
Sticks 'n' Sushi A/S

Nansensgade 49, DK-1366 København K

Annual Report for 1 July 2021 - 30 June 2022

CVR No 73 34 26 19

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
16/11 2022

Jakob Vestergaard Jensen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Sticks 'n' Sushi A/S for the financial year 1 July 2021 - 30 June 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 30 June 2022 of the Company and of the results of the Company operations and cash flows for 2021/22.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Copenhagen, 16 November 2022

Executive Board

Andreas Karlsson
CEO

Board of Directors

Jens Aaløse
Chairman

Roderick Wallace Mckie

Thorkil Ernst Brzuchanski
Rewers Andersen

Thomas Riis

Carsten Kaag

Independent Auditor's Report

To the Shareholder of Sticks 'n' Sushi A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2022 and of the results of the Company's operations and cash flows for the financial year 1 July 2021 - 30 June 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sticks 'n' Sushi A/S for the financial year 1 July 2021 - 30 June 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Independent Auditor's Report

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

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

Hellerup, 16 November 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant
mne33262

Mads Blichfeldt Fjord
State Authorised Public Accountant
mne46065

Company Information

The Company

Sticks 'n' Sushi A/S
Nansensgade 49
DK-1366 København K

Telephone: + 45 33 11 70 30

CVR No: 73 34 26 19

Financial period: 1 July - 30 June

Municipality of reg. office: Copenhagen

Board of Directors

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

Executive Board

Andreas Karlsson

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2021/22	2020/21	2019/20	2018/19	2017/18
	kDKK	kDKK	kDKK	kDKK	kDKK
Key figures					
Profit/loss					
Revenue	311,420	268,736	273,191	309,660	326,010
Gross profit/loss	173,699	143,148	150,329	162,416	182,963
EBITDA	13,868	-389	-2,151	-13,618	12,846
Operating profit/loss	-8,110	-13,791	-17,037	-28,459	1,072
Net financials	-1,434	1,325	-3,323	-500	1,185
Net profit/loss for the year	-7,446	-9,642	-15,526	-22,611	1,736
Balance sheet					
Balance sheet total	125,889	153,327	162,170	120,536	129,330
Investment in property, plant and equipment for the year	8,327	12,073	2,858	7,338	16,724
Equity	3,431	10,877	20,519	21,046	43,656
Equity, incl. subordinated loan capital	13,629	39,742	48,106	46,140	43,656
Cash flows					
Cash flows from:					
- operating activities	-25,349	28,748	-2,906	-551	8,853
- investing activities	-11,851	-11,893	-5,577	-8,100	-19,816
including investment in property, plant and equipment	-8,273	-11,686	-2,859	-7,338	-16,724
- financing activities	-5,100	-18,758	58,499	33,108	2,357
Change in cash and cash equivalents for the year	-42,300	-1,903	50,016	24,457	-8,606
Number of employees	396	344	407	443	439
Ratios					
Gross margin	55.8%	53.3%	55.0%	52.4%	56.1%
Solvency ratio	2.7%	7.1%	12.7%	17.5%	33.8%
Solvency ratio, equity incl. subordinated loan capital	10.8%	25.9%	25.8%	38.3%	33.8%
Return on equity	-104.1%	-61.4%	-74.7%	-69.9%	4.1%

Management's Review

Primary activities

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

The first Sticks'n'Sushi restaurant was opened in March 1994 at Nansensgade 59 in Copenhagen and has since been followed by 11 more restaurants in the Greater Copenhagen Area, 9 restaurants as well as 3 delivery kitchens in and around London and two in Berlin (second restaurant in Berlin opened September 2021). In addition to our 23 restaurants Sticks 'n' Sushi Holding A/S has a central kitchen at Rødovre, Copenhagen, with around 20 employees who support the Group's restaurants with semi-finished products, sauces and desserts etc. Every one of these restaurants, each having its own individual design and interior, forms a natural part of the local area environment which invites comfort and togetherness.

In 2021/22 Sticks 'n' Sushi A/S served guests in our 12 restaurants or as takeaway. This requires high quality and hygiene standards, rigorous training of our staff and uniform processes. The more than 600 employees have all been through extensive introductory and product training courses to secure the continuous execution of high standards of quality and ensuring the best possible guest experience possible.

At "Baghuset" in Nansensgade 49, Copenhagen we have our office that covers managerial and administrative support functions as well as R&D functions.

Development in activities and finances

The income statement of the Company for 2021/22 shows a loss of kDKK 7,446, and at 30 June 2022 the balance sheet of the Company shows equity of kDKK 3,431.

In total the revenue went up year-on-year by DKK 42.7 million or 16% to bring revenue to DKK 311 million for 2021/22 compared with DKK 269 million in the financial year 2020/21.

The financial year ended with an EBITDA of DKK 3.9 million equals to comparable DKK -0.4 million in the previous financial year.

Earnings before interest and tax (EBIT) amounting to a loss of DKK 8.1 million against a loss of DKK 13.8 million last year. Depreciations has decreased with DKK 1.4 million compared to 2020/21 to bring depreciations to a total of DKK 12.0 million as a result of our continuous investments and expansion.

Management's Review

The loss for the Company for 21/22 is primarily related to the expanded growth in the Berlin market with investment in two new restaurants opened over the last 14 month. Our second restaurant in Kantstrasse opened in September 2021 and the third restaurant opened in Torstrasse in October 2022. Sticks'n'Sushi A/S has allocated resources and know-how to build of these new restaurants with around of DKK 8 million over the financial year 21/22.

In 2021/22 the company have continued its long-term digital investment program to enhance our guest's digital experience with even more convenience and smoothness to meet the growing expectations from our guests in relation to online ordering of TakeAway and delivery food. Using a data-driven approach we will continue to invest in our digital platforms in the years to come.

The number of full-time employees in Denmark was 396 compared with 344 in the financial year 2020/21.

Capital resources

Based on current bank agreement and the budget prepared for the financial year 2022/23 management is confident that the necessary capital resources are in place for the entire financial year 2022/23. The financial statements are therefore prepared basis on the going concern assumption.

Business related risks

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

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

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

Management's Review

Targets and expectations for the year

In 2022/23 we will continue our focus on organic growth in our existing restaurants, operational excellence and ensuring the dining experience in the restaurants are best-in-class leading to a high and always improving guest satisfaction. Two further restaurants are due to open, one in Berlin in October and one in London in November. We will invest further to strengthen our value chain into the restaurants, continue training our staff and implement uniform processes as well as investing into our brand.

The post COVID-19 implications followed by the Ukraine war have continued causing further challenges in supply chain, soaring food and utility costs. Management is monitoring the developments closely and will continue to make every effort to mitigate the negative impact this has to the business.

The company has tax assets at around DKK 9 million which should be utilized within the next 3-5 years. Management has chosen to recognize the full tax assets at the balance, due to an expectation for better performance over the coming years.

Despite the ongoing challenges we are anticipating the positive trajectory and the company expects to deliver an EBITDA for the financial year 2022/23 in the range of DKK 20-25 million, pending the inflation and impact from the war in Ukraine.

Research and development

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

External environment

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

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

Management's Review

Intellectual capital resources

Hospitality businesses around the world are facing significant challenges when it comes to finding new staff. The impact of covid on personal situations, immigration changes and much higher business levels is felt by all. At Sticks'n'Sushi we seem to have coped well with a high stability level of our core team (circa 75% over a year's experience) - in particular in our kitchen's teams.

Our continued focus on individual wellbeing, higher than average rewards, structured training and development forms the foundation of a strong culture and family/team ethos. This is appreciated by our diverse colleagues from around the world and ensures we continue to operationally deliver exceptional service and food quality.

Statement of corporate social responsibility

Business model

At Sticks'n'Sushi we have a holistic approach to ESG (Environmental, Social and Governance). We take pride in being a business that acts responsibly and prioritizes decency. Our work with sustainability is an endless journey, and we do not want to pretend that we are perfect. The truth is that a company can always improve. And we are working on it. One step at a time.

Risk evaluation

Our UN Global Compact membership assists in aligning strategies and operations with universal principles on human rights, labor rights, environment, and anti-corruption, as well as taking actions that advance societal goals.

In addition to being part of the world's largest corporate sustainability initiative, we are members of two industry associations: the Restaurateurs' Guarantee Association (REGA) and the Sustainable Restaurant Association (SRA), a UK-based association.

Through these memberships we are committed to comply with the procedural requirements set forth by the UN and OECD's minimum standards for responsible business conduct (the UN Guiding Principles on Business and Human Rights (hereafter UNGPs) and the OECD Guidelines for Multinational Enterprises (hereafter OECD)).

Thus, we do not only ensure good corporate citizenship. We also work together with our peers to create a solid foundation of working systematically with international principles on sustainability within the restaurant industry.

With these frameworks, we apply a management system which ensures that our work with ESG is anchored in all aspects of the business and an approach that addresses potential adverse and positive impacts on social, environmental, and economic sustainability.

Management's Review

This is done by:

- Published policy commitment
- Due diligence process:
- Identification, prevention and mitigation of adverse impacts
- Access to remedy
- Transparent communication

Part of being a responsible business is to keep track on our progress and outcomes. We work with different methods to understand our progress. Next year we will enhance our focus on retrieving data to improve our performance. From 2023, the UN Global Compact's requirements of a written report will change into a data-driven questionnaire. The questionnaire will be used as a base and guideline for our performance tracking.

In June we had the opportunity to review all our corporate responsibility projects, commitments, and requirements. It was clear from the assessment that we need a new governance structure for our work with ESG to ensure anchoring in our business operations to reap the full benefits of our efforts.

Therefore, we have decided to form a ESG council that will set the group strategic direction for our work with corporate responsibility. Top-level commitment is essential to create impact and mitigate risks. Thus, the council will constitute carefully selected members of the group management to ensure decision-making ability. Our ESG Manager will in turn act as council facilitator and ESG expert. Finally, the ESG council will be supported with inputs from local ESG spokespersons throughout the organization. This will ensure a transparent governance structure.

Thus, ESG becomes a full circle within the organization with a mandate and direction from the top, fed with relevant inputs from the drivers and facilitator, and finally lifted and carried out by us all.

Policies, activities and results

Our policy commitment to ESG governs our actions on responsible business conduct. Our commitment is publicly available and communicated both internally and externally. Every year, this policy is reviewed and, if necessary, revised for updates.

Access the policy here: <https://sticksnsushi.com/media/3286/sushistainable-policy-commitment-2022.pdf>

In January we passed the first audit on our ESG processes required through our REGA commitment. The audit entailed an assessment on whether we meet the first steps to implement adequate management processes in alignment with the UNGPs and OECD. The audit was executed by Global CSR and constituted verification of required documentation and a visit to our headquarters in Copenhagen.

The auditors highlighted a few required changes to the processes established, which we should address.

Management's Review

However, the nature of these issues was assessed "minor" and "few". These will be addressed before the second audit. Scheduling of the coming audit is still to be determined.

In addition, we want to make a difference where it is possible, and therefore, we also work proactively in forming partnerships that contribute to causes beyond the daily operations. We believe that working together can increase our capacity to create positive change through sharing of knowledge, resources, and expertise.

A key aim for 2021 was a more formalized due diligence procedure for suppliers. Therefore, we have formulated a new code of conduct covering all our business relationships. The purpose of the new Code of Conduct for Business Relationships (hereafter CoCBR) is to ensure that all our third parties demonstrate responsible business conduct in relation to managing risks in alignment with the UNGPs and OECD. The CoCBR provides the foundation for our continuous engagement with business partners and dialogue in good faith on performance regarding human rights, the environment, and anti-corruption. Furthermore, it includes compliance with all legal and regulatory requirements.

We believe that partnering with our business relations to understand their challenges, identify solutions, and develop shared commitments has a long-lasting positive impact. This approach also goes beyond audits and seeks to engage our third parties through dialogue, strengthening management systems, and driving greater transparency. This allows for better understanding of systemic issues or plans for ongoing partner engagement.

In 2020 we formulated 6 specific goals on environmental, social, and governance factors relevant for our business. This is an obligation to our owners, Maj Invest Equity, which in line with our mission, wishes to advance sustainability integration in their company portfolio. Using the Sustainable Development Goals (SDGs) as a framework, we have defined key performance indicators (KPIs) which we monitor, improve on, and set targets for. You can read more about our approach, progress and results in our Communication on Progress report.

Access the report here:

<https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/473851>

Below we will outline our intentions, actions and results in the following areas: The Environment, Employee Conditions and Human Rights and Anti-Corruption.

The environment

As a business we have a responsibility to mitigate risks to the environment as well as to promote a stronger environmental responsibility. Environmental awareness is thus a continuous focus area at Sticks'n'Sushi. Every company is constantly faced with both risks and opportunities. It is part of the game to be able to make the right choices at the right time to ensure growth. However, every choice has consequences; not just for the company and its employees, but potentially also for the environment. Therefore, we will conduct an environmental impact assessment again this year where we evaluate our own processes, gaps, and goals as well as the consequences of our actions.

Management's Review

This year we have been collaborating with a third party, Klimato, on conducting life cycle analysis (LCA) for the food items on our new menu. Klimato provides an application that enables restaurants to calculate, label, and report CO₂e values for food served at restaurants. The collaboration is based on exploring how we can minimise food-related emissions and raise awareness of how our eating habits affect our climate. Thus, by knowing the LCA of our menu, we are better equipped to make informed choices. Going forward, we will discuss how to best use the calculations as well as assess the need for further calculations on our greenhouse gas emissions.

This autumn we will launch a new menu. Again this year, we have focused on how we can make full use of every food item and thus minimise waste. Furthermore, we have decided to minimise some of the elements that have a high CO₂e impact, such as avocados. We continuously work with our product range in the strive to offer our guests the most tasty, nutritious, and responsible product.

Another environmental focus is our takeaway packaging. Creating a circular solution for packaging is one of the biggest challenges in our industry. The coming years approaching the 2030 Agenda for the Sustainable Development Goals, we will experience an enhanced focus from authorities setting guidelines to deal with the increasing quantities of packaging waste, which cause environmental problems.

We will continue our diligent work in sourcing or developing the best possible take-away packaging with a minimum impact on the environment – both before, during and after production.

Even though we have introduced several initiatives over the past years, we are committed to go even further. We recognize that the business community plays a crucial role in enabling us to implement a positive transition and in how well we succeed in the fight against global climate change.

Management's Review

Employee conditions & Human Rights

We recognize that we have a responsibility to respect human rights and the importance of being transparent about how we take the necessary steps to fulfil our obligation. We seek to operate responsibly along our entire supply chain by safeguarding the rights of our employees and those of the people who supply our products. Finally, we use our influence on driving positive change where we can. We respect human rights and employee conditions as defined by the UN Guiding Principles on Business and Human Rights. The framework also helps us to comply with relevant legislation such as, but not limited to, the UK Modern Slavery Act. In addition, we follow the implementation of these principles by the Danish government and the European Union.

Due diligence according to the standards UNGPs and OECD consists of regular operational level impact assessments. In 2021 we conducted our first assessment of all 48 rights defined in the International Bill of Human Rights. The assessment was completed using a tool developed by the Danish consultancy GLOBAL CSR, which assists the REGA initiative in the implementation of global sustainability standards. The assessment was based on one of our restaurants in Denmark and completed in collaboration with the General Manager. The initial results of the assessment prevailed potential adverse human rights impacts on 31 of 54 indicators. We have created an action plan on how to minimise these risks, to be completed before the next assessment.

Furthermore, we want to be a workplace where everybody enjoys going to work. Therefore, we spend much energy in ensuring the right conditions so that everyone thrives. Our People team dedicates an extensive amount of time and resources in ensuring that we are a company which takes work satisfaction and social responsibility seriously. This year, to monitor the wellbeing of our employees, we will introduce pulse surveys - a short series of questions designed to track our employee responses to an issue. By making the surveys quick and easy to read and offering the choice of answering questions either on computer or phone, we aim to have strong and reliable results.

Anti-corruption

Our commitment to responsible business conduct rests on the natural premise that we and our business relationships comply with all applicable laws in all the jurisdictions in which we operate, including any regulation countering bribery and corruption.

We believe that part of being a responsible business involves highlighting areas where corruption could occur and working to prevent such activities from taking place. Therefore, we have introduced several procedures and policies addressing anti-corruption during the past year. We also intend to develop our procedures in this area to include a broader range of potential challenges we could meet. This will be a focus the coming year where we wish to streamline our policies and procedures to ensure relevancy and a rigorous format.

All new employees undergo an introductory training where they are trained in our DNA, commitments, what we need to comply with, and how we can help each other in our daily routines to live up to these requirements. Our People team is currently working on developing a new training platform that will encompass all policies and required conduct.

Management's Review

Last year we implemented an online system where all employees can record business gifts, given and received, (over a minimum threshold). For gifts over a certain value, there is a mechanism in the online system to notify the chief financial officer that the gift needs approval. This is to enhance recording, transparency, and integrity in recording procedures. Both receiving and giving gifts can be considered as bribe if given with the expectation of improperly receiving benefits in return. So, generally, no employees should give or receive gifts.

Since the implementation of the system, registration of gifts has been below expectations. Therefore, we are currently investigating whether this is because we have a minimal flow of gifts or a lack of adequate training and communications. Awareness will be strengthened over the coming year to ensure that all employees are familiar with the procedure.

Finally, in alignment with the management system as described by the UNGPs and with the expectations of the OECD, we continuously work to identify and address risks of corrupt practices that could emerge in our business or with our business relations. We identify risks against, as a minimum, the principles of the UN Convention against Corruption (UNCC). This autumn we will conduct a new impact assessment to understand our risks regarding corruption. Based on this assessment we will develop action plans to ensure that we mitigate the impact.

Statement on gender composition

It is our policy to continuously aim for the highest competency levels for our employees and we strive to recruit the best qualified candidates regardless of gender, age, religious beliefs, ethnicity, nationality, and/or sexual orientation. We want Sticks'n'Sushi to be an attractive workplace for all with equal opportunities for career advancement and management promotions. It is also important that the right competencies are present, and it is thus the company's policy to ensure development and training opportunities - internal as well as external - in order to give aspiring men and women the best possible opportunities within the company.

At all levels of the organization we have internal classes and individual training programs for those who wish to advance their careers. We offer leadership courses from both internal and external teachers to all aspiring leaders and encourage everyone, including the underrepresented gender, to attend. We aim to achieve a fair and representative balance with regards to the composition of gender, age and seniority, recognizing that the restaurant industry is an industry with a relatively high level of job rotation.

At the end of the financial year 2021/22 the gender composition at board level was as follows:

Board of Directors: 100% male.

Management's Review

The Board of Directors represents Sticks'n'Sushi Holding A/S which owns 100% of all operating companies – SNS A/S, SNS UK Limited, SNS Germany GmbH. The target of gender composition has not been reached as the Board of Directors has not changed during the reporting year. We aim to have 20% female to 80% male during 2023.

At the end of the financial year 2021/2022 the gender composition at senior management level was as follows:

Senior Management: 40% female to 60% male.

Last Financial year the composition was 33% female to 67% male. This year we have worked consciously with recruiting and promoting females with the right experience and competencies and have therefore obtained equal gender composition in Senior Management.

Statement on data ethics

Data ethics has become an important topic in line with the digital development and thus the need for corporate accountability has grown. Privacy and data protection is part of our fundamental rights defined in the International Bill of Human Rights, which we have committed to respect as defined by the UN Guiding Principles on Business and Human Rights. One way we live up to this commitment is that we ensure that our data is kept protected and safe. All data which is used and shared, whether personal, business or customer data, is protected through our security procedures and connecting IT applications. This way we protect the data of all our stakeholders from the increasing risk of careless or intentional damaging conduct.

Data ethics are the guidelines that govern how we handle data. Our Data Ethics Policy stipulates best practices that should be followed to ensure that privacy, security, and transparency standards are met. The scope of the policy covers the whole Sticks'n'Sushi Group, customers, guests, website visitors and business relationships. Our commitment is publicly available and communicated both internally and externally. Every year, this policy will be reviewed and, if necessary, revised for updates.

Data can be related to website, guest inquiries, dinner reservations and collaborations with business relationships. We do not sell data to third parties. Furthermore, we have relevant data protection standards in place to ensure that we comply with growing requirements across our markets. Moreover, that all personal data used in our operations must be handled with respect and in strict accordance with the global standards described in our policies.

Management's Review

Fair and limited handling of employee data is part of our commitment to our employees about respect at the work place, which stipulates a dignified, safe, and non-discriminatory environment. When collecting and keeping data on other stakeholders, such as customers, we ensure to do it in a manner that privacy is cherished and respected. Finally, if we use machine learning, artificial intelligence and / or algorithms, we will strive to ensure no biased or discriminatory results. We strive for transparency about errors and problems to ensure that we continuously improve use of data and have enabled potential grievances through our anonymous whistleblower channel.

Policies and procedures

Our internal publication, Policies and Procedures, describes our commitments, ethical behavior and expectations. Thus, whenever in doubt or facing a dilemma, all employees can consult this document. Living up to our values expressed in our policies supports our overall strategy. Furthermore, it mitigates risks in our operations and supply chain as well as protect our brand. All policies are approved by Executive Management.

Furthermore, we have Privacy Policy describing when, how, and why we collect, use, and share information about suppliers or people who visit our restaurants, use our websites, apps, booking solutions, or communicate with us. Finally, the Privacy Policy describes our whistle-blower mechanism, where all stakeholders can report concerns through a safe and confidential channel. The reported incidents will be handled in an anonymous and professional manner without fear of retaliation for reporting.

This year we are working on strengthening our policies and procedures to ensure that we uphold our ethical standards and that all employees are aware of, and trained in, our internal policies and procedures. The new policy work includes new guidelines on data treatment and protection. Moreover, we are also working on enhancing our training site to an academy platform, which will enable us to target training to the specific employee.

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 30 June 2022 and the results of the activities and cash flows of the Company for the Financial year for 2021/22 have been affected negatively by Covid-19 restrictions during several weeks with closed restaurants and only revenue from take-away.

Income Statement 1 July - 30 June

	Note	2021/22 kDKK	2020/21 kDKK
Revenue	1	311,420	268,736
Other operating income	2	20,191	16,916
Expenses for raw materials and consumables		-94,264	-80,584
Other external expenses		-63,648	-61,920
Gross profit/loss		173,699	143,148
Staff expenses	3	-159,831	-138,020
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-11,981	-13,402
Other operating expenses		-9,997	-5,517
Profit/loss before financial income and expenses		-8,110	-13,791
Financial income	5	1,233	4,140
Financial expenses	6	-2,667	-2,815
Profit/loss before tax		-9,544	-12,466
Tax on profit/loss for the year	7	2,098	2,824
Net profit/loss for the year		-7,446	-9,642

Balance Sheet 30 June

Assets

	Note	2022 kDKK	2021 kDKK
Completed development projects		3,167	1,990
Acquired trademarks		52	0
Intangible assets	8	3,219	1,990
Other fixtures and fittings, tools and equipment		3,125	4,578
Leasehold improvements		31,607	32,042
Property, plant and equipment	9	34,732	36,620
Deposits		4,359	3,830
Fixed asset investments	10	4,359	3,830
Fixed assets		42,310	42,440
Inventories		5,022	4,472
Trade receivables		7,398	5,617
Receivables from group enterprises		43,192	32,997
Other receivables		7,978	7,811
Deferred tax asset	11	8,491	6,393
Corporation tax receivable from group enterprises		0	973
Prepayments	12	1,697	523
Receivables		68,756	54,314
Cash at bank and in hand		9,801	52,101
Currents assets		83,579	110,887
Assets		125,889	153,327

Balance Sheet 30 June

Liabilities and equity

	Note	2022 kDKK	2021 kDKK
Share capital	13	10,000	10,000
Reserve for development costs		2,470	1,552
Retained earnings		-9,039	-675
Equity		3,431	10,877
Subordinate loan capital		10,198	28,865
Credit institutions		15,000	20,000
Other payables		4,279	4,231
Long-term debt	15	29,477	53,096
Credit institutions	15	38,558	5,000
Trade payables		20,289	15,409
Payables to group enterprises		2,241	17,280
Other payables	15	27,455	47,025
Deferred income	16	4,438	4,640
Short-term debt		92,981	89,354
Debt		122,458	142,450
Liabilities and equity		125,889	153,327
Distribution of profit	14		
Contingent assets, liabilities and other financial obligations	19		
Related parties	20		
Fee to auditors appointed at the general meeting	21		
Accounting Policies	22		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	kDKK	kDKK	kDKK	kDKK
Equity at 1 July	10,000	1,552	-675	10,877
Development costs for the year	0	2,336	0	2,336
Depreciation, amortisation and impairment for the year	0	-1,418	0	-1,418
Net profit/loss for the year	0	0	-8,364	-8,364
Equity at 30 June	10,000	2,470	-9,039	3,431

Cash Flow Statement 1 July - 30 June

	Note	2021/22 kDKK	2020/21 kDKK
Net profit/loss for the year		-7,446	-9,642
Adjustments	17	11,315	9,250
Change in working capital	18	-27,788	27,829
Cash flows from operating activities before financial income and expenses		-23,919	27,437
Financial income		1,233	4,140
Financial expenses		-2,663	-2,829
Cash flows from operating activities		-25,349	28,748
Purchase of intangible assets		-3,049	-383
Purchase of property, plant and equipment		-8,273	-11,686
Fixed asset investments made etc		-529	176
Cash flows from investing activities		-11,851	-11,893
Raising group enterprises		0	1,329
Repayment of loans from credit institutions		28,558	-20,087
Repayment of other long-term debt		48	0
Installment of intercompany loans		-33,706	0
Cash flows from financing activities		-5,100	-18,758
Change in cash and cash equivalents		-42,300	-1,903
Cash and cash equivalents at 1 July		52,101	54,004
Cash and cash equivalents at 30 June		9,801	52,101
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		9,801	52,101
Cash and cash equivalents at 30 June		9,801	52,101

Notes to the Financial Statements

	2021/22 kDKK	2020/21 kDKK
1 Revenue		
Geographical segments		
Denmark	311,420	268,736
	311,420	268,736
Business segments		
Restaurants	311,420	268,736
	311,420	268,736
2 Special items		
<p>In 2021/22 the Company received compensation via the Covid-19 Government help packages of kDKK 335. For the financial year 2020/21 the Company received compensation via the Covid-19 Government help packages of kDKK 8,001. The compensation is recognized as other operating income in the profit and loss statement.</p>		
3 Staff expenses		
Wages and salaries	149,220	124,043
Pensions	7,318	6,906
Other social security expenses	899	781
Other staff expenses	2,394	6,290
	159,831	138,020
Including remuneration to the Executive Board	2,239	2,435
Average number of employees	396	344
4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	1,820	3,002
Depreciation of property, plant and equipment	10,161	10,400
	11,981	13,402

Notes to the Financial Statements

	<u>2021/22</u> kDKK	<u>2020/21</u> kDKK
5 Financial income		
Interest received from group enterprises	981	1,172
Other financial income	7	22
Exchange gains	245	2,946
	<u>1,233</u>	<u>4,140</u>
6 Financial expenses		
Interest paid to group enterprises	1,266	1,384
Other financial expenses	1,401	1,431
	<u>2,667</u>	<u>2,815</u>
7 Tax on profit/loss for the year		
Current tax for the year	0	0
Deferred tax for the year	-2,098	-2,721
Adjustment of deferred tax concerning previous years	0	-103
	<u>-2,098</u>	<u>-2,824</u>

Notes to the Financial Statements

8 Intangible assets

	Completed development projects kDKK	Acquired trade- marks kDKK
Cost at 1 July	19,789	40
Additions for the year	2,995	54
Cost at 30 June	<u>22,784</u>	<u>94</u>
Impairment losses and amortisation at 1 July	17,799	40
Amortisation for the year	1,818	2
Impairment losses and amortisation at 30 June	<u>19,617</u>	<u>42</u>
Carrying amount at 30 June	<u>3,167</u>	<u>52</u>

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

Notes to the Financial Statements

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment <small>kDKK</small>	Leasehold improvements <small>kDKK</small>
Cost at 1 July	55,605	114,984
Additions for the year	<u>1,003</u>	<u>7,270</u>
Cost at 30 June	<u>56,608</u>	<u>122,254</u>
Impairment losses and depreciation at 1 July	51,027	82,942
Depreciation for the year	<u>2,456</u>	<u>7,705</u>
Impairment losses and depreciation at 30 June	<u>53,483</u>	<u>90,647</u>
Carrying amount at 30 June	<u>3,125</u>	<u>31,607</u>

10 Fixed asset investments

	Deposits <small>kDKK</small>
Cost at 1 July	3,830
Additions for the year	<u>529</u>
Cost at 30 June	<u>4,359</u>
Carrying amount at 30 June	<u>4,359</u>

Notes to the Financial Statements

	2022 kDKK	2021 kDKK
11 Deferred tax asset		
Deferred tax asset at 1 July	6,393	3,569
Amounts recognised in the income statement for the year	2,098	2,824
Deferred tax asset at 30 June	8,491	6,393

The deferred tax asset amounts to DKK 8,491k and partially consists of timing differences between the tax value and accounting value of fixed asset investments and partially of tax losses to carry forward.

The deferred tax asset is recognised under the assumption that the profitability of Sticks 'n' Sushi' A/S' operations will increase over the next 3-5 years. This is primarily due to the expected return of the investments made in German restaurants.

12 Prepayments

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

13 Equity

The share capital consists of 1,000,000 shares of a nominal value of kDKK 10. No shares carry any special rights.

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

14 Distribution of profit

Transfer for the year to other reserves	918	-2,043
Retained earnings	-8,364	-7,599
	-7,446	-9,642

Notes to the Financial Statements

15 Long-term debt

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

The debt falls due for payment as specified below:

	2022 kDKK	2021 kDKK
Subordinate loan capital		
Between 1 and 5 years	10,198	28,865
Long-term part	10,198	28,865
Within 1 year	0	0
	10,198	28,865
Credit institutions		
Between 1 and 5 years	15,000	20,000
Long-term part	15,000	20,000
Other short-term debt to credit institutions	38,558	5,000
	53,558	25,000
Other payables		
Between 1 and 5 years	4,279	4,231
Long-term part	4,279	4,231
Other short-term payables	27,455	47,025
	31,734	51,256

16 Deferred income

Deferred income related to payments received in respect of income in subsequent years, including gift cards etc.

Notes to the Financial Statements

	<u>2021/22</u>	<u>2020/21</u>
	kDKK	kDKK
17 Cash flow statement - adjustments		
Financial income	-1,233	-4,140
Financial expenses	2,667	2,815
Depreciation, amortisation and impairment losses, including losses and gains on sales	11,981	13,399
Tax on profit/loss for the year	-2,098	-2,824
Other adjustments	-2	0
	<u>11,315</u>	<u>9,250</u>
18 Cash flow statement - change in working capital		
Change in inventories	-550	-346
Change in receivables	-12,345	6,550
Change in other provisions	-19,773	-6,450
Change in trade payables, etc	4,880	28,075
	<u>-27,788</u>	<u>27,829</u>

Notes to the Financial Statements

19 Contingent assets, liabilities and other financial obligations

Charges and security

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

The company has pledged a company charge of TDKK 10,000 as collateral for debt. At 30 June 2022, the company charge comprises the following assets with the following carrying amounts:

	2022	2021
	kDKK	kDKK
Property, plant and equipment	34,732	36,620
Inventories	5,022	4,472
Trade receivables	7,398	5,617

Rental and lease obligations

Lease obligations under rental and other operating lease agreements. Total future lease payments:

Within 1 year	16,089	14,884
Between 1 and 5 years	38,610	34,158
After 5 years	20,935	21,849
	<u>75,634</u>	<u>70,891</u>

Guarantee obligations

The company has issued guarantee of payment against its sister companies.

The company has provided guarantees in respect of landlords at 30 June 2022, which amounts to TDKK 4,861.

Other contingent liabilities

The Entity has contingent liabilities regarding partial outsourcing of inventories to third party of TDKK 13,171.

The Entity participates in an international joint taxation in which MIE4 Holding 2 ApS serves as administration company. The Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements as at 30 June 2022.

Notes to the Financial Statements

20 Related parties

	<u>Basis</u>
Controlling interest	
MIE4 Holding 2 ApS, Copenhagen	Ultimate parent company
Sticks 'n' Sushi Holding A/S, Copenhagen	Parent company

Transactions

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

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

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
MIE4 Holding 2 ApS	Copenhagen
Sticks 'n' Sushi Holding A/S	Copenhagen

21 Fee to auditors appointed at the general meeting

Referring to the Danish Statements Act § 96, sub section 3, information on fees to Auditors elected on a general meeting, has been omitted. We refer to the financial statement of Sticks 'n' Sushi Holding A/S.

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of Sticks 'n' Sushi A/S for 2021/22 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

With regards to the true and fair view of the financial statements, certain reclassifications have been made in the balance sheet and notes. Comparative figures have been adjusted accordingly.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021/22 are presented in kDKK.

Recognition and measurement

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

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

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

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

Leases

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

Notes to the Financial Statements

22 Accounting Policies (continued)

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

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

Translation policies

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

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

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

Revenue

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

Income Statement

Revenue

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

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

Expenses for raw materials and consumables

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

Notes to the Financial Statements

22 Accounting Policies (continued)

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Government support packages

The company has received compensation via Government help packages in the financial year 2020/21. The compensation is recognized under the respective financial statement line items for each compensation.

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Notes to the Financial Statements

22 Accounting Policies (continued)

Balance Sheet

Intangible assets

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

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

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

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

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

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

Property, plant and equipment

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

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

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Notes to the Financial Statements

22 Accounting Policies (continued)

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

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

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Fixed asset investments

Fixed asset investments consist of deposits paid regarding rented premises.

Inventories

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

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

The cost of raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

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

Notes to the Financial Statements

22 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest. Prepayments are measured at cost.

Equity

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

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

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

Deferred income

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

Notes to the Financial Statements

22 Accounting Policies (continued)

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

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

Notes to the Financial Statements

22 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin

$$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Solvency ratio

$$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$$

Solvency ratio, equity incl. subordinated loan capital

$$\frac{\text{Equity incl. subordinated loan capital at year end x 100}}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$