade payables	0	0	24 309	19 433
Deposits received	0	0	9 439	9 748
VAT & duties	0	0	8 237	4 213
Payroll related	0	0	12 232	8 245
Other payables and accrued expenses	68	65	48 549	52 763
Total trade and other payables	68	65	102 766	94 402

18 Financial instruments

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

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

18 (a) Fair values of financial instruments

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

DKK'000	Parent company		Group	
	2018	2017	2018	2017
Cash and cash equivalents	0	394	0	45 940
Restricted cash	0	0	0	52 192
Receivables from related parties	74 278	1 361	143 373	1 361
Trade and other receivables	0	0	74 773	71 688
Total financial assets at amortised cost	74 278	1 755	218 146	171 181
Financial assets used as hedging instruments	0	0	0	0
Financial assets designated as fair value through profit or loss	0	0	0	0
Total financial assets	74 278	1 755	218 146	171 181
Other interest-bearing loans and borrowings	362 839	361 750	931 447	955 724
Trade and other payables	68	65	102 766	94 402
Payables to related parties	0	22 122	774	26 109
Provisions	0	0	19 321	32 267
Total financial liabilities at amortised cost	362 907	383 937	1 054 308	1 108 502
Financial liabilities used as hedging instruments	0	0	0	0
Financial liabilities designated as fair value through profit or loss	0	0	0	0
Total financial liabilities	362 907	383 937	1 054 308	1 108 502
Total net financial instruments	(288 629)	(382 182)	(836 162)	(937 321)

The fair value of financial instruments is deemed to be materially equivalent to the carrying value, except for other interest-bearing loans and borrowings with third parties. The fair value of other interest-bearing loans and borrowings for the Group is DKK 585,497 thousand.

Notes (continued)

18 Financial Instruments (Continued)

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

Fair value hierarchy

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

Effect of change of inputs used in fair value measurement

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

18 (b) Credit risk

Financial risk management

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

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

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

The Group also has a limited credit risk arising from trade receivables, which represent outstanding fees receivable. The risk is limited due to short payment terms and no receivables being past due. The Group has not realised any credit losses in 2018.

18 (c) Liquidity risk

Financial risk management

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

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

Parent company

31 December 2018

DKK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to 5 years	over 5 years
Non-derivative financial liabilities						
Intergroup loans	362 839	911 961	29 027	29 027	87 081	766 825
Payables to related parties	0	0	0	0	0	0
Trade and other payables	68	68	68	0	0	0
Total	362 907	912 029	29 095	29 027	87 081	766 825

31 December 2017

Non-derivative financial liabilities						
Intergroup loans	361 750	940 553	28 940	28 940	86 820	795 852
Payables to related parties	22 122	22 122	22 122	0	0	0
Trade and other payables	65	65	65	0	0	0
Total	383 937	962 740	51 127	28 940	86 820	795 852

Notes (continued)

18 Financial instruments (Continued)

18 (c) Liquidity risk (continued)

Group

31 December 2018

DKK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to 5 years	over 5 years
Non-derivative financial liabilities						
Secured bank loans	568 608	772 336	46 267	45 853	134 999	545 217
Loan from Food Folk Group Holdings AS	362 839	911 961	29 027	29 027	87 081	766 825
Payables to related parties	774	774	774	0	0	0
Trade and other payables	102 766	102 766	102 766	0	0	0
Total	1 034 987	1 787 837	178 834	74 880	222 080	1 312 042

31 December 2017

Non-derivative financial liabilities						
Secured bank loans	593 974	819 009	46 673	46 267	125 076	600 993
Loan from Food Folk Group Holdings AS	361 750	940 553	28 940	28 940	86 820	795 852
Payables to related parties	26 109	26 109	26 109	0	0	0
Trade and other payables	94 402	94 402	94 402	0	0	0
Total	1 076 235	1 880 073	196 124	75 207	211 896	1 396 845

18 (d) Market risk

Market risk - Foreign currency risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's and Company's income or the value of its holdings of financial instruments.

The Group's and Company's operations have exposure to foreign currency risk at year end due to that the carrying amount of financial instruments in foreign currencies amounts to DKK 325,290 thousand. A change of 1 % in the exchange rate at year end would have impacted the carrying amount of financial instruments in foreign currency by DKK 3,154 thousand, dependant on the EUR/DKK movement.

Market risk - Interest rate risk

Group

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

DKK'000	2018	2017
Fixed rate instruments		
Financial assets	0	0
Financial liabilities	(568 608)	(593 974)
Total fixed rate instruments	(568 608)	(593 974)
Variable rate instruments		
Financial assets	142 910	98 132
Financial liabilities	(362 839)	(361 750)
Total variable rate instruments	(219 929)	(263 618)

All financial assets and liabilities identified as fixed rate instruments in the above table are accruing interest at rates that are fixed for the life of the instrument. Interest rate swaps and caps are disclosed above at fair value as fixed rate instruments, whilst the loans that they are hedging are disclosed as variable rate instruments.

Sensitivity analysis

A change of 100 basis points in interest over the year would have increased/decreased the result for the year by DKK 2,199 thousand (2017: DKK 2,636 thousand). The analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of all financial instruments with variable interest rates.

Notes (continued)

18 Financial instruments (Continued)

18 (e) Capital management

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

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

The debt and equity balances in some parts of the Group, are subject to externally imposed capital requirements, such as those imposed by third party loan providers. The local tax treatment is also taken into consideration when determining the most appropriate capital structure for investments in subsidiaries.

19 Operating leases

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

Non-cancellable operating lease rentals are payable as follows:

Group		
DKK'000	2018	2017
Less than one year	32 671	31 421
Between one and five years	56 101	47 933
More than five years	83 518	29 514
Total non-cancellable operating lease rentals	172 290	108 868

During the year ended 31 December 2018, DKK 35,4 million (9 months 2017: DKK 24,2 million) was recognised as an expense in the income statement in respect of operating leases.

20 Commitments

Capital commitments

During the year ended 31 December 2018, the Group entered into contracts to purchase property, plant and equipment for DKK 4,058 thousand (2017: DKK 6,220 thousand).

Off-balance sheet arrangements (group)

The Group is jointly and severally liable with the co-owners of I/S Fællesskiltning for the partnership's obligations. The total statement of financial position amounts to DKK 337 thousand at year end (2017: DKK 540 thousand).

Other guarantees amount to DKK 7,649 thousand.

21 Contingencies

The Group has guaranteed that the subsidiary Food Folk Danmark ApS performs its obligations under credit agreement that the Food Folk Group Holdings AS group has entered into with a financial institution. The guarantee includes customary limitation that ensure that payments can't exceed what would normally be permitted to distributed as dividends from the companies. The Food Folk Group Holdings AS group's total obligation amounts to EUR 218.6 million as of 31 December 2018.

The Company is jointly taxed with Danish entities in Food Folk Group. The Company is unlimited jointly and severally liable for Danish corporation taxes and withholding taxes on dividends and interest under the joint taxation scheme. The jointly taxed companies' total net liability to the Danish tax authorities is recognised in the separate financial statements of Food Folk Danmark Holdings ApS. Any subsequent corrections of the taxable jointly taxed income or withholdings taxes, etc., may entail an increase in the Company's liability.

Notes (continued)

22 Related parties

Parent and ultimate controlling party

The Company, established on 22 February 2017, was acquired in February 2017 by its current Parent company, Food Folk Group Holdings AS (Norway). The ultimate controlling party of the Company is Guy Hands.

Key management personnel compensation

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

Group related party transactions

Group companies within the Food Folk Group are rendering/receiving services for the use in the ordinary business operation. The Company's Parent is providing long-term financing for the benefit of the Company and to finance the acquisition of Food Folk Danmark ApS in 2017.

Other related party transactions

Parent company

	<i>Sale of services</i> 2018	<i>Royalties</i> 2018	<i>Purchase of services</i> 2018	<i>Interest income</i> 2018	<i>Interest expenses</i> 2018
DKK'000					
Food Folk Group Holdings AS	0	0	0	0	(28 240)
Food Folk Denmark Aps	0	0	(63)	0	0
Total	0	0	(63)	0	(28 240)
	<i>Loans payable outstanding</i> 2018	<i>Cash-pooling balances</i> 2018	<i>Receivables outstanding</i> 2018	<i>Payables outstanding</i> 2018	<i>Dividends</i> 2018
DKK'000					
Food Folk Group Holdings AS	(362 839)	74 275	3	0	128 000
Total	(362 839)	74 275	3	0	128 000
	<i>Sale of services</i> 2017	<i>Royalties</i> 2017	<i>Purchase of services</i> 2017	<i>Interest income</i> 2017	<i>Interest expenses</i> 2017
DKK'000					
Food Folk Group Holdings AS	0	0	0	0	(22 128)
Total	0	0	0	0	(22 128)
	<i>Loans payable outstanding</i> 2017	<i>Cash-pooling balances</i> 2017	<i>Receivables outstanding</i> 2017	<i>Payables outstanding</i> 2017	<i>Dividends</i> 2017
DKK'000					
Food Folk Group Holdings AS	(361 750)	0	0	(22 122)	0
Food Folk Norge Holdings AS	0	0	1 361	0	0
Total	(361 750)	0	1 361	(22 122)	0

Notes (continued)

22 Related parties (continued)

Group	<i>Sale of services</i>	<i>Royalties</i>	<i>Purchase of services</i>	<i>Interest income</i>	<i>Interest expenses</i>
DKK'000	2018	2018	2018	2018	2018
Food Folk Group Holdings AS	2 383	0	(4 147)	0	(28 676)
Food Folk Norge Holdings AS	50	0	0	0	0
Food Folk Holdings Suomi Oy	50	0	0	0	0
Food Folk Holdings Sverige AB	50	0	0	0	0
Food Folk Norge AS	4 275	0	0	0	0
Zero Five AS	523	0	0	0	0
Food Folk Suomi Oy	2 609	0	0	0	0
Food Folk Sverige AB	1 393	0	(6 751)	0	0
Total	11 333	0	(10 898)	0	(28 676)
	<i>Loans payable outstanding</i>	<i>Cash-pooling balances</i>	<i>Receivables outstanding</i>	<i>Payables outstanding</i>	<i>Dividends</i>
DKK'000	2018	2018	2018	2018	2018
Food Folk Group Holdings AS	(362 839)	142 910	2	(774)	0
Food Folk Norge AS	0	0	70	0	0
Food Folk Suomi Oy	0	0	70	0	0
Food Folk Sverige AB	0	0	321	0	0
Total	(362 839)	142 910	463	(774)	0
	<i>Sale of services</i>	<i>Royalties</i>	<i>Purchase of services</i>	<i>Interest income</i>	<i>Interest expenses</i>
DKK'000	2017	2017	2017	2017	2017
Food Folk Group Holdings AS	551	0	(4 042)	0	(22 128)
Food Folk Norge AS	48	0	0	0	0
Food Folk Suomi Oy	48	0	0	0	0
Food Folk Sverige AB	49	0	(232)	0	0
Total	696	0	(4 274)	0	(22 128)
	<i>Loans payable outstanding</i>	<i>Cash-pooling balances</i>	<i>Receivables outstanding</i>	<i>Payables outstanding</i>	<i>Dividends</i>
DKK'000	2017	2017	2017	2017	2017
Food Folk Group Holdings AS	(361 750)	0	0	(26 131)	0
Food Folk Norge Holdings AS	0	0	1 361	17	0
Food Folk Norge AS	0	0	0	48	0
Food Folk Suomi Oy	0	0	0	48	0
Food Folk Sverige AB	0	0	0	(91)	0
Total	(361 750)	0	1 361	(26 109)	0

All outstanding balances with these related parties are priced on an arm's length principle and are to be settled in cash at the request of the related party. None of the balances are secured.

23 Subsequent events

No events have occurred after the balance sheet date that materially affect the financial position of the Group at 31 December 2018.

Notes (continued)

24 Changes in liabilities from financing activities

Parent company

DKK'000	Opening balance	Cash flows	Non-cash transactions	Closing balance
Debt to Parent company	361 750	0	1 089	362 839
Long-term liabilities	361 750	0	1 089	362 839
Debt to Parent company	0	0	0	0
Short-term liabilities	0	0	0	0
Liability from financing activities for 2018	361 750	0	1 089	362 839

Group

DKK'000	Opening balance	Cash flows	Non-cash transactions	Closing balance
Debt to credit institutions	568 609	(26 937)	1 046	542 718
Debt to Parent company	361 750	0	1 089	362 839
Long-term liabilities	930 359	(26 937)	2 135	905 557
Debt to credit institutions	25 365	0	525	25 890
Debt to Parent company	0	0	0	0
Short-term liabilities	25 365	0	525	25 890
Liability from financing activities for 2018	955 724	(26 937)	2 660	931 447