Danish Bake Holding ApS

Dortheavej 10, 2400 København NV

CVR no. 38 75 07 98

Annual report 2019

Approved at the Company's annual general meeting on 15 May 2020

Chairman:

DocuSigned by:

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Carl Moltke

Building a better working world

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Danish Bake Holding ApS for the financial year 1 January - 31 December 2019.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent company financial statements are prepared in accordance with 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 financial position of the Group and the Company at 31 December 2019 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2019.

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

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

Copenhagen, 5 May 2020
Executive Board:

Jason Anthony Cotta DocuSigned by: Jason Cotta 8F25CE6E4D374D1...

Board of Directors:

DocuSigned by: Henrik Brandt 9AC8A7DAAB2246E...	DocuSigned by: Graham Turner BDFAC322A69D459...	DocuSigned by: DBF3492A0C474EB...
Henrik Brandt *Chairman*	Graham Turner	Karen Kochevar
DocuSigned by: FF7CD0B81424943D...	Jean-Philippe Barade	DocuSigned by: B3769917B60844A...
Robert Furuhjelm	Jean-Philippe Barade	David Samuelson

Independent auditor's report

To the shareholders of Danish Bake Holding ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Danish Bake Holding ApS for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated statement of comprehensive income and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2019 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Further, in our opinion, the parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2019 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 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 assurance conclusion thereon.

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 Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the 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 in preparing the financial statements 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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance as to whether the financial statements 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 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 the financial statements.

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

- Identify and assess the risk 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 in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and 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, 5 May 2020
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Bruun Kofoed
State Authorised Public Accountant
mne28677

Peter Andersen
State Authorised Public Accountant
mne34313

Management's review

Key figures (for the group)

DKK 000	2019 12 months	2018 12 months	2017 6 months
Revenue	1.157.446	1.000.119	300.761
Gross Profit	877.662	757.014	226.347
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**141.659**	**113.189**	**23.358**
Earnings before interest, taxes, depreciation and amortisation (EBITDA) before special items	146.436	114.824	57.439
Operating profit	-80.779	-28.812	-15.937
Financial income and financial expenses, net	6.756	-104.655	-27.846
Profit/Loss for the year	-69.596	-113.712	-41.687
Total assets	3.028.814	3.008.532	2.476.780
Total equity	1.566.029	929.675	1.029.326
Cash flow from operating activities	73.089	96.096	38.700
Acquisition of property, plant and equipment	-160.965	-184.181	-55.657
Cash flows for the year	-24.680	21.470	54.493
Operating margin	-7,0%	-2,9%	-5,3%
Return on assets	-2,4%	-1,0%	0,7%
Current ratio	35,9%	11,7%	9,7%
Equity ratio	51,1%	30,4%	41,6%
Return on equity	-5,7%	-11,7%	-4,0%
Average number of employees	1.336	1.175	993
Number of stores at 31 December	114	98	81

Financial ratios

The financial ratios shave been calculated as follows:

Operating margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities x 100}}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity excl. non-controlling interests, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year excl. non-controlling interests x 100}}{\text{Average equity excl. non-controlling interests}}$
Profit/loss from operating activities	Operating profit excluding other operating expenses and special items

Management's review

Danish Bake Holding ApS was founded in June 2017 for the purpose of the acquisition of 100% of the shares in Danish Bake A/S through Danish Bake Group ApS.

The Group's main activities are in Lagkagehuset A/S in Denmark, Danish Bake UK Ltd. in the UK and Danish Bake NYC LLC in the US.

Danish Bake Holding ApS is owned by Cidron Garonne Limited (71%) and FoodLuxCo S.à.r.l. (18%), which are controlled by Nordic Capital Fund VIII and L Catterton Europe IV, respectively. The remaining shares are treasury shares and a few key members of the company and board.

The purpose of the Group is to run a premium concept within the bakery and café segment in Denmark and internationally. The consolidated financial statements of Danish Bake Holding ApS for the period 1 January – 31 December 2019 ("the period") comprise Danish Bake Holding ApS and its subsidiaries (together referred to as "the Group"). Management's comments on development in profit comprises of the period.

The consolidated financial statements of Danish Bake Holding ApS for the year ended 31 December 2019, are the first the group has prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial statements prepared by class C enterprises.

The Group has prepared financial statements that comply with IFRS as adopted by EU applicable as at 31 December 2019, together with the comparative period data for the year ended 31 December 2018 and 31 December 2017, as described in the summary of significant accounting policies.

Reference is made to note 25 for an overview of the impact of the transition to IFRS.

Financial review

Group revenue for the period 1 January – 31 December 2019 amounted to DKK 1,157 million (2018: DKK 1,000 million), while loss for the period amounted to DKK 70 million (2018: DKK 114 million). The balance sheet showed an equity of DKK 1,566 million at 31 December 2019 (2018: DKK 930 million). Gross profit for the period amounted to DKK 878 million (2018: DKK 757 million), and EBITDA before special items for the period amounted to DKK 146 million (2018: DKK 115 million).

In 2019, Lagkagehuset opened 13 new and closed one store in Denmark. The number of new establishments is in line with previous years and in line with expectations.

A new large bakery was established in 2018 in Priorparken in Brøndby to support further growth. In 2019, it was decided to move and close all bakery areas at Amerikavej to Priorparken and thus secure both quality, delivery and efficiencies at our new state of the art bakery in Priorparken. In March 2020 this was finalized without any negative on quality or delivery to our customers across Sealand. With the closure of Amerikavej, a larger write down of assets and installations of DKK 14.5 million and impairment of right-of-use assets of DKK 8.4 million are included in the Annual Report 2019.

In London, the successful establishment was followed by one additional new store in 2019. The feedback from customers remains very positive, and the roll out of new stores in London will continue in 2020, which is expected to contribute further to the positive development in earnings.

The first store in New York opened in 2019, starting in January with a phased opening of now 3 stores. The establishment in New York had significant attention from media and press with more than 1,000 customers visited our stores every day to enjoy high quality Danish bread, pastry and lunch.

In December 2019 it was agreed to remain in current well-functioning bakery in New York instead of moving to the originally planned larger facility. A facility that has been delayed more than a year due to safety issues on the building construction. In exiting this originally planned bakery facility the Group has written off assets of a total value of DKK 11.3 million in 2019.

Results for the year are considered satisfactory despite less openings managed in 2019 versus originally planned. Instead important investments were made in operations to secure future growth and efficiencies across the markets.

Non-financial matters

In Denmark, the bakery segment in 2019 was still characterized by a consumer trend moving towards more freshly baked products rather than packaged products, which leads to higher growth rates within freshly baked products. Therefore, an increased share of retailers is offering non packaged bakery products in supermarkets, etc. This development combined with niche bakeries with products of very high quality and the consumers having continued focus on food quality in general entails increased requirements for bakers in terms of product quality and service than previously.

Both in Denmark and internationally, there are consumer trends within food moving towards on the go solutions, which creates growth opportunities within food and coffee offerings. With the loyalty program and our App solution supporting this click and collect and take away is a significant growth driver looking forward.

Management's review

Financial risks

Due to its operations, investments and financing, the Group is exposed to changes in interest rates. The Company manages the Group's financial risks and liquidity, including capital sourcing and investment of surplus liquidity, centrally. Under the Group's financial policy, the risk profile is kept low to ensure that interest rate and credit risks arise only as a result of commercial circumstances.

The Group has activities in the UK and is therefore exposed towards potential negative effects from the decision to leave the EU. So far, the Group has not experienced any negative impact from Brexit.

With the establishment in New York the Group is also influenced by the fluctuation of the US dollar, however due to the small share of the Group, the overall risk is still very limited.

Management evaluates the capital structure of The Group on an ongoing basis. At 31 December 2019, the Group's interest- bearing debt to credit institutions amounted to DKK 388 million based on an overall credit facility of DKK 550 million at 31 December 2019. Covenant requirements for the credit facility have been reported on an ongoing basis, and all conditions have been met. Cash and cash equivalents amounted to DKK 45 million, there was a net debt of DKK 343 million and additional DKK 805 million in leasing liabilities at 31 December 2019.

The shareholder loan provided in 2017 by Cidron Garonne Limited and FoodLuxCo S.à.r.l.to Danish Bake Holding ApS, were converted fully to equity in effect of 776 million in 2019 to increase the Company's operational flexibility and to support future growth. Following a TP-study the interest rate for 2017 and 2018 was reduced which lead to an interest income of DKK 65 million in 2019.

Knowledge resources

For the continued growth of the Group, it is important to attract and retain highly skilled employees, including bakers, pastry chefs and store managers. In order to meet customers' needs and to ensure the best possible customer experience, focus is on high product quality and a high level of service, which requires strong competencies of our employees, which are built up by ongoing training and education.

Impact on the external environment

The Group's activities are not considered to have significant effect on the external environment and climate, and therefore, no separate policy has been prepared in this respect. For further description, see below under 'Statutory CSR report'.

Statutory CSR report

The Group strives to act socially responsible in a market that changes every day and has defined several focus areas that are directly linked to operations.

Environment

As part of being socially responsible, the Group strives to limit the environmental impact of the operations.

An inherent part of running a fresh food business is the risk of food waste. Reducing food waste is thus a continuous effort without also reducing customer experience. A part of the work is carried out in stores and productions where organizations supporting social responsibility can pick up excess products. Moreover, certain excess products is reused in production, e.g. for rye bread chips and other baked goods. Assortment change and reduction of buffer volume on Ryebread was initiated to reduce overall waste in 2019 to 2017 levels. This target in 2019 was though not achieved fully, as waste increased by 0.3%p. Waste was influenced negatively in the process of preparing and transferring Priorparken bakery to deliver right volume of high-quality products every day, being able to receive bakers and confectioners from Amerikavej. The target for 2020 is to reduce waste by 0.5%p. from 2019 levels.

Social and employee conditions

The Group employs both skilled and unskilled employees with more than 2,900 employees in total. Many apprentices are trained and educated each year, and focus is on having a great base of skilled bakers and pastry chefs in our bakeries in order to uphold the craftsmanship and product quality of the trade.

Our employees are our greatest assets; therefore, we work to create a safe and healthy working environment with a high level of employee satisfaction. In order to ensure a sound and safe working environment, the Group conducts workplace assessments for all employees in accordance with legislation, at least every third year. The outcome of the workplace assessments results in specific action plans to solve issues, if any.

The Group has assessed that there is a risk of occupational injuries and stress in both stores and bakeries. During 2019, there has been increased sickness absence of store staff, bakers and pastry staff, which has been approached via workplace assessment and local initiatives are set in to improve areas identified.

Our focus on improving the working environment has entailed that employee job satisfaction increased in 2019. The efforts will continue in this area in 2020.

Management's review

Anticorruption

The most material risk was found to be employees within procurement and conclusion of contracts. As the Group has a zero-tolerance policy for corruption and bribery, and to minimize the risk thereof, the central management of procurement and conclusion of contracts has been a continued focus area.

In 2019 the aim was to secure information and training of all relevant new employees on anticorruption was continued. All new relevant employees were trained.

The Group has not prepared a separate human rights policy or direct climate policy, as it is assessed that Group does not have a significant effect.

Account of the gender composition of Management

The Group’s policy is to always recruit the best qualified person for a given job, and diversity is considered a strength. The Group is continuously working on harmonizing the gender composition including the gender composition of senior managers.

Currently, one out of 6 board members is female. The target remains to maintain the number of female board members so that at least one or more board members are female at the end of 2020.

At other management levels, the Group has more female than male managers and thus not an equal gender composition. In connection with recruitment for senior positions, we are focused on seeing candidates of both genders, but qualifications will always be the decisive factor.

By the end of 2019 female managers comprised of approx.70%.

Events after the balance sheet date and impact of COVID-19

In March 2020 the Danish bakery at Amerikavej was closed and moved to Priorparken. Commercially and efficiency wise this was done as planned. Write down of assets at Amerikavej per December 31, 2019 amounting to DKK 14.5 million is accounted for in 2019 as the decision was made in 2019.

In March 2020, COVID-19 changed the Danish market condition dramatically, with legislation closing malls, Copenhagen Airport as well as café areas and as a result customer traffic is significantly reduced and 13 stores are temporarily closed in Denmark. In order to secure as many jobs as possible, the governmental furlough schemes have been used.

In UK, all stores are temporarily closed, and people are furloughed on governmental schemes. A staged reopening plan is prepared and expected to open when government allows.

New York/ Manhattan closed as well during March 2020 and are currently still closed except for delivery sales. Reopening expected to take somewhat longer, and thus re-opening date is still uncertain.

In April 2020, the covenants for the existing credit facility of DKK 550 million were waived by the Lenders until and including end September 2020 due to COVID-19 market challenges to support the Group's continued operation and priorities.

The Group feels confident that current cash holdings and cost controls, the forecast is secured for re-opening the markets soon again and getting back to the original expansion strategy of the company.

No other events have occurred after the balance sheet date that may materially affect the assessment of the Company's financial position.

Outlook

The Group has originally had an expectation of an increase in turnover due to new store openings and an improved result for 2020 compared to the 2019 result. However, in March 2020 Management has identified a significant negative effect of COVID-19 virus in the form of significantly less sales, mainly as a result of the closure of stores. As it is currently uncertain how this develops, it is not possible to estimate expectations for 2020 more accurately, but it is Management's expectation at the time of financial reporting that a noticeable decrease in revenue and result towards 2019 is expected.

Corporate governance

The Board of Directors and the Executive Board of Danish Bake Holding ApS continuously work to ensure that the Group's management structure and control systems are appropriate and work satisfactorily. Management regularly evaluates whether this is the case.

The framework for planning Management's duties is the Danish Companies Act, the Danish Financial Statements Act, the Company’s articles of association and ethical guidelines as well as good practice for entities within the same industry. Being owned by a private equity funds, the Company complies with the Danish Venture and Private Equity Association’s (DVCA) guidelines on responsible ownership and corporate governance. Internal procedures have been drawn up to ensure active, effective and profitable management of the Group.

Management's review

Shareholders

On an ongoing basis, the Board of Directors reviews whether the Group's capital structure serves the best interests of both the Company and its stakeholders. The overriding goal is to ensure a capital structure that supports long- term profitable growth.

The Company's share capital is divided into A, B, C and D shares. The D and C shares carry preferential rights to dividend, equivalent to 4% and 12% p.a. (compound). The A and B shares receive the amount remaining after distribution to the D and C shares.

The Company is owned by Cidron Garonne Limited (71%) and FoodLuxCo S.à r.l. (18%), which are controlled by Nordic Capital Fund VIII and L Catterton Europe IV, respectively. The Board of Directors comprise independent members and representatives of Nordic Capital VIII and L Catterton Europe IV. Independent board members are Henrik Brandt (Chairman), Graham Turner and Karen Kochevar. Nordic Capital VIII is represented on the Board by Robert Furuhjelm and David Samuelson, while L Catterton Europe IV is represented by Jean Philippe Barade.

The Board of Directors' duties

The Board of Directors of Danish Bake Holding ApS oversees that the Executive Board pursues the objectives, strategies and business procedures adopted by the Board of Directors. The Board of Directors receives systematic updates from the Executive Board at meetings and through written and oral reports provided on a regular basis.

The members of the Board of Directors of Danish Bake Holding ApS meet six times a year according to a fixed schedule. An annual strategy seminar is held to lay down the Company's vision, goals and strategy. In between the ordinary board meetings, the Board receives written updates on the Company's and the Group's results and financial position. Extraordinary meetings are convened as required.

Remuneration for Management

In order to attract and retain managerial skills, the Executive Board and other executive officers are paid according to duties, value creation and terms in comparable entities. Their remuneration includes incentives to ensure consistency between the interests of Management and the owners, and the incentive schemes reflect both short-term and long-term goals.

Management and some of the members of the Board of Directors of Danish Bake Holding ApS and few key employees participate in the Company's investment incentive program. Treasury shares are sold and acquired as part of the incentive program.

In addition to the incentive program, certain key employees are offered performance-based bonus. Remuneration of the Executive Board and the Board of Directors is disclosed in a note to the financial statements.

Dividend policy

Dividend is distributed with due regard to the consolidation of equity required to ensure the Group's continued expansion and existing agreements with sources of financing.

The Board of Directors proposes that no dividend is paid for the financial year 2019.

Recommendations for active ownership and corporate governance for private equity funds

The Danish Venture and Private Equity Association (DVCA) has issued guidelines on responsible ownership and corporate governance for private equity funds and entities controlled by private equity funds.

These recommendations comprise guidelines on disclosures in the Management's review, including corporate governance, financial risks, employees, strategies, etc.

The guidelines have adopted a "comply or explain" approach to corporate governance that companies can follow by either complying with the recommendations or explaining why they have not complied. The Management of Danish Bake Holding ApS, as described above, generally complies with the DVCA's recommendations with the one exception that the description of projected developments in revenue and earnings is limited due to the general uncertainty relating to market developments in 2020 and for competitive reasons.

Consolidated income statement

Note	DKK 000	2019 12 months	2018 12 months	2017 6 months
3	**Revenue**	**1.157.446**	**1.000.119**	**300.761**
	Cost of sales	-279.784	-243.105	-74.414
	Gross Profit	**877.662**	**757.014**	**226.347**
4	Staff costs	-523.371	-455.118	-127.417
5	Other external expenses	-204.293	-186.091	-41.466
5	Other operating expenses	-3.562	-981	-25
5	Special items	-4.777	-1.635	-34.081
9, 10	Amortisation, depreciation and impairment	-222.438	-142.001	-39.295
	Operating profit	**-80.779**	**-28.812**	**-15.937**
6	Financial income	75.571	331	2.493
7	Financial expenses	-68.815	-104.986	-30.339
	Profit/loss before tax	**-74.023**	**-133.467**	**-43.783**
8	Tax for the year	4.427	19.755	2.096
	Profit/loss for the year	**-69.596**	**-113.712**	**-41.687**
	Attributable to:			
	Equity holders of the parent	-70.592	-113.450	-41.687
	Non-controlling interests	996	-262	0
	Profit/loss for the year	**-69.596**	**-113.712**	**-41.687**

Consolidated statement of comprehensive income

Note	DKK 000	2019 12 months	2018 12 months	2017 6 months
	Profit/loss for the year	**-69.596**	**-113.712**	**-41.687**
	Other comprehensive income			
	Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
	Currency translation of foreign entities	-1.580	-57	-356
	Total comprehensive income for the year	**-71.176**	**-113.769**	**-42.043**
	Attributable to:			
	Equity holders of the parent	-71.983	-113.507	-42.043
	Non-controlling interests	807	-262	0
	Total comprehensive income for the year	**-71.176**	**-113.769**	**-42.043**

Consolidated balance sheet at 31 December

Note	DKK 000	2019	2018	2017	31 August 2017
	ASSETS				
	Non-current assets				
9	**Intangible assets**				
	Goodwill	1.417.593	1.415.602	1.345.139	1.345.139
	Brand	210.400	210.400	210.400	210.400
	Development projects	15.783	16.170	15.137	13.431
	Other acquired intangible assets	1.654	2.487	2.029	2.276
		1.645.430	1.644.659	1.572.705	1.571.246
10	**Property, plant and equipment**				
	Plant and machinery	136.083	122.950	84.907	76.039
	Fixtures and fittings, other plant and equipment	65.157	57.178	42.960	38.014
	Leasehold improvements	328.580	287.304	204.098	174.270
	Prepayments for property, plant and equipment	1.973	11.798	0	0
	Right-of-use assets	738.170	749.304	473.943	430.813
		1.269.963	1.228.534	805.908	719.136
11	**Other non-current assets**				
	Other non-current receivables	13.269	13.594	9.558	9.135
		13.269	13.594	9.558	9.135
	Total non-current assets	2.928.662	2.886.787	2.388.171	2.299.517
	Current assets				
13	Inventories	19.997	17.393	11.351	9.388
12	Trade and other receivables	14.046	15.008	10.901	8.630
	Prepayments	20.912	13.199	11.864	8.213
16	Cash	45.197	76.145	54.493	235.089
	Total current assets	100.152	121.745	88.609	261.320
	TOTAL ASSETS	3.028.814	3.008.532	2.476.780	2.560.837

Consolidated balance sheet at 31 December

Note	DKK 000	2019	2018	2017	31 August 2017
	EQUITY AND LIABILITIES				
	Equity				
14	Share capital	1.150	1.000	1.000	1.000
	Share premium	1.776.991	1.066.181	1.066.181	1.065.929
	Retained earnings	-226.960	-152.938	-37.499	0
	Currency translation reserve	-2.182	-413	-356	0
	Equity attributable to equity holders of the parent	**1.548.999**	**913.830**	**1.029.326**	**1.066.929**
	Non-controlling interests	17.030	15.845	0	0
	Total equity	**1.566.029**	**929.675**	**1.029.326**	**1.066.929**
	Non-current liabilities				
8	Deferred tax liabilities	38.284	42.458	62.877	64.972
15	Provisions	22.169	20.419	13.145	8.435
16	Debt to credit institutions	388.284	260.000	20.000	168.695
19	Lease liabilities	712.231	714.257	436.002	390.583
16	Other non-current financial liabilities	23.031	4.963	0	0
	Total Non current liabilities	**1.183.999**	**1.042.097**	**532.024**	**632.685**
	Current liabilities				
15	Provisions	1.000	0	0	0
19	Lease liabilities	92.237	67.714	45.038	40.230
16	Shareholder loan (Convertible debt instruments)	0	155.232	143.733	140.000
8	Corporation tax payable	841	0	0	0
16, 17	Trade and other payables	184.708	192.886	151.726	120.993
16	Payables to group enterprises (Convertible debt instruments)	0	620.928	574.933	560.000
	Total current liabilities	**278.786**	**1.036.760**	**915.430**	**861.223**
	Total liabilities	**1.462.785**	**2.078.857**	**1.447.454**	**1.493.908**
	TOTAL EQUITY AND LIABILITIES	**3.028.814**	**3.008.532**	**2.476.780**	**2.560.837**

Note: In preparing the financial statements, the Group's opening statement of financial position was prepared as at 31 August 2017 the date of acquisition of Danish Bake A/S. However, June 28, 2017 is the Group's date of transition to IFRS as adopted by EU.
Reference is made to note 25: First-time adoption of IFRS.

Consolidated statement of changes in equity

DKK 000	Share Capital	Share Premium	Retained Earnings	Currency translation reserve	Total	Non-controlling interests	Total Equity
As at 1 January 2019	1.000	1.066.181	-152.938	-413	913.830	15.845	929.675
Comprehensive income for the year							
Profit/loss for the year	0	0	-70.592	0	-70.592	996	-69.596
Other comprehensive income	0	0	0	-1.769	-1.769	189	-1.580
Total comprehensive income for the year	0	0	-70.592	-1.769	-72.361	1.185	-71.176
Transactions with owners							
Capital increase	150	710.810	0	0	710.960	0	710.960
Purchase of treasury shares	0	0	-3.430	0	-3.430	0	-3.430
Sale of treasury shares	0	0	0	0	0	0	0
Total transactions with owners	150	710.810	-3.430	0	707.530	0	707.530
At 31 December 2019	1.150	1.776.991	-226.960	-2.182	1.548.999	17.030	1.566.029

DKK 000	Share Capital	Share Premium	Retained Earnings	Currency translation reserve	Total	Non-controlling interests	Total Equity
As at 1 January 2018	1.000	1.066.181	-37.499	-356	1.029.326	0	1.029.326
Additions relating to aquisition of entities	0	0	0	0	0	15.780	15.780
Other adjustments	0	0	0	0	0	327	327
Comprehensive income for the year							
Profit/loss for the year	0	0	-113.450	0	-113.450	-262	-113.712
Other comprehensive income	0	0	0	-57	-57	0	-57
Total comprehensive income for the year	0	0	-113.450	-57	-113.507	15.845	-97.662
Transactions with owners							
Purchase of treasury shares	0	0	-3.200	0	-3.200	0	-3.200
Sale of treasury shares	0	0	1.211	0	1.211	0	1.211
Total transactions with owners	0	0	-1.989	0	-1.989	0	-1.989
At 31 December 2018	1.000	1.066.181	-152.938	-413	913.830	15.845	929.675

DKK 000	Share Capital	Share Premium	Retained Earnings	Currency translation reserve	Total	Non-controlling interests	Total Equity
As at June 28 2017	50	0	0	0	50	0	50
Comprehensive income for the year							
Profit/loss for the year	0	0	-41.687	0	-41.687	0	-41.687
Other comprehensive income	0	0	0	-356	-356	0	0
Total comprehensive income for the year	0	0	-41.687	-356	-42.043	0	-42.043
Transactions with owners							
Capital increase	950	1.066.181	0	0	1.067.131	0	1.067.131
Purchase of treasury shares	0	0	0	0	0	0	0
Sale of treasury shares	0	0	4.188	0	4.188	0	4.188
Total transactions with owners	950	1.066.181	4.188	0	1.071.319	0	1.071.319
At 31 December 2017	1.000	1.066.181	-37.499	-356	1.029.326	0	1.029.326

Consolidated statement of cash flows

Note	DKK 000	2019 12 months	2018 12 months	2017 6 months
	Profit/loss for the year	-69.596	-113.712	-41.687
	Adjustments to reconcile profit before tax to net cash flows:			
	Depreciation and impairment of property, plant and equipment	210.538	142.001	39.295
	Amortisation and impairment of intangible assets	11.900	0	0
	Gain/loss on disposal of property, plant and equipment	3.562	981	25
	Finance income	-75.571	-331	-2.493
	Financial expenses	68.815	104.986	30.339
	Tax for the year	-4.427	-19.755	-2.096
	Other adjustments of non cash operating items	2.750	7.277	4.710
	Cash flow from operations before changes in working capital	147.971	121.447	28.093
18	Change in working capital	-17.533	21.934	19.811
	Cash flow from operations	130.438	143.381	47.904
6	Interest income, received	10.371	331	2.493
7	Interest expenses, paid	-68.815	-47.616	-11.697
	Cash flow from ordinary activities before tax	71.994	96.096	38.700
8	Income tax paid	1.095	0	0
	Cash flow from operating activities	**73.089**	**96.096**	**38.700**
20	Acquisitions, business combinations	-1.991	-64.646	-1.531.840
10	Acquisition of intangible assets	-10.680	-8.266	-3.146
10	Acquisition of property, plant and equipment	-160.965	-184.181	-55.657
10	Sale of property, plant and equipment	2.821	203	0
11	Change in rental deposits	325	-2.622	-302
	Cash flow from investing activities	**-170.490**	**-259.512**	**-1.590.945**
16	Proceeds of debt to credit institutions	128.284	240.000	20.000
16	Proceeds of debt, parent companies	0	0	560.000
16	Proceeds of debt, shareholders	0	0	140.000
16	Repayments, long-term liabilities	0	0	-168.695
16	Repayments, leases	-70.201	-51.262	-15.936
16	Repayments, borrowings	0	-1.863	0
16	Other non-current liabilities	18.068	0	0
15	Purchase of treasury shares	-3.430	-3.200	0
15	Sales of treasury shares	0	1.211	4.188
15	Cash capital increase	0	0	1.067.181
	Cash flow from financing activities	**72.721**	**184.886**	**1.606.738**
	Cash flows for the year	-24.680	21.470	54.493
	Cash and cash equivalents at 1 January	76.145	54.493	0
	Foreign currency translation of cash and cash equivalents	-6.268	182	0
	Cash and cash equivalents 31 December	**45.197**	**76.145**	**54.493**

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Notes to the consolidated financial statements

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements section of the annual report for the period 1 January – 31 December 2019 comprises the consolidated financial statements of Danish Bake Holding ApS and its subsidiaries (the "Group" or the "Danish Bake Holding Group"). The comparative figures cover the period 1 January – 31 December 2018 and 28 June – 31 December 2017.

The consolidated financial statements of Danish Bake Holding ApS have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial statements prepared by large class C enterprises.

Danish Bake Holding ApS is incorporated and domiciled in Denmark.

For all periods up to and including the year ended 31 December 2018, the Group prepared its financial statements in accordance with the Danish Financial Statements Act. These financial statements for the year ended 31 December 2019 are the first the Group has prepared in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for financial statements prepared by large class C enterprises.

Information on how the Group has adopted IFRS and the effect that the transition has had on the Group is disclosed in note 25.

New financial reporting standards not yet adopted

The IASB has issued a number of new or amended standards and interpretations with effective date after 31 December 2019. None of the standards are expected to have a significant effect for the Group.

Reporting currency

The consolidated financial statements are presented in Danish kroner (DKK'000) which is the functional currency of Danish Bake Holding ApS.

Foreign currencies

For each of the reporting entities in the Group, including subsidiaries and foreign associates, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions denominated in currencies other than the functional currency are foreign currency transactions.

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rate on the transaction date. Foreign exchange differences arising between the rate on the transaction date and the rate on the date of settlement are recognised in profit or loss as financial income or financial expenses.

At the end of a reporting period, receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rate on the balance sheet date.

The difference between the exchange rates on the balance sheet date and on the date the receivable or payable was recognised in the latest reporting period is recognised in profit or loss as financial income or financial expenses.

In the consolidated financial statements, the statements of comprehensive income of Group entities with a functional currency other than DKK are translated at the exchange rate on the transaction date, and the balance sheet items are translated at closing rates. An average exchange rate for each month is used as the exchange rate at the transaction date in so far as this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences arising on translation to the DKK presentation currency are recognised in other comprehensive income (OCI) in a separate translation reserve under equity. On disposal of a reporting entity, the component of other comprehensive income relating to that particular reporting entity is reclassified to profit or loss.

Control

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company. Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

Notes to the consolidated financial statements

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Preparation of consolidated financial statements
The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the Group's profit/loss and equity, respectively, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

External business combinations
Recently acquired entities are recognised in the consolidated financial statements from the date of acquisition. Entities sold or otherwise disposed of are recognised up to the date of disposal.

The date of acquisition is the date when the group actually obtains control of the acquiree.

The acquisition method is applied to the acquisition of new entities of which the Group obtains control. The acquirees' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is measured at cost less any accumulated impairment losses.

Negative differences (negative goodwill) are recognised in the income statement at the date of acquisition.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the presentation currency used in the consolidated financial statements are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

The consideration paid for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of contingent considerations are recognised in the income statement.

Where, at the date of acquisition, the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the consideration is associated with uncertainty, initial recognition will take place on the basis of provisional amounts. If it turns out subsequently that the identification or measurement of the consideration transferred, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Hereafter, any adjustments are recognised as misstatements.

Gains or losses from disposal of subsidiaries which result in loss of control are calculated as the difference between, on the one hand, the fair value of the selling price less selling expenses and, on the other hand, the carrying amount of net assets.

Notes to the consolidated financial statements

1 **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income statement

Revenue
Income from the sale of goods for resale and finished goods is recognised in revenue is recognised when a store sells the goods to the customer. Payment is usually due when the customer picks up the goods in the store.

For the customer loyalty program, a performance obligation is recognized at the date of recognition of the sale triggering the allocation of bonus point. The performance obligation is measured at the estimated fair value of the bonus point allocated. Revenue is recognized when the customer uses the bonus points.

Income from the rendering of services is recognised as revenue as the services are rendered.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Cost of sales
Cost of sales includes the cost of goods used in generating the year's revenue.

Staff costs
Staff costs include wages and salaries, including compensated absence and pension to the Group's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Other external expenses
Other external expenses include the year's expenses relating to the Group's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Other operating expenses
Other operating expenses comprise items of a secondary nature relative to the Group's core activities, including gains or losses on the sale of fixed assets.

Special items
Significant income and expenses which is considered non-recurring are presented in the income statement in a separate line item labelled "Special items" in order to distinguish these items from other income statement items.

Amortisation/depreciation
The item comprises amortisation/depreciation of intangible assets and property, plant and equipment, as well as any impairment losses recognised for these assets during the period.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets, 5-10 years
Goodwill, indefinite
Brand, indefinite

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Plant and machinery, 5-15 years
Fixtures and fittings, other plant and equipment, 3-5 years
Leasehold improvements, 10 years
Right-of-use assets, up to 20 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Notes to the consolidated financial statements

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial income and expenses
Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax for the year
The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets
Acquired IP rights are measured at cost less accumulated amortisation and impairment losses.

Goodwill and brand is initially recognised at cost. Subsequently, goodwill and brand is measured at cost less accumulated impairment losses. Goodwill and brand is not amortised and impairment losses on goodwill are not reversed.

The carrying amount of goodwill is allocated to the Group’s cash-generating units at the date of acquisition. Impairment is performed once a year as of 31 December or more frequently if events or changes in circumstances indicate that there is an impairment.

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, are recognised in profit or loss when incurred.

Intangible assets with a finite useful life are amortised over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each year end.

Intangible assets with indefinite useful lives (goodwill and brand) are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Property, plant and equipment
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Notes to the consolidated financial statements

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment testing of non-current assets
The carrying amount of intangible, and property, plant and equipment and right-of-use assets is assessed for impairment on an annual basis.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the date of acquisition. Impairment testing is performed once a year as of 31 December or more frequently if events or changes in circumstances indicate that there is an impairment. An impairment loss is recognised if the recoverable amount of the cash-generating unit to which goodwill has been allocated is less than the carrying amount of the cash-generating unit. Identification of cash-generating units is based on the internal financial reporting structure.

Impairment tests are conducted on assets or groups of assets when there is evidence of possible impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories
Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Receivables
Receivables are measured at amortised cost.

Write-downs on trade receivables are based on the simplified expected credit loss model. Credit loss allowances on individual receivables are provided for when objective indications of credit losses occur such as customer bankruptcy and uncertainty about the customers' ability and/or willingness to pay, etc. In addition to this, allowances for expected credit losses are made on the remaining trade receivables based on a simplified approach.

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

Cash
Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity
Currency translation reserve
Foreign exchange differences arising on translation of Group entities to the DKK presentation currency are recognised in other comprehensive income (OCI) in a separate currency translation reserve under equity. On disposal of a reporting entity, the component of other comprehensive income relating to that particular reporting entity is reclassified to profit or loss.

Share premium
Share premium can be used for dividend.

Treasury shares
Purchases and sales of treasury shares are taken directly to equity under "Retained earnings".

Notes to the consolidated financial statements

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes
Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

Liabilities
The Group’s liabilities include provisions, lease liabilities, trade and other payables, credit facilities and convertible loans. Liabilities are classified as current if they fall due for payment within one year or earlier. If this condition is not met, they are classified as non-current liabilities. Non-current liabilities include earn-out amounts and other liabilities.

Provisions
Provisions relates to refurbishment obligations relating to the Group's leased premises. The refurbishment obligation is calculated as the present value of the estimated net costs of refurbishment when leased premises are vacated. This will occur no earlier than the end of the expected useful life.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Trade and other payables
Trade payables are obligations to pay for goods or services acquired in the normal course of business. Trade payables are initially reported at fair value and, subsequently, at amortised cost using the effective interest method.

Other payables comprise amounts owed to staff, including wages, salaries and holiday pay; amounts owed to the public authorities, including taxes payable and VAT.

Credit facilities
Debt to credit institutions are at initial recognition measured at fair value less transaction cost and subsequently measured at amortised cost.

Convertible loans
Convertible loans are broken down into a liability element and an equity element based on the relevant instrument of debt. On initial recognition, the liability is recognised at the fair value of a similar liability without a conversion right. The remaining amount of the convertible loan is recognised as equity. On subsequent recognition, the liability is measured at amortised cost until converted or repaid. The equity element is not remeasured after initial recognition.

Notes to the consolidated financial statements

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group uses the fair value concept in connection with certain disclosure requirements and for recognition of financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date ("exit price").

The fair value is a market-based and not an entity-specific measurement. The entity uses the assumptions that the market participants would use for the pricing of the asset or liability based on the current market conditions, including risk assumptions. The entity's purpose of holding the asset or settling the liability is thus not taken into account when the fair value is determined.

The fair value measurement is based on the principal market. If a principal market does not exist, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and transport costs.

All assets and liabilities measured at fair value, or in respect of which the fair value is disclosed, are categorised into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement, see below:

Level 1: Quoted priced in an active market for identical assets or liabilities

Level 2: Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly

Level 3: Inputs that are not based on observable market data (valuation techniques that use inputs that are not based on observable market data)

Cash flow statement

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

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Notes to the consolidated financial statements

2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements and estimates

In the process of applying the Group's accounting policies, Management has made the following judgements and estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Business combinations

The Group is required to allocate the acquisition cost of entities and activates through business combinations on the basis of the fair value of the acquired assets and assumed liabilities. The Group uses external and internal valuations to determine the fair value. The valuations include management estimates and assumptions as to future cash flow projections from the acquired business and selection of models to compute the fair value of the acquired components and their depreciation period. Estimates made by Management influence the amounts of the acquired assets and assumed liabilities and the depreciation and amortisation of acquired assets in profit or loss.

Goodwill and brand, Intangible assets with indefinite useful life and impairment

Goodwill and brand are expected to have an indefinite useful life and are therefore not subject to amortisation. The useful life of the brand "Lagkagehuset" is assessed to be indefinite, based on the history and strength of the brand. Management reviews this assessment annually to determine whether the indefinite life continues to be supportable.

Management reviews goodwill and brand for impairment at least once a year. This requires Management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit and also to choose a suitable discount rate for those cash flows. Management allocates the brand "Lagkagehuset" to the entity Lagkagehuset A/S. Reference is made to note 9 of the consolidated financial statements.

Refurbishment obligations

Provision covering refurbishment obligations is viewed per market and the individual lease contracts. Any estimates is based on quotes for the different types of leases or previous termination, where applicable.

Right-of-use assets

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

In calculating the present value of lease payments, the Group uses its incremental borrowing rate of 2.45% - 5.5% in the years 2017 - 2019, at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The right-of-use assets are depreciated over the contractual lease period, up to 20 years from reporting date.

Notes to the consolidated financial statements

3 REVENUE

DKK 000	2019 12 months	2018 12 months	2017 4 months
Revenue disaggregated based on geographical markets:			
Denmark	964.290	880.700	279.974
International	193.156	119.419	20.787
Total revenue	**1.157.446**	**1.000.119**	**300.761**

The allocation of revenue to geographical markets is disclosed. The Company only operates within one business segment, operation of bakeries. Therefore, no separate segment information has been given regarding activities.

The Group's sales to BtC customers are cash sales without any variable consideration. Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery in the store, alternatively, with a few days' delay in using payment cards. A minor part of the net revenue is to BtB customers and is carried out by invoicing, thereby a receivable is recognized. Please refer to note 12 Trade and other receivables.

For the customer loyalty program, a performance obligation is recognized at the date of recognition of the sale triggering the allocation of bonus point. The performance obligation is measured at the estimated fair value of the bonus point allocated. The estimated fair value is inherently subject to some uncertainty with respect to actual future redemption. Revenue is recognized when the customer uses the bonus points, which could be a considerable time period.

4 STAFF COSTS

DKK 000	2019	2018	2017
Wages and salaries	466.738	406.665	115.524
Pensions, defined contribution	27.473	23.548	6.576
Other social security costs	11.988	10.308	1.968
Other staff costs	21.950	15.374	3.349
Included in special items	-4.778	-777	0
Total staff costs	**523.371**	**455.118**	**127.417**
Average number of full-time employees	1.336	1.175	993
Remuneration to Executive Board and Board of Directors*	8.335	5.081	1.348

**) For 2017 and 2018 Remuneration to the Executive Board and Board of Directors have been disclosed in total in accordance with section 98 B(3) of the Danish Financial Statements Act. For 2019 remuneration to the Executive Board including remuneration in transition period amounted to DKK 5,747 housand and remuneration to Board of Directors amounted to DKK 1,588 thousand. Due to the change in the in Executive Board in 2019 section 98 B(3) is not applicable for 2019.*

Management including selective board members and a few key employees participate in an investment programme as part of the overall incentive plan. The purpose is to ensure consistency between the interests of the Company's management, key employees and owners, and the scheme reflects both short-term and long-term goals.

Notes to the consolidated financial statements

5 EXPENSES

FEES PAID TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

DKK 000	2019	2018	2017
Fee related to statutory audit	716	517	500
Fees for tax advisory services	84	463	625
Assurance engagements	38	55	188
Other assistance	830	1.117	3.439
Total	**1.668**	**2.152**	**4.752**

SPECIAL ITEMS

Special Items are presented in the Income statement in a separate line item labelled ‘Special items’ in order to distinguish these items from other income statement items. Special items consists of non-recurring income and expenses in connection with acquisitions and other non-recurring cost.

DKK 000	2019	2018	2017
Transaction cost, acquisitions	0	-859	-34.081
Restructuring cost	-4.777	-776	0
Total	**-4.777**	**-1.635**	**-34.081**

Refer to note 20 for description of transaction cost. Restructuring cost relates to non-recurring cost in connection with changes in management for the Group and acquired companies.

OTHER OPERATING EXPENSES

DKK 000	2019	2018	2017
Loss on the sale or scrapping of non-current assets	-3.562	-981	-25
Total	**-3.562**	**-981**	**-25**

6 FINANCIAL INCOME

DKK 000	2019	2018	2017
Foreign exchange gains	10.372	331	2.493
Interest income, Parent company*	52.159	0	0
Other interest income	13.040	0	0
Total finance income	**75.571**	**331**	**2.493**

7 FINANCIAL EXPENSES

DKK 000	2019	2018	2017
Foreign exchange losses	4.009	0	0
Interest expenses, bank	12.235	0	0
Interest expenses, Parent company*	0	45.995	18.669
Interest on lease liabilities	42.481	32.285	8.293
Other financial expenses	10.090	26.706	3.377
Total finance expenses	**68.815**	**104.986**	**30.339**

**) Shareholder loans were converted to Equity in 2019 and a Transfer Pricing study was performed, which lead to a adjustment of interest on shareholder loans*

Notes to the consolidated financial statements

8 INCOME TAX

Income tax is specified as follows:

DKK 000	2019	2018	2017
Income tax is specified as follows:			
Current tax for the year	848	0	0
Deferred tax for the year	-5.275	-19.755	-2.096
Total	**-4.427**	**-19.755**	**-2.096**
Calculated 22% tax of the result before tax	**-16.285**	**-29.363**	**-9.632**
Tax effect of:			
Non-taxable income	-14.344		-333
Non-deductible costs	-1.370	9.110	7.333
Not recognised deferred tax assets	26.619	0	0
Adjustment of the tax rates in foreign subsidiaries relative to the 22%	953	498	536
Total	**-4.427**	**-19.755**	**-2.096**
Effective tax rate	**6,0%**	**14,8%**	**4,8%**
Deferred tax 1 January	**42.458**	**62.877**	**0**
Additions from business acquisitions	0	0	64.972
Adjustments of deferred tax in profit and loss	-5.275	-19.755	-2.096
Other adjustments	1.101	-664	1
Deferred tax 31 December	**38.284**	**42.458**	**62.877**
Deferred tax is recognised in the balance sheet as:			
Deferred tax liability	38.284	42.458	62.877
Deferred tax 31 December	**38.284**	**42.458**	**62.877**
Deferred tax is related to:			
Intangible assets	46.288	44.908	51.124
Property plant and equipment	-8.004	1.661	14.299
Liabilities	0	-394	-2.546
Tax losses carried forward	0	-3.717	0
Deferred tax 31 December	**38.284**	**42.458**	**62.877**

The group has tax losses of DKK 19.9 million (2018: DKK 16.9 million) that are available indefinitely for offsetting against future taxable profit. In 2019 the deferred tax assets have not been recognised in respect of these losses due to uncertainty in timing to offset future taxable profit. If the Group was able to recognize all unrecognized deferred tax assets the value 31 December 2019 would be DKK 22.3 million.

Notes to the consolidated financial statements

9 INTANGIBLE ASSETS

DKK 000	Goodwill	Brand	Development projects	Acquired intangible assets	Total
Cost or valuation					
As at 28 June 2017	0	0	0	0	0
Additions	0	0	3.146	0	3.146
Acquisitions through business combinations	1.345.139	210.400	13.431	2.276	1.571.246
Disposals	0	0	0	0	0
Currency translation	0	0	0	16	16
At 31 December 2017	1.345.139	210.400	16.577	2.292	1.574.408
Additions	0	0	7.004	1.262	8.266
Acquisitions through business combinations	70.463	0	0	0	70.463
Disposals	0	0	0	0	0
Currency translation	0	0	0	-301	-301
At 31 December 2018	1.415.602	210.400	23.581	3.253	1.652.836
Additions	0	0	10.680	0	10.680
Acquisitions through business combinations	1.991	0	0	0	1.991
Disposals	0	0	0	0	0
Currency translation	0	0	0	0	0
At 31 December 2019	1.417.593	210.400	34.261	3.253	1.665.507
Amortisation and impairment					
As at 28 June 2017	0	0	0	0	0
Amortisation for the period	0	0	1.440	262	1.702
Amortisation on disposed assets	0	0	0	0	0
Currency translation	0	0	0	1	1
At 31 December 2017	0	0	1.440	263	1.703
Amortisation for the period	0	0	5.971	583	6.554
Amortisation on disposed assets	0	0	0	0	0
Currency translation	0	0	0	-80	-80
At 31 December 2018	0	0	7.411	766	8.177
Amortisation for the period	0	0	11.067	833	11.900
Amortisation on disposed assets	0	0	0	0	0
Currency translation	0	0	0	0	0
At 31 December 2019	0	0	18.478	1.599	20.077
Carrying Value					
As at 28 June 2017	0	0	0	0	0
At 31 December 2017	1.345.139	210.400	15.137	2.029	1.572.705
At 31 December 2018	1.415.602	210.400	16.170	2.487	1.644.659
At 31 December 2019	1.417.593	210.400	15.783	1.654	1.645.430
Expected useful lives:	Indefinite	Indefinite	5 years	5 - 10 years	

Notes to the consolidated financial statements

9 INTANGIBLE ASSETS (Continued)

The Group's goodwill and brand assets mainly arise from the business combinations of Danish Bake A/S and Modern Standard Coffee Ltd. as well as other asset acquisitions.

Goodwill and brand assets arising on business combinations are considered to have indefinite life and therefore not subject to amortisation, but are reviewed annually for impairment, or more frequently if there are any indicators of impairment that are noted during the year.

Cash-generating units

Goodwill from a business combination is allocated to cash-generating units in which synergies are expected to be generated from the acquisition. A cash-generating unit represents the smallest identifiable group of assets that together have cash inflows that are largely independent of the cash inflows from other assets. Management has concluded that the Group has only one cash-generating unit for impairment testing purposes, since goodwill is related to the cash flows from the Group as a whole. Therefore, impairment testing has been done at the level of one cash-generating unit.

Recoverable amount

When testing for impairment, the Group estimates a recoverable amount for goodwill and for brand assets. The recoverable amount is the higher of the asset or cash-generating unit's fair value less costs of disposal and its value in use. Fair value is measured based on level 3 - Valuation techniques.

The Group has performed an impairment test on goodwill and domain names and websites as of 31 December 2019, 31 December 2018 and 31 December 2017 on a fair value less cost to sell basis (FVLCTS). Management has based the FVLCTS by estimating the present value of future cash flows from a nine-year forecast and corresponding to the Group's budget for 2020. Key parameters in the forecast are expected international establishments and rollout, growth in revenue, cost development and expected maintenance CAPEX. Management expects to continue the expansion both at the current markets and new international locations. Management has applied a terminal value rate of 2%. The cash flows assume a discount factor of 11% for 2019 (2018 and 2017: 12%). Discount factor before tax for 2019 12.6% (2018 and 2017 14.1%).

The Board of Directors have approved the inputs to the impairment testing and are satisfied that the judgements made are appropriate.

The results of the impairment tests for goodwill and brand showed that the recoverable amount exceeded the carrying value and that there was no impairment loss to be recognised.

Notes to the consolidated financial statements

10 PROPERTY PLANT AND EQUIPMENT

DKK 000	Plant and machinery	Fixtures and fittings, other plant and equipment	Leasehold improve-ments	Prepay-ments for property, plant and equipment	Right-of-use assets	Total
Cost or valuation						
As at 28 June 2017	0	0	0	0	0	0
Additions	11.383	9.879	37.105	0	50.995	109.362
Acquisitions through business combinations	76.039	38.014	174.270	0	430.813	719.136
Disposals	-40	0	0	0	-13	-53
Reassessment	0	0	0	0	9.711	9.711
Currency translation	349	152	1.365	0	3.530	5.396
At 31 December 2017	**87.731**	**48.045**	**212.740**	**0**	**495.036**	**843.552**
Additions	40.739	27.651	111.268	11.798	230.199	421.655
Acquisitions through business combinations	7.389	3.285	5.578	0	61.236	77.488
Disposals	-84	-278	-863	0	-1.808	-3.033
Reassessment	0	0	0	0	61.386	61.386
Currency translation	-212	-108	-1.511	0	-650	-2.481
At 31 December 2018	**135.563**	**78.595**	**327.212**	**11.798**	**845.399**	**1.398.567**
Additions	33.561	31.967	93.464	1.973	32.449	193.414
Acquisitions through business combinations	0	0	0	0	1.692	1.692
Transferred	3.209	559	7.136	-10.904	0	0
Disposals	-3.919	-5.938	-8.270	-894	-2.657	-21.678
Reassessment	0	0	0	0	43.340	43.340
Currency translation	1.189	835	5.130	0	15.775	22.929
At 31 December 2019	**169.603**	**106.018**	**424.672**	**1.973**	**935.998**	**1.638.264**

DKK 000	Plant and machinery	Fixtures and fittings, other plant and equipment	Leasehold improve-ments	Prepay-ments for property, plant and equipment	Right-of-use assets	Total
Depreciation and impairment						
As at 28 June 2017	0	0	0	0	0	0
Depreciation for the year	2.828	5.072	8.595	0	21.098	37.593
Depreciation on disposed assets	-20	0	0	0	-13	-33
Currency translation	16	13	47	0	8	84
At 31 December 2017	**2.824**	**5.085**	**8.642**	**0**	21.093	**37.644**
Depreciation for the year	9.884	16.486	32.036	0	77.041	135.447
Depreciation on disposed assets	-84	-143	-682	0	-1.808	-2.717
Currency translation	-11	-11	-88	0	-231	-341
At 31 December 2018	**12.613**	**21.417**	**39.908**	**0**	**96.095**	**170.033**
Depreciation for the year*	24.850	19.389	63.490	0	94.434	202.163
Impairment losses*	0	0	0	0	8.375	8.375
Depreciation on disposed assets	-4.140	-237	-8.261	0	-2.657	-15.295
Currency translation	197	292	955	0	1.581	3.025
At 31 December 2019	**33.520**	**40.861**	**96.092**	**0**	**197.828**	**368.301**
Carrying Value						
As at 28 June 2017	0	0	0	0	0	**0**
At 31 December 2017	84.907	42.960	204.098	0	473.943	805.908
At 31 December 2018	**122.950**	**57.178**	**287.304**	**11.798**	**749.304**	**1.228.534**
At 31 December 2019	**136.083**	**65.157**	**328.580**	**1.973**	**738.170**	**1.269.963**
Expected useful lives:	**5 - 15 years**	**3 - 5 years**	**10 years**		**2 - 20 years**	

**) Depreciation for year and Impairment losses are including a write down of assets and installations of DKK 25.8 million and impairment of right-of-use assets of DKK 8.4 million in connection with exit of CPU in Copenhagen and New York.*

Notes to the consolidated financial statements

11 OTHER NON-CURRENT ASSETS

DKK 000	Other non-current receivables
Cost or valuation	
As at 28 June 2017	0
Additions	302
Acquisitions through business combinations	9.135
Disposals	0
Currency translation	121
At 31 December 2017	**9.558**
Additions	2.622
Acquisitions through business combinations	1.414
Disposals	0
Currency translation	0
At 31 December 2018	**13.594**
Additions	447
Acquisitions through business combinations	0
Disposals	-1.020
Currency translation	248
At 31 December 2019	**13.269**
Impairment and value adjustments	
As at 28 June 2017	0
Impairment and value adjustments	0
At 31 December 2017	**0**
Impairment and value adjustments	0
At 31 December 2018	**0**
Impairment and value adjustments	0
At 31 December 2019	**0**
Carrying Value	
As at 28 June 2017	0
At 31 December 2017	9.558
At 31 December 2018	**13.594**
At 31 December 2019	**13.269**

Notes to the consolidated financial statements

12 TRADE AND OTHER RECEIVABLES

DKK 000	2019	2018	2017
Trade receivables	12.689	13.307	6.279
Other receivables	1.357	1.701	4.622
Total	**14.046**	**15.008**	**10.901**
Trade receivables from third-party customers	12.902	13.520	6.579
Allowance for expected credit losses	-213	-213	-300
Total	**12.689**	**13.307**	**6.279**

Expected loss

The Group is according to IFRS 9 using the simplified expected credit loss model. The model implies that the expected loss over the lifetime of the asset is recognised in the profit and loss immediately and is monitored on an ongoing basis until realisation. The Group has limited overdue trade receivables and historically there has been minimal losses on trade receivables. The inputs to the expected credit loss model reflect this.

As per 31 December, 2019 the Group's impairment for expected loss is included in the trade receivables.

Expected credit loss on receivables from trade receivables for 2019 can be specified as follows:

DKK 000	Expected Loss Rate	Gross Receivable	Expected loss	Net receivable
Not Due	0,0%	5.614	0	5.614
Less than 30 days	0,0%	6.628	1	6.627
Between 31 and 60 days	2,1%	245	5	240
Between 61 and 90 days	15,4%	73	11	62
Between 91 and 120 days	12,8%	117	15	102
More than 121 days	80,6%	225	181	44
Total	**1,7%**	**12.902**	**213**	**12.689**

No significant losses were recognised during 2019.

Expected credit loss on receivables from trade receivables for 2018 can be specified as follows:

DKK 000	Expected Loss Rate	Gross Receivable	Expected loss	Net receivable
Not Due	0,0%	10.223	0	10.223
Less than 30 days	0,0%	1.654	0	1.654
Between 31 and 60 days	2,6%	814	21	793
Between 61 and 90 days	17,2%	566	97	469
Between 91 and 120 days	32,9%	246	81	165
More than 121 days	81,3%	17	14	3
Total	**1,6%**	**13.520**	**213**	**13.307**

No significant losses were recognised during 2018.

Expected credit loss on receivables from trade receivables for 2017 can be specified as follows:

DKK 000	Expected Loss Rate	Gross Receivable	Expected loss	Net receivable
Not Due	0,0%	4.780	0	4.780
Less than 30 days	0,0%	1.073	0	1.073
Between 31 and 60 days	4,7%	187	9	178
Between 61 and 90 days	44,4%	355	158	197
Between 91 and 120 days	21,2%	40	8	32
More than 121 days	86,9%	144	125	19
Total	**4,8%**	**6.579**	**300**	**6.279**

No significant losses were recognised during 2017.

Notes to the consolidated financial statements

13 INVENTORIES

DKK 000	2019	2018	2017
Raw materials	13.475	12.085	8.134
Finished goods and goods for resale	6.522	5.308	3.217
Total	**19.997**	**17.393**	**11.351**

No write-down of inventories has been realised in 2019, 2018 and 2017.

14 SHARE CAPITAL AND TRESURY SHARES

Share capital

DKK 000	2019	2018	2017
Share capital:			
Opening balance	1.000	1.000	50
Capital increase	150	0	950
Total	**1.150**	**1.000**	**1.000**

The share capital consists of 12,212,510 A shares, 72,787,490 B shares, 15,013,081 C shares and 15,000,000 D Shares of DKK 0.01 nominal value each. Each A share carries one voting right, each B share carries ten voting rights, each C share carries one voting right, and each D share carries one voting right.

Treasury shares

DKK 000	Number	Nominal value	Share of capital	Purchase/ sales sum
As at 28 June 2017				
Purchased in the year	2.537.531	25.375	2,54%	**0**
Sales in the year	-985.036	-9.850	0,99%	**-4.188**
At 31 December 2017	**1.552.495**	**15.525**		**-4.188**
Purchased in the year	752.658	7.000	0,70%	3.200
Sales in the year	-182.458	-2.000	0,20%	-1.211
At 31 December 2018	**2.122.695**	**20.525**		**1.989**
Purchased in the year	786.567	8.000	0,80%	3.430
At 31 December 2019	**2.909.262**	**28.525**		**3.430**

Treasury shares are acquired, among other reasons, to be used in the incentive plan intended for members of the Executive Board, selective board members and other key employees.

15 PROVISIONS

The provisions relates to refurbishment obligations regarding leases and premises:

DKK 000	Refurbish-ment obligations
As at 28 June 2017	0
Provisions arising through business combinations	8.435
Provisions arising in the year	4.710
At 31 December 2017	13.145
Provisions arising in the year	7.082
Unwinding of discount	192
At 31 December 2018	**20.419**
Provisions arising in the year	1.995
Unwinding of discount	275
Currency translation	480
At 31 December 2019	**23.169**

DKK 000	2019	2018	2017
Total current	1.000	0	0
Total non-current	22.169	20.419	13.145

Notes to the consolidated financial statements

16 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Changes in liabilities arising from financing activities

DKK 000	28 June 2017	Business combi-nations	Cash flows	Non cash flow changes	31 December 2017
Current interest-bearing loans and borrowings	0	0	700.000	18.666	**718.666**
Non-current interest-bearing loans and borrowings	0	168.695	-148.695	0	**20.000**
Lease liabilities	0	430.813	-15.936	66.163	**481.040**
Total liabilities from financing activities	**0**	**599.508**	**535.369**	**84.829**	**1.219.706**

DKK 000	1 January 2018	Business combi-nations	Cash flows	Non cash flow changes	31 December 2018
Current interest-bearing loans and borrowings	718.666	0	0	57.494	**776.160**
Non-current interest-bearing loans and borrowings	20.000	0	240.000	0	**260.000**
Lease liabilities	481.040	61.236	-51.262	290.957	**781.971**
Other non-current liabilities	0	1.863	-1.863	4.963	**4.963**
Total liabilities from financing activities	**1.219.706**	**63.099**	**186.875**	**353.414**	**1.823.094**

DKK 000	1 January 2019	Business combi-nations	Cash flows	Non cash flow changes	31 December 2019
Current interest-bearing loans and borrowings	776.160	0	0	-776.160	**0**
Non-current interest-bearing loans and borrowings	260.000	0	128.284	0	**388.284**
Lease liabilities	781.971	1.692	-70.201	91.006	**804.468**
Other non-current liabilities	4.963	0	18.068	0	**23.031**
Total liabilities from financing activities	**1.823.094**	**1.692**	**76.151**	**-685.154**	**1.215.783**

Contractual cash flows:

2019	Carrying amount	Fair Value	Total	< 1 year	2 - 5 years	> 5 years
Financial liabilities:						
Financial liabilities measured at fair value						
Earn-Out consideration	3.507	3.507	3.506	1.753	1.753	0
Financial liabilities measured at amortised costs						
Secured bank loan	388.284	388.284	402.845	0	402.845	0
Trade and other payables	236.522	236.522	236.522	236.522	0	0
Total financial liabilities	**628.313**	**628.313**	**642.873**	**238.275**	**404.598**	**0**
Assets:						
Financial assets measured at amortised costs						
Trade and other receivables	14.046	14.046	14.046	14.046	0	0
Deposits	13.269	13.269	13.269	0	0	13.269
Cash	45.197	45.197	45.197	45.197	0	0
Total financial assets	**72.512**	**72.512**	**72.512**	**59.243**	**0**	**13.269**
Net	**555.801**	**555.801**	**570.361**	**179.032**	**404.598**	**-13.269**

Notes to the consolidated financial statements

16 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

2018	Carrying amount	Fair Value	Total	< 1 year	2 - 5 years	> 5 years
Financial liabilities:						
Financial liabilities measured at fair value						
Earn-Out consideration	4.963	4.963	4.963	1.654	3.309	0
Financial liabilities measured at amortised costs						
Secured bank loan	260.000	260.000	275.600	0	275.600	0
Convertible debt instruments	776.160	776.160	838.253	838.253	0	0
Trade and other payables	192.886	192.886	192.886	192.886	0	0
Total financial liabilities	**1.234.009**	**1.234.009**	**1.311.702**	**1.032.793**	**278.909**	**0**
Assets:						
Financial assets measured at amortised costs						
Trade and other receivables	15.008	15.008	15.008	15.008	0	0
Deposits	13.594	13.594	13.594	0	0	13.594
Cash	76.145	76.145	76.145	76.145	0	0
Total financial assets	**104.747**	**104.747**	**104.747**	**91.153**	**0**	**13.594**
Net	**1.129.262**	**1.129.262**	**1.206.955**	**941.640**	**278.909**	**-13.594**

2017	Carrying amount	Fair Value	Total	< 1 year	2 - 5 years	> 5 years
Financial liabilities:						
Financial liabilities measured at amortised costs						
Convertible debt instruments	718.666	718.666	776.160	776.160	0	0
Secured bank loan	20.000	20.000	21.650	0	21.650	0
Trade and other payables	151.726	151.726	151.726	151.726	0	0
Total financial liabilities	**890.392**	**890.392**	**949.536**	**927.886**	**21.650**	**0**
Assets:						
Financial assets measured at amortised costs						
Trade and other receivables	10.901	10.901	10.901	10.901	0	0
Deposits	9.558	9.558	9.558	0	0	9.558
Cash	54.493	54.493	54.493	54.493	0	0
Total financial assets	**74.952**	**74.952**	**74.952**	**65.394**	**0**	**9.558**
Net	**815.440**	**815.440**	**874.584**	**862.492**	**21.650**	**-9.558**

Notes to the consolidated financial statements

16 FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTINUED

Fair value of Earn-out consideration
Fair Value is measured based on level 3 - Valuation techniques, for which the lowest level in put that is significant to the fair value measurement is unobservable. Fair Value of Earn-Out consideration is measured based on weighted probabilities of assessed possible payments discounted to present value.

Fair value
Financial liabilities consists of current/short termed liabilities and revolving credit facility. The revolving credit facility are subject to a variable interest rate. Thus, the fair value of the financial assets and liabilities measured at amortised costs is considered equal to the booked value.

Financial instruments risk management, capital management
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk and interest rate risk), credit risk, and liquidity risk. The Group has established principles for overall risk management, which seek to minimise potential adverse effects on the Group's performance.

Market Risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For the Group, market risk comprises foreign currency risk and interest rate risk.

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group´s exposure to the risk of changes in foreign exchange rates relates primarily to the Group's international operating activities. The Group's revenues and expenses are mainly denominated in DKK and GBP, with limited revenues and expenses in USD. The majority of the Group's expenses are cost of sale, employee costs, other external expenses which are denominated in the subsidiary company's functional currency and as consequence the expenses are linked with the revenue. Since revenues and expenses to a large extent are directly linked is the Group exposure to foreign currency risk limited.

Historically, exposure to currency fluctuations has not had a material impact on the Group's financial condition or results of operations and accordingly Management deems that a sensitivity analysis showing how profit or pre-tax equity would have been impacted by changes in these foreign exchange rates is not necessary.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from the revolving credit facility and leases held by the Group. The Group regularly monitors its interest rate risk.

Interest rate sensitivity
The following demonstrates the sensitivity to a reasonably possible change in interest rates. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

A 0.5%point increase in interest rates of the credit facility and the lease liabilities would, all other things being equal, impact earnings before tax negatively by DKK 3.5 million (2018: DKK 2.8 million and 2017: DKK 0.7 million) and equity negatively by DKK 3.5 million (2018: DKK 2.8 million and 2017: DKK 0.7 million).

Credit risk
The Group's sales to BtC customers are cash sales. Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery in the store, alternatively, with a few days' delay in using payment cards. A minor part of the net revenue is to BtB customers and is carried out by invoicing, thereby a receivable is recognized.

The Group are using the simplified expected credit loss model according to IFRS 9. The model implies that the expected loss over the lifetime of the asset is recognised in the profit and loss immediately and is monitored on an ongoing basis until realisation. The Group has limited overdue trade receivables and historically there has been minimal losses on trade receivables. The inputs to the expected credit loss model reflects this.

Capital Management
For the purpose of the Group's capital management, capital includes issued capital, share premium, and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value and to maintain an optimal capital structure. The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or return capital to shareholders.

Credit facilities
Management evaluates the capital structure of The Group on an ongoing basis. At 31 December 2019, the Group's interest- bearing debt to credit institutions amounted to DKK 388 million based on an overall credit facility of DKK 550 million at 31 December 2019. Covenant requirements for the credit facility have been reported on an ongoing basis, and all conditions have been met. Cash and cash equivalents amounted to DKK 45 million, there was a net debt of a negative DKK 343 million and DKK 805 million in leasing liabilities at 31 December 2019. Unused credit facilities, amounted to approximately DKK 128 million at 31 December 2019.

Notes to the consolidated financial statements

16 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

DKK 000	2019	2018	2017
Financial assets at amortised cost:			
Trade receivables	12.689	13.307	6.279
Deposits	13.269	13.594	9.558
Other receivables	1.357	1.701	4.622
Total financial assets	**27.315**	**28.602**	**20.459**
Total current	**14.046**	**15.008**	**10.901**
Total non-current	**13.269**	**13.594**	**9.558**
Financial liabilities,			
Interest-bearing loans and borrowings:			
Secured bank loan	388.284	260.000	20.000
Convertible debt instruments	0	776.160	718.666
Total interest-bearing loans and borrowings	**388.284**	**1.036.160**	**738.666**
Other financial liabilities:			
Trade payables	123.193	124.922	95.312
Other payables	84.546	72.927	56.414
Total other financial liabilities	**207.739**	**197.849**	**151.726**
Total current	**184.708**	**969.046**	**870.392**
Total non-current	**411.315**	**264.963**	**20.000**

Secured bank loan

This loan has been utilised from the revolving credit facility with the bank, with a total facility as of 31 December 2019 of DKK 550 million (2018: DKK 400 million, 2017: DKK 300 million). The agreement expires in August 2021. The agreement includes covenants.

This facility has an interest rate of CIBOR+2.25 % and is secured by the shares of Danish Bake A/S and Lagkagehuset A/S.

Convertible debt instruments

The Company has in 2017 issued convertible debt instruments totalling DKK 700 million. The debt instruments were issued as part of the Company's financing. In 2019 the convertible debt instruments have been converted into Equity.

At 31 December 2019, the Company's convertible debt instruments amounted to DKK 0 million (2018: DKK 776 million, 2017: DKK 719 million) including accrued interest of DKK 0 million (2018: DKK 76 million, 2017: DKK 19 million.) The convertible debt instruments are provided by the parent company Cidron Garonne Limited, (2018: DKK 621 million, 2017: DKK 575 million) and the minority shareholder FoodLuxCo, (2018: DKK 155 million, 2017: DKK 144 million) respectively.

In 2019 a Transfer Pricing study have been performed and the interest rate has been reassessed for 2017 and 2018, which has lead to a interest income of DKK 65 million in 2019.

17 TRADE AND OTHER PAYABLES

DKK 000	2019	2018	2017
Trade payables	123.193	124.922	95.312
Other payables	61.515	67.964	56.414
Total	**184.708**	**192.886**	**151.726**

18 CHANGE IN NET WORKING CAPITAL

DKK 000	2019	2018	2017
Change in inventories	-2.604	-5.073	-1.963
Change in receivables	-6.751	-4.364	-5.922
Change in trade and other payables	-8.178	31.371	27.696
Total change in working capital	**-17.533**	**21.934**	**19.811**

Notes to the consolidated financial statements

19 LEASING

DKK 000	Property	Equipment	Total
Leasing assets			
As at 28 June 2017	0	0	0
Additions	49.428	1.567	50.995
Acquisitions through business combinations	422.366	8.447	430.813
Reassessment	9.661	50	9.711
Currency translation	3.499	23	3.522
Depreciation for the period	-19.897	-1.201	-21.098
At 31 December 2017	**465.057**	**8.886**	**473.943**
Additions	227.172	3.027	230.199
Acquisitions through business combinations	54.922	6.314	61.236
Reassessment	60.620	766	61.386
Currency translation	-421	2	-419
Depreciation for the period	-72.657	-4.384	-77.041
At 31 December 2018	**734.693**	**14.611**	**749.304**
Additions	25.781	6.668	32.449
Acquisitions through business combinations	1.692	0	1.692
Reassessment	43.664	-324	43.340
Currency translation	13.937	256	14.193
Depreciation for the period	-88.768	-5.665	-94.433
Impairment losses	-8.375	0	-8.375
At 31 December 2019	**722.624**	**15.546**	**738.170**

Reference is made to note 2 for a description of:
- exposure to potential cash flows
- process for determining the internal borrowing rate

DKK 000	2019	2018	2017
Leasing liabilities			
Within one year	92.237	67.714	45.038
Between one and five years	399.623	358.294	237.912
More that five years	312.608	355.963	198.090
Total leasing liabilities	804.468	781.971	481.040
Contractual Cash flows			
Within one year	116.854	108.642	70.125
Between one and five years	481.620	503.946	323.272
More that five years	346.512	433.387	239.412
Total lease payments undiscounted	944.986	1.045.975	632.809
Lease liabilities recognised in the balance sheet	804.468	781.971	481.040
Current liabilities	92.237	67.714	45.038
Non-current liabilities	712.231	714.257	436.002
Lease payments in the year	112.682	83.570	24.229
Interest expenses in the year related to leases	42.481	32.308	8.293
Expenses relating to lease of low value assets	0	0	0
Expenses relating to short-term lease	0	0	0
Variable lease payments (included in other external expenses)	12.257	12.464	3.913

The Group has lease contracts for rent that contains variable payments based on revenue. The terms are negotiated by management. Since revenue and variable payments are directly linked is the Group exposure to variable payments limited.

Notes to the consolidated financial statements

20 BUSINESS COMBINATIONS

Acquisitions in 2019

On 1 February 2019, the Group acquired property, plant and equipment, leases, deposits, employees and related obligations of Søren Bager ApS. Søren Bager ApS operates one bakery store in Holte in Denmark. The purchase price amounts to DKK 2,000 thousand. The transferred consideration is paid with cash. The fair values of the identifiable assets and liabilities of Søren Bager ApS as at the date of acquisition were Goodwill 1,991 tDKK and other assets and liabilities DKK 9 thousand. The goodwill is tax deductible.

The business combination has a very limited effect on the financial statements for 2019.

Acquisitions in 2018

Acquisition of Langenæs Bageriet ApS

On 1 September 2018, the Group acquired all the assets and liabilities of Langenæs Bageriet ApS. Langenæs Bageriet ApS operates six bakery stores in Århus, Vejle, and Horsens. The acquisition gave a large representation in Jutland and strengthened the capacity with additional bakeries.

The transferred consideration is paid with cash.

The fair values of the identifiable assets and liabilities of Langenæs Bageriet ApS as at the date of acquisition were:

DKK 000	Fair value recognised on acquisition
Tangible assets	75.407
Inventories	566
Deposits	1.305
Lease liabilities	-61.236
Trade and other payables	-2.991
Identified net assets	**13.051**
Goodwill arising in acquisition	40.636
Total consideration	**53.687**

DKK 000	Cash flow on acquisition
Net cash acquired	0
Net cash outflow on acquisition	**53.687**

A goodwill of DKK 40.636 thousand emerged from the acquisition of Langenæs as an effect of the difference between the transferred consideration and the fair value of acquired net assets. Goodwill is primarily connected to the future growth expectations and synergies. The goodwill is tax deductible.

Transaction costs related to the acquisition of Langenæs amounts to DKK 859 thousand. Transaction costs are accounted for in the income statements under "special items".

During the four months since the acquisition date the subsidiary contributed with DKK 23,836 thousand to the Group's revenue and DKK -1,350 thousand to the loss for the year. If the acquisition had taken place at the beginning of 2018, the Group's revenue would have been DKK 1,042,061 thousand and the loss for the year would have been DKK 115,564 thousand.

Notes to the consolidated financial statements

20 BUSINESS COMBINATIONS (Continued)

Acquisitions in 2018

Acquisition of Modern Standard Coffee Ltd.

On 22 January 2018, the Group acquired 51% of the shares in Modern Standard Coffee Ltd. Modern Standard Coffee is an English coffee company, and the purpose of the acquisition is to strengthen coffee as a category in the coming years, improve the coffee experience and highlight the position as a leading coffee destination.

The transferred consideration is paid with cash and a earn-out consideration.

The fair values of the identifiable assets and liabilities of Modern Standard Coffee Ltd. as at the date of acquisition were:

DKK 000	Fair value recognised on acquisition
Tangible assets	2.081
Inventories	403
Trade and other receivables	1.078
Deposits	109
Cash and cash equivalents	92
Deferred tax assets	4
Shareholder loan	-1.863
Trade and other payables	-82
Identified net assets	**1.822**
Non-controlling interest measured at fair value	-15.780
Goodwill arising in acquisition	29.972
Total consideration	**16.014**

DKK 000	Cash flow on acquisition
Net cash acquired	-92
Earn-out consideration	-4.963
Net cash outflow on acquisition	**10.959**

A goodwill of 29.972 tDKK emerged from the acquisition of Modern Standard Coffee as an effect of the difference between the transferred consideration and the fair value of acquired net assets. Goodwill is primarily connected to the future growth and synergies. The goodwill is not tax deductible.

Transaction costs related to the acquisition of Modern Standard Coffee amounts to DKK 145 thousand. Transaction costs are accounted for in the income statements under “special items”.

The fair value of the trade receivables amounts to DKK 906 thousand. The gross amount of trade receivables is DKK 906 thousand. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

During the eleven months since the acquisition date the subsidiary contributed with 12,550 thousand to the Group's revenue and DKK 941 thousand to the loss for the year. If the acquisition had taken place at the beginning of 2018, the Group's revenue would have been DKK 1,000,886 thousand and the loss for the year would have been DKK 113.655 thousand.

Notes to the consolidated financial statements

20 BUSINESS COMBINATIONS (Continued)

Acquisitions in 2017
Acquisition of Danish Bake A/S
On 31 August 2017, the Group acquired all of the shares of Danish Bake A/S. The acquisition is in accordance with the purpose of the Group, which is to run a premium concept within the bakery and café segment in Denmark and internationally.

The transferred consideration is paid with cash.

The fair values of the identifiable assets and liabilities of Danish Bake A/S as at the date of acquisition were:

DKK 000	Fair value recognised on acquisition
Other Intangible assets	226.107
Tangible assets	288.323
Right-of-use assets	430.813
Inventories	9.388
Trade and other receivables	16.843
Deposits	9.135
Cash and cash equivalents	22.893
Bank debt	-168.695
Lease liabilities	-430.813
Deferred tax	-64.972
Provisions	-8.435
Trade and other payables	-120.993
Identified net assets	**209.594**
Goodwill arising in acquisition	1.345.139
Total consideration	**1.554.733**

DKK 000	Cash flow on acquisition
Net cash acquired	-22.893
Net cash outflow on acquisition	**1.531.840**

A goodwill of 1,345,139 tDKK emerged from the acquisition of Danish Bake A/S as an effect of the difference between the transferred consideration and the fair value of acquired net assets. Goodwill is primarily connected to the expected growth as well as international expansion. The goodwill is not tax deductible.

Transaction costs related to the acquisition of Danish Bake A/S amounts to DKK 34,081 thousand. Transaction costs are accounted for in the income statements under "special items".

The fair value of the trade receivables amounts to DKK 13,307 thousand. The gross amount of trade receivables is DKK 13,507 thousand. Impaired trade receivables amount to DKK 200 thousand.

During the four months since the acquisition date the subsidiary contributed with DKK 300,761 thousand to the Group's revenue and DKK -3,046 thousand to the loss for the year. If the acquisition had taken place at the beginning of 2017, the Group's revenue would have been DKK 818,735 thousand and the loss for the year would have been DKK 42,029 thousand.

Notes to the consolidated financial statements

21 GROUP INFORMATION

The consolidated financial statements of the Group include the following subsidiaries:

Name	Ownership	Country	Currency
Danish Bake Group ApS	100%	Denmark	DKK
Danish Bake A/S	100%	Denmark	DKK
Lagkagehuset A/S	100%	Denmark	DKK
Danish Bake UK Ltd.	100%	United Kingdom	GBP
Ole & Steen Coffee Ltd.*	51%	United Kingdom	GBP
Modern Standard Coffee Ltd.	51%	United Kingdom	GBP
Modern Standard Coffee ApS	51%	Denmark	DKK
Modern Standard Service Ltd.	34%	United Kingdom	GBP
Danish Bake USA Inc.	100%	United States	USD
Danish Bake NYC LLC	100%	United States	USD
Danish Bake LIC Inc.(Dormant)	100%	United States	USD
Danish Bake Broadway 873 LLC	100%	United States	USD
Danish Bake Intercontinental LLC	100%	United States	USD
Danish Bake Bryant Park LLC	100%	United States	USD
Danish Bake Broadway 1155 LLC (Dormant)	100%	United States	USD
Danish Bake Production LLC	100%	United States	USD

**) Ole & Steen Coffee Ltd (reg. no. 11147665) is exempt from audit requirements according to the UK Companies Act 2006, section 479A.*

22 COMMITMENTS AND CONTINGENCIES

COLLATERAL

The Group has provided the shares of the subsidiaries Danish Bake A/S and Lagkagehuset A/S as security for the revolving credit facility. As of 31 December 2019 DKK 423 million (2018: DKK 313 million, 2017: DKK 20 million) is drawn on the revolving credit facility including bank guarantees.

OTHER CONTINGENT LIABILITIES

Other contingent liabilities, DKK 33.841 thousand (2018: DKK 53,164 thousand, 2017: DKK 26,430 thousand), include the Group's bank guarantees in relation to leaseholds.

23 OTHER FINANCIAL OBLIGATIONS

No other financial obligations.

24 RELATED PARTY DISCLOSURES

The Group has registered the following shareholders with 5% or more equity interest:

- Cidron Garonne Limited, 71,33%, Esplanade ST, Heller Jersey JE2 3QA Jersey
- FoodLuxCo S.à.r.l., 17,83%, 10, Rue Antoine Jans L-1820 Luxembourg

The Group's related parties with significant influence include the Group's Board of Directors, Executive Board and Key Management in the parent company and close family members of these persons. Related parties also include companies in which this circle of persons has significant interests.

Management remuneration are disclosed in note 4.

Loans from parent companies are disclosed in note 16, interest income and expenses are disclosed in note 7 and 6.

Purchase and sale of treasury notes are disclosed in note 14.

Notes to the consolidated financial statements

25 FIRST-TIME ADOPTION OF IFRS

These financial statements, for the year ended 31 December 2019, are the first the group has prepared in accordance with IFRS as adopted by EU. For periods up to and including the year ended 31 December 2018, the Group prepared its financial statements in accordance with the Danish Financial Statements Act.

Accordingly, the Group has prepared financial statements that comply with IFRS as adopted by EU applicable as at 31 December 2019, together with the comparative period data for the year ended 31 December 2018 and 31 December 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 31 August the date of acquisition of Danish Bake A/S. However, 28 June 2017 is the Group's date of transition to IFRS as adopted by EU. This note explains the principal adjustments made by the Group in restating its financial statements prepared in accordance with the Danish Financial Statements Act, including the statement of financial position as at 31 December 2017 and 31 December 2018 and the financial statements for the year ended 31 December 2017 and 31 December 2018. Furthermore this note shows the financial position at the transition date 28 June 2017 compared to the opening statement prepared at the acquisition at 31 August 2017.

	31 August 2017, IFRS	28 June 2017, IFRS
ASSETS		
Non-current assets		
Intangible assets		
Goodwill	1.345.139	0
Brand	210.400	0
Development Projects	13.431	0
Acquired intangible assets	2.276	0
	1.571.246	**0**
Property, plant and equipment		
Plant and machinery	76.039	0
Fixtures and fittings, other plant and equipment	38.014	0
Leasehold improvements	174.270	0
Right-of-use assets	430.813	0
	719.136	**0**
Other non-current assets		
Other non-current receivables	9.135	0
	9.135	**0**
Total non-current assets	**2.299.517**	**0**
Current assets		
Inventories	9.388	0
Trade and other receivables	8.630	0
Cash	235.089	50
Total current assets	**253.107**	**50**
TOTAL ASSETS	**2.552.624**	**50**
EQUITY AND LIABILITIES		
Equity		
Share capital	1.000	50
Share premium	1.065.929	0
Retained earnings	0	0
Total equity	**1.066.929**	**50**
Non-current liabilities		
Deferred tax liabilities	64.972	0
Provisions	8.435	0
Debt to credit institutions	168.695	0
Lease liabilities	390.583	0
Total Non current liabilities	**632.685**	**0**

Notes to the consolidated financial statements

25 FIRST-TIME ADOPTION OF IFRS (Continued)	31 August 2017, IFRS	28 June 2017, IFRS
Current liabilities		
Lease liabilities	40.230	0
Shareholder loan (Convertible debt instruments)	140.000	0
Trade and other payables	120.993	0
Payables to group enterprises (Convertible debt instruments)	560.000	0
Total current liabilities	**861.223**	**0**
Total liabilities	**1.493.908**	**0**
TOTAL EQUITY AND LIABILITIES	**2.560.837**	**50**

The accounting effect of the Group's transition to IFRS was limited to indefinite life of goodwill and brand, recognition of right-of-use assets on the balance sheet, and capitalization of acquisition costs.

Goodwill and Brand

Under the Danish Financial Statements Act acquired Goodwill and Brands was amortised over a period of 10-20 years. Under IFRS Goodwill has indefinite useful life and management has assessed that acquired Brands has indefinite useful life. This means that acquired Goodwill and Brand are tested annually for impairment. Further under the Danish Financial Statements Act acquisition costs recognised in 2017 was capitalised as part of the Goodwill. Under IFRS acquisition costs are recognised directly as an expense under special items.

Right-of-use assets

Under the Danish Financial Statements Act operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term. Under IFRS 16 all leases must be recognised in the balance sheet with a corresponding lease liability, except for short-term assets and low-value assets.

The accounting effect regarding transition to IFRS for the Group is as follows:

INCOME STATEMENT 28 June - 31 December 2017

DKK 000	DK GAAP	Effect of transition to IFRS	IFRS
Other external expenses	-71.146	29.680	-41.466
Special items	0	-34.081	-34.081
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-44.834	5.539	-39.295
Financial expenses	-22.046	-8.293	-30.339
Profit & loss before tax	**-36.628**	**-7.155**	**-43.783**
Tax on profit & loss for the year	2.833	-737	2.096
Profit & loss for the year	**-33.795**	**-7.892**	**-41.687**

BALANCE SHEET AT 31 December 2017

ASSETS			
Intangible assets			
Goodwill	1.355.647	-10.508	1.345.139
Brand	206.893	3.507	210.400
Tangible assets			
Leasehold Improvements	193.394	10.704	204.098
Right-of-use assets	0	473.943	473.943
TOTAL ASSETS	**2.011.856**	**464.924**	**2.476.780**
EQUITY AND LIABILITIES			
Total Equity	**1.037.207**	**-7.881**	**1.029.326**
Non-current liabilities			
Deferred tax	62.140	737	62.877
Provisions	2.000	11.145	13.145
Lease liabilities	0	481.040	481.040
TOTAL EQUITY AND LIABILITIES	**2.011.856**	**464.924**	**2.476.780**

CASH FLOW STATEMENT 28 June - 31 December 2017

Cash flow from operating activities	58.793	-20.093	38.700
Cash flow from investing activities	-1.625.026	34.081	-1.590.945
Cash flow from financing activities	1.620.726	-13.988	1.606.738
Cash flows for the year	**54.493**	**0**	**54.493**

Notes to the consolidated financial statements

25 FIRST-TIME ADOPTION OF IFRS (Continued)

INCOME STATEMENT - 2018

DKK 000	DK GAAP	Effect of transition to IFRS	IFRS
Staff costs	-455.895	777	-455.118
Other external expenses	-280.305	94.214	-186.091
Special items	0	-1.635	-1.635
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-148.413	6.412	-142.001
Financial expenses	-72.701	-32.285	-104.986
Profit & loss before tax	**-199.969**	**66.502**	**-133.467**
Tax on profit & loss for the year	18.114	1.641	19.755
Profit & loss for the year	**-181.855**	**68.143**	**-113.712**

BALANCE SHEET AT 31 December 2018

ASSETS			
Intangible assets			
Goodwill	1.352.149	63.453	1.415.602
Brand	196.373	14.027	210.400
Tangible assets			
Leasehold Improvements	276.810	10.494	287.304
Right-of-use assets	0	749.304	749.304
TOTAL ASSETS	**2.188.217**	**820.315**	**3.008.532**
EQUITY AND LIABILITIES			
Total Equity	**869.200**	**60.475**	**929.675**
Non-current liabilities			
Deferred tax	43.361	-903	42.458
Provisions	8.034	12.385	20.419
Lease liabilities	3.907	778.064	781.971
TOTAL EQUITY AND LIABILITIES	**2.188.217**	**820.315**	**3.008.532**

CASH FLOW STATEMENT - 2018

Cash flow from operating activities	45.432	50.664	96.096
Cash flow from investing activities	-264.475	4.963	-259.512
Cash flow from financing activities	240.513	-55.627	184.886
Cash flows for the year	**21.470**	**0**	**21.470**

26 EVENTS AFTER THE REPORTING PERIOD

In March 2020 the Danish bakery at Amerikavej was closed and moved to Priorparken. Commercially and efficiency wise this was done as planned. Write down of assets at Amerikavej per December 31, 2019 amounting to DKK 14.5 million is accounted for in 2019 as the decision was made in 2019.

In March 2020, COVID-19 changed the Danish market condition dramatically, with legislation closing malls, Copenhagen Airport as well as café areas and as a result customer traffic is significantly reduced and 13 stores are temporarily closed in Denmark. In order to secure as many jobs as possible, the governmental furlough schemes have been used.

In UK, all stores are temporarily closed, and people are furloughed on governmental schemes. A staged reopening plan is prepared and expected to open when government allows.

New York/ Manhattan closed as well during March 2020 and are currently still closed except for delivery sales. Reopening expected to take somewhat longer, and thus re-opening date is still uncertain.

In April 2020, the covenants for the existing credit facility of DKK 550 million were waived by the Lenders until and including end September 2020 due to COVID-19 market challenges to support the Group's continued operation and priorities.

The Group feels confident that current cash holdings and cost controls, the forecast is secured for re-opening the markets soon again and getting back to the original expansion strategy of the company.

The COIVD-19 is for accounting purposes considered as a non-adjusting event and thus not effected the financial statements for 2019.

No other events have occurred after the balance sheet date that may materially affect the assessment of the Company's financial position.

Parent company income statement

Note	DKK 000	2019 12 months	2018 12 months
	Other external expenses	-2.812	-2.230
	Gross Profit	**-2.812**	**-2.230**
3	Financial income	90.484	61.360
4	Financial expenses	-18	-57.511
	Profit before tax	**87.654**	**1.619**
5	Tax for the year	-4.946	-356
	Profit for the year	**82.708**	**1.263**

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Parent company balance sheet at 31 December

Note	DKK 000	2019	2018
	ASSETS		
	Non-current assets		
6	**Investments**		
	Investments in subsidiaries	1.066.429	1.066.429
		1.066.429	1.066.429
	Total non-current assets	1.066.429	1.066.429
	Current assets		
	Receivables from group entities	799.587	781.659
	Other receivables	0	22
	Cash	1.184	656
	Total current assets	800.771	782.337
	TOTAL ASSETS	1.867.200	1.848.766

Parent company balance sheet at 31 December

Note	DKK 000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	1.150	1.000
	Share premium account	1.776.991	1.066.181
	Retained earnings	82.846	3.568
	Total equity	**1.860.987**	**1.070.749**
	Current liabilities		
	Shareholder loan (Convertible debt instruments)	0	155.232
9	Payables to group entities (Convertible debt instruments)	0	620.928
	Corporation tax payable	5.095	356
	Other payables	1.118	1.501
	Total liabilities	**6.213**	**778.017**
	TOTAL EQUITY AND LIABILITIES	**1.867.200**	**1.848.766**

1 SIGNIFICANT ACCOUNTING POLICIES
2 SPECIAL ITEMS
8 TREASURY SHARES
10 COMMITMENTS AND CONTINGENCIES
11 RELATED PARTY DISCLOSURES
12 REMUNERATION TO EXECUTIVE BOARD AND BOARD OF DIRECTORS
13 RECOMMENDED APPROPRIATION OF PROFIT

Parent company statement of changes in equity

DKK 000	Share Capital	Share Premium	Retained Earnings	Total
Equity at 1 January 2019	**1.000**	**1.066.181**	**3.568**	**1.070.749**
Capital increase	150	710.810	0	710.960
Transfer through appropriation of profit	0	0	82.708	82.708
Purchase of treasury shares	0	0	-3.430	-3.430
Equity at 31 December 2019	**1.150**	**1.776.991**	**82.846**	**1.860.987**

Notes to the parent financial statements

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Parent company financial statements for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting medium class C entities.

The accounting policies are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to administration etc.

Profit from investments in subsidiaries

The item includes dividends from investments in subsidiaries and associates. Dividend distributions that either exceed the profit for the year or where the carrying amount of the investments exceeds the consolidated carrying amounts of the subsidiary's net assets will indicate impairment for which reason an impairment test will have to be conducted.

The item includes dividend received from subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance payment of tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost, which includes the cost of acquisition calculated at fair value plus direct costs of acquisition. If there is evidence of impairment, an impairment test is conducted. Where the carrying amount exceeds the recoverable amount, a write down is made to such lower value.

Notes to the Parent financial statements

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment testing of non-current assets
The carrying amount of investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables
Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Cash
Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Treasury shares
Purchases and sales of treasury shares are taken directly to equity under "Retained earnings".

Income taxes
Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

Notes to the Parent financial statements

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liabilities
Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Convertible loans
Convertible loans are broken down into a liability element and an equity element based on the relevant instrument of debt. On initial recognition, the liability is recognised at the fair value of a similar liability without a conversion right. The remaining amount of the convertible loan is recognised as equity. On subsequent recognition, the liability is measured at amortised cost until converted or repaid. The equity element is not remeasured after initial recognition.

2 SPECIAL ITEMS

The company and the company's capital owners have entered into an agreement to change the fixed interest rate in loan agreements retroactively. The company thus has income of DKK 65,200 thousand recognized under financial income.

In order to strengthen the equity, the company's capital owners made a capital increase through a debt conversion of the convertible debt instruments to shares in 2019. The total capital increase amounts to DKK 710,960 thousand.

Notes to the Parent financial statements

3 FINANCIAL INCOME

DKK 000	2019	2018
Interest income, group entities	90.484	61.360
Total financial income	**90.484**	**61.360**

4 FINANCIAL EXPENSES

DKK 000	2019	2018
Interest expenses, parent company	0	45.995
Other financial expenses	18	11.516
Total financial expenses	**18**	**57.511**

5 TAX FOR THE YEAR

DKK 000	2019	2018
Estimated tax charge for the year	4.946	356
Total	**4.946**	**356**

6 INVESTMENTS

DKK 000	Investment in subsidiaries
Cost	
Cost at 1 January 2019	1.066.429
At 31 December 2019	**1.066.429**
Carrying Value	
At 31 December 2019	**1.066.429**

Name	Country	Ownership
Danish Bake Group ApS	Denmark	100%
Danish Bake A/S	Denmark	100%
Lagkagehuset A/S	Denmark	100%
Danish Bake UK Ltd.	United Kingdom	100%
Ole & Steen Coffee Ltd.	United Kingdom	51%
Modern Standard Coffee Ltd.	United Kingdom	51%
Modern Standard Coffee ApS	Denmark	51%
Modern Standard Service Ltd.	United Kingdom	34%
Danish Bake USA Inc.	United States	100%
Danish Bake NYC LLC	United States	100%
Danish Bake LIC Inc.(Dormant)	United States	100%
Danish Bake Broadway 873 LLC	United States	100%
Danish Bake Intercontinental LLC	United States	100%
Danish Bake Bryant Park LLC	United States	100%
Danish Bake Broadway 1155 LLC (Dormant)	United States	100%
Danish Bake Production LLC	United States	100%

Notes to the Parent financial statements

7 SHARE CAPITAL

DKK 000	2019	2018	2017
Share capital:			
Opening balance	1.000	1.000	50
Capital increase	150	0	950
Total	**1.150**	**1.000**	**1.000**

The share capital consists of 12,212,510 A shares, 72,787,490 B shares, 15,013,081 C shares and 15,000,000 D Shares of DKK 0.01 nominal value each.

Each A share carries one voting right, each B share carries ten voting rights, each C share carries one voting right, and each D share carries one voting right.

8 TREASURY SHARES

DKK 000	Number	Nominal value	Share of capital	Purchase/ sales sum
At December 31, 2018	2.122.695	20.525		
Purchased in the year	786.567	8.000	0,80%	3.430
At December 31, 2019	2.909.262	28.525		

Treasury shares are acquired, among other reasons, to be used in the incentive plan intended for members of the Executive Board and other key employees.

9 Convertible debt instruments or corresponding rights issued by the Company

In 2017, the company issued convertible debt instrument to the parent company Cidron Garonne Limited and minority shareholder FoodLuxCo S.à.r.l. for a total of DKK 700 million. The convertible debt instruments, including accrued interest, were converted into equity in the financial year. Please refer to note 2 in special items.

10 COMMITMENTS AND CONTINGENCIES

COLLATERAL

The Company has provided the shares of the subsidiaries Danish Bake A/S and Lagkagehuset A/S as security for the revolving credit facility. As of 31 December 2019 DKK 423 million (2018: DKK 313 million, 2017: DKK 20 million) is drawn on the revolving credit facility including bank guarantees.

OTHER CONTINGENT LIABILITIES

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities for payment of income taxes as well as withholding taxes.

The company has issued a letter of support towards the subsidiary Ole & Steen Coffee Ltd., in which the company guarantees to financially support the operations of the subsidiary until 30 September 2021.

11 RELATED PARTY DISCLOSURES

The Group has registered the following shareholders with 5% or more equity interest:

- Cidron Garonne Limited, 71.33%, Esplanade ST, Heller Jersey JE2 3QA Jersey
- FoodLuxCo S.à.r.l., 17.83%, 10, Rue Antoine Jans L-1820 Luxembourg

The parent company applies an exemption provision in section 98c (1) of the Danish Financial Statements Act. 3, concerning transactions with related parties, as they have been made with wholly owned subsidiaries.

Refer to note 24 of the consolidated financial statements regarding the related party transactions.

12 REMUNERATION TO EXECUTIVE BOARD AND BOARD OF DIRECTORS

Refer to note 4 of the consolidated financial statements for disclosure of remuneration to Executive Board and Board of Directors.

13 RECOMMENDED APPROPRIATION OF PROFIT

DKK 000	2019	2018
Recommended appropriation of profit		
Retained earnings	82.708	1.263
Total	**82.708**	**1.263**