Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	950 173 378
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	FOOD FOLK NORGE AS
Forretningsadresse:	Pløens gate 2 0181 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Nei

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	inger-hilde hjelme
Dato for fastsettelse av årsregnskapet:	19.04.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert

År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 30.06.2022

Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	1	380 152 000	375 399 000
Annen driftsinntekt	2	8 961 000	2 034 000
Sum inntekter		**389 113 000**	**377 433 000**
Kostnader			
Lønnskostnad	4	45 150 000	50 623 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	8,9	78 632 000	61 038 000
Annen driftskostnad	3	134 718 000	116 569 000
Sum kostnader		**258 500 000**	**228 230 000**
Driftsresultat		**130 613 000**	**149 203 000**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap	10	19 303 000	16 949 000
Annen renteinntekt	5	88 000	537 000
Sum finansinntekter		**19 391 000**	**17 486 000**
Annen rentekostnad	6	66 990 000	48 165 000
Sum finanskostnader		**66 990 000**	**48 165 000**
Netto finans		**-47 599 000**	**-30 679 000**
Ordinært resultat før skattekostnad		**83 014 000**	**118 524 000**
Skattekostnad på ordinært resultat	7	5 341 000	25 791 000
Ordinært resultat etter skattekostnad		**77 673 000**	**92 733 000**
Årsresultat		**77 673 000**	**92 733 000**
Overføringer og disponeringer			
Konsernbidrag			60 026 000
Overføringer til/fra annen egenkapital		77 673 000	32 707 000
Sum overføringer og disponeringer		**77 673 000**	**92 733 000**

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Goodwill	9	5 061 000	5 836 000
Sum immaterielle eiendeler		**5 061 000**	**5 836 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	8	1 485 971 000	1 424 971 000
Sum varige driftsmidler		**1 485 971 000**	**1 424 971 000**
Finansielle anleggsmidler			
Investering i datterselskap	10	46 657 000	27 354 000
Sum finansielle anleggsmidler		**46 657 000**	**27 354 000**
Sum anleggsmidler		**1 537 689 000**	**1 458 161 000**
Omløpsmidler			
Varer			
Varer		224 000	
Sum varer		**224 000**	
Fordringer			
Kundefordringer	12	34 057 000	33 129 000
Konsernfordringer	20	32 251 000	11 820 000
Sum fordringer		**66 308 000**	**44 949 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	13	1 754 000	1 619 000
Sum bankinnskudd, kontanter og lignende		**1 754 000**	**1 619 000**
Sum omløpsmidler		**68 286 000**	**46 568 000**
SUM EIENDELER		**1 605 975 000**	**1 504 729 000**

BALANSE - EGENKAPITAL OG GJELD

Balanse

Beløp i: NOK	Note	2020	2019
Egenkapital			
Innskutt egenkapital			
Selskapskapital	14	1 022 000	1 022 000
Annen innskutt egenkapital		37 375 000	18 072 000
Sum innskutt egenkapital		**38 397 000**	**19 094 000**
Opptjent egenkapital			
Avsatt utbytte			60 026 000
Annen egenkapital		298 982 000	240 612 000
Sum opptjent egenkapital		**298 982 000**	**300 638 000**
Sum egenkapital		**337 379 000**	**319 732 000**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	11	61 009 000	62 992 000
Andre avsetninger for forpliktelser	16	52 742 000	50 292 000
Sum avsetninger for forpliktelser		**113 751 000**	**113 284 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	15	966 906 000	965 849 000
Sum annen langsiktig gjeld		**966 906 000**	**965 849 000**
Sum langsiktig gjeld		**1 080 657 000**	**1 079 133 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	15	30 358 000	28 261 000
Leverandørgjeld	17	68 661 000	48 368 000
Betalbar skatt	7	20 529 000	26 411 000
Kortsiktig konserngjeld	20	67 466 000	2 824 000
Annen kortsiktig gjeld	16	925 000	
Sum kortsiktig gjeld		**187 939 000**	**105 864 000**
Sum gjeld		**1 268 596 000**	**1 184 997 000**
SUM EGENKAPITAL OG GJELD		**1 605 975 000**	**1 504 729 000**

POSTER UTENOM BALANSEN

Balanse

Beløp i: NOK	Note	2020	2019
Pantstillelser	8	430 400 000	430 400 000

Food Folk Norge AS

Pløens gate 2
0181 Oslo

Org. no. 950 173 378

Annual report 2020

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

on 19 April 2021

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chairman of the annual general meeting

Contents

Statement by the Board of Directors and the Executive Board

The Company

Food Folk Norge AS activities have in 2020 as earlier years been concentrated on operations and development of the McDonald's international restaurant concept. The Company has one 100% owned daughter company. The Company is reporting according to IFRS as adopted by the European Union.

At the end of the year, the McDonald's system in Norway had a total number of 75 family restaurants. The Company operated 16 restaurants while franchisees operated 59 restaurants. The Food Folk system (includes both restaurants operated by the group and restaurants operated by franchisees) had a total net sales ex VAT of NOK 2,305,000 thousand in 2020, of which the sales in franchisee restaurants were NOK 1,694,000 thousand. The franchisees operate the restaurants through their own companies. Their financial reports are, therefore, not included in the Food Folk Norge AS's financial report.

As of 31 December 2020 the restaurants are situated in the following counties: 14 restaurants in Oslo, 25 restaurants in Viken, 4 restaurants in Innlandet, 4 restaurants in Trøndelag, 2 restaurants in Møre og Romsdal, 8 restaurants in Vestland, 8 restaurants in Rogaland, 6 restaurants in Vestfold & Telemark, 4 restaurants in Agder.

Outlook

COVID-19 restrictions have made it difficult to navigate through 2020 and the outbreak of COVID-19 has impacted the company's revenue and EBITDA negatively. However, despite COVID-19 the Company has generated positive free cash flow from operating activities and it has continued to invest in new store openings and will continue to do so in the future. The company has opened 3 new stores and remodeled 18 stores. Total system wide sales have been 1.0% higher than last year (reaching NOK 2,305,000 thousand). The Drive Thru has been crucial for performance during this period, and offsetting some of the negative impact hitting instore restaurants (malls, town). The Company has strengthened the market share in 2020.

Market risk caused by COVID-19 outbreak continues in 2021. The Company is following the developments and the authorities' recommendations closely, and taking the measures deemed necessary to reduce the impact in the short and long term. In spite of this, the beginning of 2021 has been strong in terms of sales and profits. The sales performance of the first quarter of 2021 increased compared to last year, despite some restaurants have been partly or fully closed due to governmental restrictions in downtown. From an EBITDA perspective, results at the end of March are higher than plan.

Financial and market risk

The Company's loan with Danske Bank has floating interest. SWAP agreement has not proven to reduce risk of large changes in interest level agreement therefore discontinued. It is only the purchase of restaurant equipment that is exposed to exchange rate risk. This liquidity risk is managed, for the Company, by maintaining sufficient cash balances to meet working capital needs. The Company has a limited financial market risk.

Cash flow statement

In 2020, the Company had net investments of NOK 97.8 million. This was financed by cash flow from operations. Three new restaurants have been opened. Large reinvestments has been made in some of the restaurants. Changes in working capital adds to cash flow from operations. The Company paid NOK 60.0 million in group contribution to owner Food Folk Norway Holdings AS.

Going Concern

In accordance with the Norwegian Accounting Law §3-3a the company confirms that the assumptions for going concern are present and the financial report has been based on this assumption.

Employees and working environment

The working conditions are according to the Norwegian regulations. Similar to McDonald's international practice concerning employees' working conditions, Food Folk Norge AS uses systematic job-rotation to create the best possible working environment. Food Folk offers its employees a systematic training program, both for their individual development and to enhance their chances of promotion within the system. To improve the working environment, annual performance reviews and staff opinion surveys are carried out.

There have been 2.1% absentees due to illness in Food Folk Norge AS. There have been no accidents involving employees in 2020.

The average number of employee during 2020 was 36.

Statement by the Board of Directors and the Executive Board (continued)

Corporate Environment Responsibility

External pollution derived from McDonald's restaurants is considered to be well within the legal requirements. Systematic work is undertaken to improve the usage of resources in order to have a positive impact on the environment.

Equal opportunities, Non-discrimination and accessibility

Diversity and inclusion is in our strategic focus related to sustainability and one of our sustainability focus related to Food Folk's sustainable development goals. We are convinced that this dynamic mix of people makes McDonald's a great place to work.

Our ethical guidelines state that we do not accept any form of inappropriate behavior, bullying, harassment or discrimination, for example due to gender, sexual orientation, age, ethnicity or religious beliefs. These are supported/founded by our company values.

To reduce the risk of discrimination:
• Properly developed recruitment processes at all levels. This includes training for recruiting leaders, guidelines, test tools in recruitment processes and structured interviews - which are proven to make the hiring processes objective and limits the likelihood of discrimination
• HR support in recruitment processes
• Yearly salary processes and connected to performance based on the company's Performance Development System.
• Benchmark salary Mercer (not yearly).
• Mapping gender balance through yearly review (HR) - both sexes are present in the management group and at the mid-level management (out of the management workforce in Food Folk Norge AS 52% are women and 48% are men).

Research and development

The Company does not have any research and development activities.

Result

In 2020 Food Folk Norge AS had a net profit of NOK 77,673 thousand. The Board regards the Financial Report to reflect a correct status of the financial position of the Company. The Board recommends the net profit to be allocated as follows:

Attributable to (in thousand NOK):	
Funds for unrealized gains	19 303
Retained earnings	58 370
Profit for the year	77 673

Oslo, 19 April 2021.

Lars Børre Kleivan
Managing Director and
Chairman of the Board

Anders Torbjörn Hägg
Board member

Company details

General

Food Folk Norge AS
Pløens gate 2
0181 Oslo

Telephone:	+47 23 10 70 00
Website:	www.mcdonalds.no
Org. No.	950 173 378
Established:	17 November 1988
Registered office:	Pløens gate 2, 0181 Oslo
Financial year:	From 1 January to 31 December

Board of Directors

Lars Børre Kleivan
Anders Torbjörn Hägg

Managing Director

Lars Børre Kleivan

Auditor

KPMG AS
Godkjent revisjonsselskap
Sørkedalsveien 6
0369 Oslo

Bank

Danske Bank, Corporate banking
Nordea bank danmark A/S, filial af Nordea Bank AB, Sverige

Annual general meeting

The annual general meeting will be held on 19 April 2021.

Food Folk Corporate Social Responsibility

It is important to Food Folk Norge AS, being part of Food Folk Group, to be a socially responsible company. Our purpose is to feed and foster communities. We believe in being actively involved in the community in which we operate. We strive to engage in frank and honest dialogue with our customers and our employees, as well as our local community about who we are and how our business is running.

Every time a customer orders something, our restaurants and employees are doing more than just serving a warm meal. We are serving our communities. Our commitment to society is best summed up by a set of core values that define who we are and how we run our business and restaurants. The values are simple, yet powerful, and serve as our guiding light on how we conduct our business, how we treat our people and our guests and how we act as a McFamily.We have adopted the McDonald´s Global values as they resonate strongly with our Nordic and Norwegian mandate.

We strive to live these values every day:

- Serve – We put our customers and people first.
- Inclusion – We open our doors to everyone.
- Integrity – We do the right thing.
- Community – We are good neighbours.
- Family – We get better together.

Food Folk in Norway is involved in numerous projects and initiatives that support the Food Folk Group's CSR ambitions. Our CSR strategy is called "Serving here". This reinvigorated strategy is underpinned by our focus on running great restaurants and empowering our people, and is based on the following pillars:

- Food Quality & Sourcing
- Our Planet
- Our Food
- Community connection
- Jobs, Inclusion, Empowerment

Food Quality & Sourcing
<u>We Are Sourcing Delicious, Quality Ingredients in Responsible Ways</u>

In partnership with our Franchisees, suppliers and producers, we're finding new and innovative ways to reduce emissions, keep waste out of nature and preserve natural resources. From minimizing how much packaging we use to investing in renewable energy and partnering to advance sustainable and regenerative agriculture practices – we want to help protect our planet for communities today and in the future.

In Food Folk Group, we aim to lessen our climate impact and care for the environment. All waste has an impact on the dimate and Food Folk Group is working consciously with this. Food Folk Norge AS is actively working to decrease their environmental impact. The company aims to reduce the use of conventional energy and increase the use of renewable energy.

We collect grease (from the grease separator), food waste and cooking oil, these products are recirculated to other products. By utilizing food waste to other production, less CO2 are emitted because it for instance are utilized for energy purposes and fuel.
In collaboration with our logistics partner, HAVI, a number of waste fractions are collected from the restaurants to be recycled: Aluminum, PET plastics, PE foils, refund cans this results in increased material recycling and less transports as these fractions are collected by existing transports.

We support "Rusken", where the employees join clean-up activities, to tackle the problem with littering, and we are focusing on finding new sustainable guest packaging coming from renewable, certified fibre or recyclable sources.

We have a target that 100 percent of our packaging should be from renewable, recycled or certified sources by 2025. Already today more than 90% of our packaging is from cardboard either from certified sustainable forestry or recycled paper. In 2019 we changed our straws from plastic to paper straw and saved 20 tonn of plastic. In addition, we introduced new serving trays made from 100% plastic from marine waste. In 2021, all Norwegian produced plastic bottles we serve from The Coca-Cola Company will be made by 100 % recycled plastic (rPET).
In 2012 Food Folk Norge AS and Fortum Charge & Drive began building the first charging stations for electric cars. By end of 2020 we had in total 84 charging stations in a total of 27 restaurants.
Another ambitious initiative is to work directly with the beef industry, by taking part on a national project called Klimasmart Landbruk, where we support the industry to reduce their CO2 emissions.
For Food Folk in Norway approximately 80% of its total spend comes for Norwegian suppliers, which supports the overall decrease of the CO2 emissions from sourcing the products from other countries.

Food Folk Corporate Social Responsibility (continued)

Community connection, Jobs, Inclusion and Empowerment
We Are Accelerating Equity and Providing Opportunity – and are committed to being good neighbours everywhere we operate.

We are serving up bright futures, by providing opportunity for education and skills in the communities we serve and through accelerating equity and inclusion across our business. Whether it is providing access to local education, tuition assistance or job readiness programs – together with our Franchisees, we make opportunity open for all.

Being part of the community means supporting people every day, and especially when they need it most. We are also so proud to support the Ronald McDonald House Charities® (RMHC®).

Our employees form the core of our business. Therefore, we measure the employee satisfaction every year and aim to improve our scores every time. To ensure our employees' continued development and satisfaction, we offer a range of mandatory and optional educations. All our employees complete the mandatory McDonald's-learning courses.

In Food Folk Group, human and labour rights are governed by the employees' handbook and the Global HR policies for diversity and harassment. In addition to the satisfaction surveys by McDonald's Global, Food Folk in Norway performs culture audits as well with support by Great Place to work, with focus on reports and developing of action plans.

For Food Folk Group suppliers are an important part of our business and all our markets follow the global code of conduct for suppliers. The McDonald's Supplier Code of Conduct where human rights, a safe working environment, labour law principles and business integrity are important elements of the content. Thus, we audit all our relevant suppliers through an independent auditor to ensure, that our partners comply with our code of conduct.

Anti-corruption and bribery

We have an anti-corruption policy, which is aligned with McDonald's Global policy. Our head offices' employees conduct annually an anti-corruption e-learning program aimed at preventing the risk of corruption and bribery at the company. We have whistle-blower system set-up for each of our countries. All current and new employees at the headquarters must read, sign our code of conduct and attend e-learning system training annually.

Gender diversity

At the management level, the gender ratio of managers are are 40% females and 60% males.
The board consists of two male directors in 2020 (one female director in 2019).

Statement of profit or loss and other comprehensive income

NOK'000	Note	2020	2019
Revenue	1	**380 152**	**375 399**
Other external expenses	3	(134 718)	(116 569)
Depreciation, amortisation and impairment	8, 9	(78 632)	(61 038)
Staff cost	4	(45 150)	(50 623)
Other operating income, net	2	8 961	2 034
Total expenses		**(249 539)**	**(226 196)**
Operating profit or loss		**130 613**	**149 203**
Financial income	5	88	537
Financial expense	6	(66 990)	(48 165)
Net finance expenses		**(66 902)**	**(47 628)**
Share of profit of subsidiaries, net of tax	10	19 303	16 949
Profit or loss before tax		**83 014**	**118 524**
Tax for the year	7	(5 341)	(25 791)
Profit or loss		**77 673**	**92 733**
Attributable to			
Group contribution		0	60 026
Funds for unrealized gains		19 303	11 006
Retained earnings		58 370	21 701
Profit or loss		**77 673**	**92 733**
Statement of comprehensive income			
Profit or loss		77 673	92 733
Items that are or may be reclassified subsequently to profit or loss:			
Effect portion of changes in fair value of cash flow hedges		0	0
Income tax on items that are or may be reclassified subsequently to profit or loss		0	0
Other comprehensive income for the year, net of income tax		**0**	**0**
Comprehensive income for the year		**77 673**	**92 733**

The notes form an integral part of these financial statements

Statement of financial position at 31 December

NOK'000	Note	2020	2019
Assets			
Non current assets			
Property, plant and equipment	8	1 485 971	1 424 971
Intangible assets	9	5 061	5 836
Investments in subsidiaries	10	46 657	27 354
Deferred tax assets	11	0	0
		1 537 689	**1 458 161**
Current assets			
Inventories		224	0
Trade and other receivables	12	34 057	33 129
Receivables from related parties	20	32 251	11 820
Restricted cash	13	1 754	1 619
Cash and cash equivalents	13	0	0
		68 286	**46 568**
Total Assets		**1 605 975**	**1 504 729**
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	14	1 022	1 022
Funds for unrealized gains		37 375	18 072
Proposed dividend and group contribution	14	0	60 026
Retained earnings		298 982	240 612
Total equity		**337 379**	**319 732**
Non current liabilities			
Other interest-bearing loans and borrowings	15	966 906	965 849
Provisions	16	52 742	50 292
Deferred tax liabilities	11	61 009	62 992
		1 080 657	**1 079 133**
Current liabilities			
Other interest-bearing loans and borrowings	15	30 358	28 261
Trade and other payables	17	68 661	48 368
Payables to group entities	20	67 466	2 824
Tax payable	7	20 529	26 411
Provisions	16	925	0
		187 939	**105 864**
Total liabilities		**1 268 596**	**1 184 997**
Total equity and liabilities		**1 605 975**	**1 504 729**

The notes form an integral part of these financial statements

Statement of changes in equity

(see Note 14)

NOK'000	Share capital	Funds for unrealized gains	Proposed dividend and group contribution	Retained earnings	Total equity
Balance at 1 January 2019	1 022	7 066	97 744	283 031	388 863
Profit or loss	0	11 006	60 026	21 701	92 733
Total comprehensive income for the period	**0**	**11 006**	**60 026**	**21 701**	**92 733**
Transactions with owners, recorded directly in equity:					
Dividends	0	0	0	(86 601)	(86 601)
Group contribution net of tax	0	0	(97 744)	22 481	(75 263)
Total contributions by and distributions to owners	**0**	**0**	**(97 744)**	**(64 120)**	**(161 864)**
Balance at 31 December 2019	**1 022**	**18 072**	**60 026**	**240 612**	**319 732**

NOK'000	Share capital	Funds for unrealized gains	Proposed dividend and group contribution	Retained earnings	Total equity
Balance at 1 January 2020	1 022	18 072	60 026	240 612	319 732
Profit or loss	0	19 303	0	58 370	77 673
Total comprehensive income for the period	**0**	**19 303**	**0**	**58 370**	**77 673**
Transactions with owners, recorded directly in equity:					
Dividends	0	0	0	0	0
Group contribution	0	0	(60 026)	0	(60 026)
Total contributions by and distributions to owners	**0**	**0**	**(60 026)**	**0**	**(60 026)**
Balance at 31 December 2020	**1 022**	**37 375**	**0**	**298 982**	**337 379**

The notes form an integral part of these financial statements

Statement of cash flows

NOK'000	Note	**2020**	**2019**
Cash flow from operating activities			
Profit for the year		77 673	92 733
Adjustments for:			
Depreciation, amortisation and impairment	8/9	78 632	61 038
Financial income	5	(88)	(537)
Financial expense	6	66 990	48 165
Share of profit of subsidiaries, net of tax	10	(19 303)	(16 949)
Other income/expense non-monetary		1 704	(595)
(Gain)/loss on sale of property, plant and equipment	8	545	460
Taxation	7	5 341	25 791
		133 821	**117 373**
Decrease/increase in trade and other receivables	12	(7 012)	11 871
Decrease/increase in inventories		(224)	0
Decrease/increase in trade and other payables	17	1 056	1 592
Decrease/increase in related parties balances	20	(18 149)	(6 315)
Decrease/increase in provisions	16	(853)	(27)
		(25 182)	**7 121**
Tax paid		(13 302)	(138)
		(13 302)	**(138)**
Net cash from operating activities		**173 010**	**217 089**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	8	149	80
Dividends/Group contributions received		0	7 719
Acquisition of property, plant and equipment	8	(96 658)	(48 462)
Acquisition of intangible assets	9	(1 338)	(2 895)
Net cash from investing activities		**(97 847)**	**(43 558)**
Cash flows from financing activities			
Proceeds from new loan	22	0	91 000
Change in restricted cash	13	(135)	(980)
Change in cash-pooling balances	20	62 360	1 318
Interest paid		(16 598)	(16 475)
Financing transaction cost		0	(4 895)
Repayment of borrowings	22	0	0
Payment of lease liabilities (interest portion)		(27 660)	(31 547)
Payment of lease liabilities (principal portion)		(33 104)	(27 681)
Dividends/Group contributions paid	14	(60 026)	(184 345)
Net cash from financing activities		**(75 163)**	**(173 605)**
Net increase/decrease in cash and cash equivalents		0	(74)
Cash and cash equivalents at 1 January		0	74
Effect of exchange fluctuations on cash held		0	0
Cash and cash equivalents at 31 December	13	**0**	**0**

The notes form an integral part of these financial statements

Basis of preparation

Reporting entity

Food Folk Norge AS, corp id 950 173 378, is a Norwegian limited liability company domiciled in Oslo, Norway. The address to the head office is Pløens gate 2, 0181 Oslo, Norway. Food Folk Norge AS is a wholly owned subsidiary of Food Folk Norge Holdings AS.

The financial statements for the years ended 31 December 2019 and 31 December 2020 comprise the financial statements for Food Folk Norge AS.

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

The Board of Directors and the Managing Director discussed and approved the Financial Statements for 2020 of Food Folk Norge AS on 19 April 2021.

Accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

From 2020 recharges to Food Folk Group companies are presented "gross" within the line "Other operating income, net" instead of being off-set within staff and other costs. This is due to the fact that the Company providing a "distinct" service has a performance obligation and acts as a principal. For comparability reasons, previous year amounts have been amended as following:

Amounts in NOK/000	**2019 audited**	**Reclassification**	**2019 restated**
Other external expenses	(115 676)	(893)	(116 569)
Staff cost	(49 617)	(1 006)	(50 623)
Other operating income, net	135	1 899	2 034
		0	

Functional and presentation currency

The financial statements are presented in NOK rounded to the nearest NOK 1,000.

Basis of accounting

The financial statements for the year ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Details of the accounting policies are included further.

Changes in significant accounting policies

The Company adopted "COVID-19-Related Rent Concessions – Amendment to IFRS 16" issued on 28 May 2020. The amendment introduced an optional practical expedient for leases in which the Company is a lessee. For leases to which the Company applies the practical expedient, the Company is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications.

A number of other new standards and interpretations are also effective from 1 January 2020 but they do not have a material effect on the Company's financial statements.

Newly effective EU-endorsed standards for 01 Jan 2020 to 31 Dec 2020	
Amendments to References to Conceptual Framework in IFRS Standards	01 Jan 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	01 Jan 2020
Interest Rate Benchmark Reform - Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)	01 Jan 2020
Definition of a Business (Amendments to IFRS 3)	01 Jan 2020

Standards issued but not yet effective

The IASB has issued a number of new or amended accounting standards and interpretations, effective for annual periods beginning after 1 January 2021. The approved, though not yet effective, standards and IFRICs will be applied as they become mandatory for the Company.

Standards not / not yet endorsed by the EU	
IFRS 17 Insurance Contracts	01 Jan 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	01 Jan 2023
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	01 Jan 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract	01 Jan 2022
Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework	01 Jan 2022
Amendment to IFRS 4 Insurance Contracts – deferral of IFRS 9	01 Jan 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	01 Jan 2021
Annual Improvements to IFRS Standards 2018–2020	01 Jan 2022

The Company has assessed that these new standards will not have a material effect on the Company's financial statements.

Basis of preparation (continued)

Use of judgements and estimates
In preparing the financial statements, Management has made judgements, estimates and assumptions that affect how the Company's accounting policies are applied and the amount of assets, liabilities, income and expenses reported. The actual results may deviate from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

Gross vs. net recognition of royalty income and out-of-pocket expenses
Food Folk both receives royalty income from the sub-franchisees and pays royalty income to McDonald's. These amounts represent the fees for using the McDonald's brand and intellectual property.

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

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

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

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

Minimum lease term
The lease term has an impact on the accounting for:
— right-of-use assets
— Restoration provisions

According to IFRS 16 the lease term includes the non-cancellable period of the contract and any further periods for which the lessee has an option to continue to lease the asset and for which, at the time of inception of the lease, it is judged reasonably certain that the lessee will exercise that option.

Food Folk has a 20-year agreement with McDonald's (expiring in 2037) requiring Food Folk to ensure that there is a certain number of restaurants in the market, and restaurants can only be closed if permission is granted by McDonald's. Management has assessed that renewable leases expiring before 2037 will be in general extended, unless otherwise agreed with McDonald's.

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

The following provides information about assumptions and estimation uncertainties with a significant risk of resulting in a material adjustment in the year ending 31 December 2020:

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

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

Significant accounting policies

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

Business combinations

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

Foreign currency

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

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

Statement of profit or loss

Revenues

Revenue consist of fees from franchised restaurants recognized over time, as the customer simultaneously consumes and receives benefit from the services as the service is performed.

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

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

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

Other external expenses

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

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

Staff costs

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.
Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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

Other operating income, net

Other operating income, net are secondary to the principal activities of the Company and includes intercompany recharge of services provided, gains and losses on disposal of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income comprises interest, dividends, gains on transactions denominated in foreign currencies, amortisation of financial assets, etc. Positive changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Financial expenses comprise interest, losses on transactions denominated in foreign currencies, amortisation of financial liabilities, including finance lease commitments, etc. Negative changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Significant accounting policies (continued)

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

Tax for the year

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

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

Statement of financial position

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

The cost of certain items of property, plant and equipment at 1 January 2016, the Company's date of transition to IFRS, was determined with reference to its fair value at that date.

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

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

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

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

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

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

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

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

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

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

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

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

Significant accounting policies (continued)

Intangible assets (continued)

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

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

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

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

Investments in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

Impairment of non-financial assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.
An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.
Impairment losses are recognised in profit or loss under 'Depreciation and amortisation'. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.
An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

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

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

Receivables

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

Significant accounting policies (continued)

Derivative financial instruments and hedge accounting
The Company holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income (OCI) and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged item affects profit. If the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

For additional details, see note 18.

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

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

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

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

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

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

Other liabilities are measured at net realisable value.

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

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

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

Significant accounting policies (continued)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;

– variable lease payments that depend on an index/rate, initially measured using the index or rate as at the commencement

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'Other interest-bearing loans and borrowings' in the statement of financial position.

The Company has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Company applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to all contracts with similar characteristics and in similar circumstances.

Presentation of cash flow statement

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

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

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

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

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

Notes

1 Revenue

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

NOK'000	2020	2019
Sub-franchisee income (fixed)	90 879	92 081
Sub-franchisee income (variable)	208 524	212 181
Intercompany sales	80 749	71 137
Total revenues	**380 152**	**375 399**

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

NOK'000	2020	2019
Less than one year	89 265	89 860
Between one and five years	405 760	408 360
More than five years	569 019	606 369
Total leases as lessor	**1 064 044**	**1 104 589**

2 Other operating income, net

NOK'000	2020	2019
Net gain/(loss) on disposal of property, plant and equipment	(545)	(460)
Income from intercompany recharges/mark-up	9 533	1 899
Other income/(expense)	(27)	595
Total other operating income, net	**8 961**	**2 034**

3 Other external expenses

NOK'000	2020	2019
Royalties and other fees	71 592	63 921
Lease expense	4 972	6 339
Other expenses	58 154	46 309
Total other external expenses	**134 718**	**116 569**

Fees to auditors and other operating expenses

KPMG was appointed statutory auditor for 2020. The remuneration to KPMG reflected in these financial statements is shown below:

NOK'000	2020	2019
Audit of these financial statements	215	524
Other assurance services	10	15
Tax	28	54
Other services other than assurance services	69	63
Total	**322**	**656**

Notes *(continued)*

4 Staff cost

NOK'000	**2020**	**2019**
Wages and salaries	37 509	42 987
Social security costs	5 998	6 103
Contributions to defined contribution plans	1 643	1 533
Total staff cost	**45 150**	**50 623**
Average number of full-time employees	36	36
Remuneration of key management personnel		
Wages and salaries	3 953	4 973
Social security costs	579	659
Contributions to defined contribution plans	274	254
Total remuneration of key management personnel	**4 806**	**5 886**
Average number of key management personnel	1,4	1,4

The Company has two different pension plans:
- unsecured pension liabilities related to one former employee - the liabilities are estimated according to fixed amount times statistical lifetime; at year-end 2020 the pension liabilities were estimated to NOK 269 thousand (see note 16)
- defined contribution plan (deposit-based pension) - it renders a contribution of 5% of wages (0G -7.1G) and 8 % (7.1G -12G); this year payment is NOK 1,390 thousand.

5 Financial income

NOK'000	**2020**	**2019**
Net foreign exchange gain	0	223
Interests on related parties assets	88	311
Other interest income	0	3
Total finance income	**88**	**537**

6 Financial expense

NOK'000	**2020**	**2019**
Net foreign exchange loss	510	175
Interest on financial liabilities	36 597	17 971
Interest on lease liabilities	27 485	28 180
Interests on related parties liabilities	296	146
Unwinding of discounts	1 801	1 686
Other interest expense	301	7
Total	**66 990**	**48 165**

Notes *(continued)*

7 Tax for the year

Recognised in the income statement

NOK'000	**2020**	**2019**
Current year	20 530	26 411
Adjustments for prior years	(13 206)	137
Total current tax expense	**7 324**	**26 548**
Deferred tax expense		
Origination and reversal of temporary differences	(1 983)	(2 096)
Adjustments for prior years	0	1 339
Total deferred tax expense	**(1 983)**	**(757)**
Tax expense in income statement (excluding share of tax of equity accounted investees)	5 341	25 791
Total tax expense	**5 341**	**25 791**
Income tax recognised in other comprehensive income		
Effective portion of changes in fair value of cash flow hedges	0	0
Total income tax from other comprehensive income	**0**	**0**
Reconciliation of effective tax rate		
Profit or loss before tax	**83 014**	**118 524**
Tax using the corporation tax rate in Norway of 22%	18 263	26 075
Non-deductible expenses	4 531	1 969
Tax exempt revenues	(4 247)	(3 729)
Under / (over) provided in prior years	(13 206)	1 476
Total tax expense	**5 341**	**25 791**

Notes (continued)

8 Property, plant and equipment

NOK'000	Land and buildings	Leasehold improvements	Right-of-use asset	Fixtures, fittings and equipment	Under construction	Total
Cost						
Balance at 1 January 2019	885 662	152 381	0	15 406	63 202	1 116 651
Adjustment on initial application of IFRS 16	0	0	658 972	0	0	658 972
Other acquisitions	32 162	2 832	3 637	1 923	11 546	52 100
Transfer	14 906	6 788	0	1 629	(23 323)	0
Disposals/Other movements	(6 515)	(639)	0	(604)	(19 750)	(27 508)
Balance at 31 December 2019	**926 215**	**161 362**	**662 609**	**18 354**	**31 675**	**1 800 215**
Balance at 1 January 2020	926 215	161 362	662 609	18 354	31 675	1 800 215
Other acquisitions	77 739	4 088	56 685	607	13 802	152 921
Transfer	34 382	1 735	0	(6 194)	(29 923)	0
Disposals/Other movements	4 705	(2 273)	(18 887)	(162)	(1 676)	(18 293)
Balance at 31 December 2020	**1 043 041**	**164 912**	**700 407**	**12 605**	**13 878**	**1 934 843**

NOK'000	Land and buildings	Leasehold improvements	Right-of-use asset	Fixtures, fittings and equipment	Under construction	Total
Depreciation and impairment						
Balance at 1 January 2019	199 717	100 756	0	10 180	0	310 653
Adjustment on initial application of IFRS 16	0	0	5 462	0	0	5 462
Depreciation charge for the year	15 511	5 332	42 535	1 603	0	64 981
Impairment losses/(reversal)	0	0	(5 462)	0	0	(5 462)
Disposals	0	0	0	(390)	0	(390)
Balance at 31 December 2019	**215 228**	**106 088**	**42 535**	**11 393**	**0**	**375 244**
Balance at 1 January 2020	215 228	106 088	42 535	11 393	0	375 244
Depreciation charge for the year	18 084	5 202	44 331	483	0	68 100
Impairment losses/(reversal)	631	6 063	1 725	0	0	8 419
Transfer	684	0	0	(684)	0	0
Disposals	0	(1 701)	(1 150)	(40)	0	(2 891)
Balance at 31 December 2020	**234 627**	**115 652**	**87 441**	**11 152**	**0**	**448 872**
Net book value						
At 31 December 2019	**710 987**	**55 274**	**620 074**	**6 961**	**31 675**	**1 424 971**
At 31 December 2020	**808 414**	**49 260**	**612 966**	**1 453**	**13 878**	**1 485 971**

8 Property, plant and equipment (continued)

Impairment loss and subsequent reversal
In 2019, the Company has identified that there are impairment indicators related to a number of CGUs (restaurants). Management has estimated the recoverable amount of the restaurants with impairment triggers based on its value in use. Based on the calculated value in use of restaurants the Company has recognised an impairment loss on Tangible Assets of NOK 8,400 thousand. The estimate of value in use was calculated using a pre-tax discount rate of 12 %.

Security
At 31 December 2020 assets disclosed as land and buildings with a carrying value of NOK 724.8 million (2019: NOK 670.2 million) were used as security for bank facilities. As security for mortgage loans the Company has registered mortgage security on the Company's properties of NOK 430.4 million.

9 Intangible assets

NOK'000	Contractual rights	Other	Total
Cost			
Balance at 1 January 2019	0	6 318	6 318
Other acquisitions – externally purchased	0	2 895	2 895
Balance at 31 December 2019	**0**	**9 213**	**9 213**
Balance at 1 January 2020	0	9 213	9 213
Other acquisitions – externally purchased	0	1 338	1 338
Balance at 31 December 2020	**0**	**10 551**	**10 551**

NOK'000	Contractual rights	Other	Total
Amortisation and impairment			
Balance at 1 January 2019	0	1 858	1 858
Amortisation for the year	0	1 519	1 519
Balance at 31 December 2019	**0**	**3 377**	**3 377**
Balance at 1 January 2020	0	3 377	3 377
Amortisation for the year	0	2 113	2 113
Balance at 31 December 2020	**0**	**5 490**	**5 490**
Net book value			
At 31 December 2019	**0**	**5 836**	**5 836**
At 31 December 2020	**0**	**5 061**	**5 061**

Notes *(continued)*

10 Investments in subsidiaries

NOK'000	**Profit after tax**	**Other comprehen-sive income**	**Total comprehen-sive income**	**Investment in subsidiaries**
Subsidiary	19 303	0	19 303	46 657

	Legal form	Domicile	Interest %	Equity	Net result
ZeroFive AS	AS	Norway	100 %	46 657	19 303

The subsidiary operates 16 (2019: 13) McDonald's restaurants under a sub-franchise contract with Food Folk Norge AS.
The Company owns in Zero Five AS 100 ordinary shares of NOK 1,000 each (share capital: 100 thousand NOK).

11 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**	
NOK'000	**2020**	**2019**	**2020**	**2019**
Property, plant and equipment	0	0	72 603	73 751
Trade and other receivables	0	(39)	10	0
Financial assets	0	0	712	763
Provisions	(11 807)	(11 418)	0	0
Other	(509)	(65)	0	0
Tax (assets) / liabilities	**(12 316)**	**(11 522)**	**73 325**	**74 514**
Net of tax liabilities/(assets)	12 316	11 522	(12 316)	(11 522)
Net tax (assets) / liabilities	**0**	**0**	**61 009**	**62 992**

Movement in net deferred tax during the year

NOK'000	**2020**	**2019**
Opening balance	62 992	63 749
Recognised in profit or loss	(1 983)	(757)
Recognised in equity	0	0
Closing balance	61 009	62 992
Total movement	**(1 983)**	**(757)**

12 Trade and other receivables

NOK'000	**2020**	**2019**
Trade receivables	31 709	24 884
Deposits	0	596
Prepayments	1 228	7 135
Derivative instruments	5	2
Other receivables	1 115	512
Total trade and other receivables	**34 057**	**33 129**

Notes *(continued)*

13 Cash and cash equivalents

NOK'000	2020	2019
Cash and cash equivalents	0	0
Total cash and cash equivalents	**0**	**0**
Restricted cash	1 754	1 619
Total restricted cash	**1 754**	**1 619**

14 Share capital

	Ordinary shares	
NOK'000	2020	2019
Share issued	170	170
On issue at 1 January	1 022	1 022
On issue at 31 December - fully paid	**1 022**	**1 022**

	Ordinary shares	
NOK'000	2020	2019
Allotted, called up and fully paid		
Ordinary shares of NOK 6,010 each	1 022	1 022
Total	**1 022**	**1 022**
Shares classified as liabilities	0	0
Shares classified in shareholders' funds	1 022	1 022
Total	**1 022**	**1 022**

100% of the share capital is owned and controlled by Food Folk Norge Holdings AS, Pløensgt 2, 0181 Oslo.

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

There were no change to the Company's share capital composition during the year. No shareholder holds special rights.
Food Folk Norge AS is a parent company, but does not prepare consolidated accounts, ref. section 3-7 in the Norwegian accounting act. The consolidated group accounts of Food Folk Norge Holdings are available at Pløensgt 2, 0181 Oslo.

Dividends
The following dividends were recognised during the period:

NOK'000	2020	2019
Nil (2019: NOK 509) per qualifying ordinary share	0	86 601

In addition, during 2020, a Group contribution has been paid to the holding company Food Folk Norge Holdings AS for an amount of NOK 60,026 thousand.

Notes *(continued)*

15 Other interest-bearing loans and borrowings

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

NOK'000	**2020**	**2019**
Non-current other interest-bearing loans and borrowings		
Secured bank loans	366 566	370 229
lease liabilities	600 340	595 620
Total non-current other interest-bearing loans and borrowings	**966 906**	**965 849**
Current other interest-bearing loans and borrowings		
Secured bank loans	3 663	(234)
Lease liabilities	26 695	28 495
Total current other interest-bearing loans and borrowings	**30 358**	**28 261**

Terms and debt repayment schedule	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**
NOK'000				**2020**	**2020**
Realkredit Danmark - Facility B1	NOK	Variable	2037	282 460	281 143
Realkredit Danmark - Facility B2	NOK	Variable	2037	91 000	89 086
Total				**373 460**	**370 229**

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

16 Provisions

NOK'000	**Pensions**	**Dilapidation**	**Total**
Balance at 1 January 2020	291	50 001	50 292
Provisions made during the year	0	2 399	2 399
Provisions used during the year	(22)	(831)	(853)
Provisions reversed during the year	0	28	28
Unwinding of discounted amount	0	1 801	1 801
Balance at 31 December 2020	**269**	**53 398**	**53 667**
Non-current	269	52 473	52 742
Current	0	925	925
Balance at 31 December 2020	**269**	**53 398**	**53 667**

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

Notes *(continued)*

17 Trade and other payables

NOK'000	2020	2019
Trade payables	13 370	10 634
Interest payable	0	172
Deposits received	0	596
Derivative instruments	20 431	269
VAT & duties	4 252	8 309
Payroll related	15 661	13 314
Other payables and accrued expenses	14 947	15 074
Total trade and other payables	**68 661**	**48 368**

18 Financial instruments

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

The existence of these financial instruments exposes the Company to a number of financial risks, which are described in more detail below. In order to manage the Company's exposure to those risks, in particular the Company's exposure to interest rate risk, the Company enters into a number of derivative transactions including, but not limited to, variable to fixed rate interest rate swaps. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

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

18 (a) Fair values of financial instruments

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

NOK'000	2020	2019
Cash and cash equivalents	0	0
Restricted cash	1 754	1 619
Receivables from related parties	32 251	11 820
Trade and other receivables	34 052	33 127
Total financial assets at amortised cost	**68 057**	**46 566**
Financial assets designated as fair value through profit or loss	5	2
Total financial assets	**68 062**	**46 568**
Other interest-bearing loans and borrowings	997 264	994 110
Trade and other payables	48 230	48 099
Payables to related parties	67 466	2 824
Provisions	53 667	50 292
Total financial liabilities at amortised cost	**1 166 627**	**1 095 325**
Financial liabilities designated as fair value through profit or loss	20 431	269
Total financial liabilities	**1 187 058**	**1 095 594**
Total net financial instruments	**(1 118 996)**	**(1 049 026)**

The fair value of financial instruments is deemed to be materially equivalent to the carrying value, except for other interest-bearing loans and borrowings. The fair value of other interest-bearing loans and borrowings for the Company is NOK 504,287 thousand.

Notes *(continued)*

18 Financial instruments (Continued)

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

Fair value hierarchy

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

Effect of change of inputs used in fair value measurement

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

18 (b) Credit risk

Financial risk management

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

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

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

Credit quality of financial assets and impairment losses

NOK'000	Gross 2020	Gross 2019	Impairment 2020	Impairment 2019
Not past due	26 085	24 035	0	0
Past due	5 624	849	0	(199)
Total	**31 709**	**24 884**	**0**	**(199)**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

NOK'000	2020	2019
Balance at 1 January	(199)	(26)
Provisions made during the year	0	(310)
Provisions used during the year	94	26
Provisions reversed during the year	105	0
Amounts written off	0	111
Balance at 31 December	0	(199)
Total movement	**199**	**(173)**

The allowance account for trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

Notes *(continued)*

18 Financial instruments (Continued)

18 (c) Liquidity risk

Financial risk management

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

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

31 December 2020

NOK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to 5 years	over 5 years
Non-derivative financial liabilities						
Secured bank loans	370 229	504 288	18 276	31 179	128 749	326 084
Lease liabilities	627 035	903 088	61 148	60 974	168 831	612 135
Payables to related parties	67 466	67 466	67 466	0	0	0
Trade and other payables	48 230	48 230	48 230	0	0	0
Derivative financial liabilities						
Interest rate swaps	20 431	20 431	20 431	0	0	0
Total	**1 133 391**	**1 543 503**	**215 551**	**92 153**	**297 580**	**938 219**

31 December 2019

Non-derivative financial liabilities						
Secured bank loans	369 995	518 658	14 370	18 276	100 645	385 367
Lease liabilities	624 115	901 603	58 365	58 278	164 972	619 988
Payables to related parties	2 824	2 824	2 824	0	0	0
Trade and other payables	48 099	48 099	48 099	0	0	0
Derivative financial liabilities						
Interest rate swaps	269	269	269	0	0	0
Total	**1 045 302**	**1 471 453**	**123 927**	**76 554**	**265 617**	**1 005 355**

18 (d) Market risk

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

Market risk - Foreign currency risk

The Company's operations have no significant exposure to foreign currency risk at year end. As a result, a sensitivity analysis has not been presented for the Company.

Market risk - Interest rate risk

The Company has loans and borrowings in local currency with variable nominal interest rates as described in note 15. Variable rates may lead to unexpected increases in financial expenses. Therefore, the Company use a fixed rate hedge contract to hedge the variability of the interest rates. The hedge follows the same period as the loans, for the majority of the amount.

Notes *(continued)*

18 Financial instruments (Continued)

18 (d) Market risk

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

NOK'000	2020	2019
Fixed rate instruments		
Financial assets	5	2
Financial liabilities	(20 431)	(269)
Total fixed rate instruments	**(20 426)**	**(267)**
Variable rate instruments		
Financial assets	1 754	1 619
Financial liabilities	(434 080)	(371 486)
Total variable rate instruments	**(432 326)**	**(369 867)**

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

Sensitivity analysis

A change of 100 basis points in interest over the year would have increased/decreased the result for the year by NOK 4,323 thousands (2019: NOK 3,699 thousands). The analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of all financial instruments with variable interest rates.

18 (e) Capital management

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

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

The debt and equity balances are subject to externally imposed capital requirements, such as those imposed by third party loan providers and McDonald's. The Group has been in compliance with these capital requirements during the year.

19 Commitments

Capital commitments

During the year ended 31 December 2020, the Company entered into contracts to purchase property, plant and equipment for NOK 13,540 thousand (2019: NOK 15,881 thousand).

Off-balance sheet arrangements

No other guarantees to be disclosed as at 31 December 2020.

20 Related parties

Parent and ultimate controlling party

During 2017, the Company's shares were acquired by Food Folk Norge Holding AS from McDonald's Corporation. As a result, the new ultimate controlling party of the Company is Guy Hands (the previous ultimate controlling party was McDonald's Inc) and McDonald's Corporation is not anymore a related party. The next most senior parent which prepares consolidated financial statements is Food Folk Norge Holding AS. A copy of these financial statements can be obtained from the company address: Pløensgt 2, 0181 Oslo.

Key management personnel compensation

Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to post-employment defined contribution plans (see Note 4).

Notes *(continued)*

20 Related parties (continued)

Group related party transactions
Group companies within the Food Folk Group are rendering/receiving services for the use in ordinary business operations. All transactions are priced on an arm's length basis and are settled in cash at the request of the related party. None of the balances in respect of related party transactions are secured.

NOK'000	*Sale of services* **2020**	*Royalties* **2020**	*Purchase of services* **2020**	*Interest income* **2020**	*Interest expenses* **2020**
Food Folk Group Holdings AS	784	0	(11 814)	88	(296)
Zero Five AS	80 749	31 120	0	0	0
Food Folk Denmark Aps	2 219	0	(7 591)	0	0
Food Folk Suomi Oy	1 590	0	(1 372)	0	0
Food Folk Sverige AB	4 940	0	(14 117)	0	0
Total	**90 282**	**31 120**	**(34 894)**	**88**	**(296)**

NOK'000	*Cash-pooling balances* **2020**	*Loans receivable outstanding* **2020**	*Receivables outstanding* **2020**	*Payables outstanding* **2020**	*Dividends/Group Contribution paid* **2020**
Food Folk Group Holdings AS	(63 851)	0	103	(815)	0
Food Folk Norge Holdings AS	0	0	0	0	(60 026)
Zero Five AS	0	0	30 888	0	0
Food Folk Denmark Aps	0	0	320	(588)	0
Food Folk Suomi Oy	0	0	229	(155)	0
Food Folk Sverige AB	0	0	711	(2 057)	0
Total	**(63 851)**	**0**	**32 251**	**(3 615)**	**(60 026)**

NOK'000	*Sale of services* **2019**	*Royalties* **2019**	*Purchase of services* **2019**	*Interest income* **2019**	*Interest expenses* **2019**
Food Folk Group Holdings AS	389	0	(7 673)	311	(146)
Zero Five AS	71 137	27 599	0	0	0
Food Folk Denmark Aps	935	0	(6 082)	0	0
Food Folk Suomi Oy	503	0	0	0	0
Food Folk Sverige AB	503	0	(8 914)	0	0
Total	**73 467**	**27 599**	**(22 669)**	**311**	**(146)**

NOK'000	*Cash-pooling balances* **2019**	*Loans receivable outstanding* **2019**	*Receivables outstanding* **2019**	*Payables outstanding* **2019**	*Dividends/Group Contribution paid* **2019**
Food Folk Group Holdings AS	(1 491)	0	44	(210)	(56 342)
Food Folk Norge Holdings AS	0	0	0	0	(128 003)
Zero Five AS	0	0	11 643	(22)	7 719
Food Folk Denmark Aps	0	0	44	(325)	0
Food Folk Suomi Oy	0	0	44	0	0
Food Folk Sverige AB	0	0	45	(776)	0
Total	**(1 491)**	**0**	**11 820**	**(1 333)**	**(176 626)**

***Notes** (continued)*

21 Leases

The Company leases mainly properties. Information about leases for which the Company is a lessee is presented below.

i. Amounts recognised in Statemenf of financial position

	NOK'000
- Right-of-use assets (presented in Property, plant and equipment - see note 8)	612 966
- Prepaid expense (presented in Trade and Other Receivables)	(7 376)
- Lease liabilities (presented in Other interest-bearing loans and borrowings - see note 15)	(627 035)

ii. Amounts recognised in Income Statement

	NOK'000
- Depreciation charges (including impairment loss/reversal)	46 056
- Interest on lease liabilities	27 485
- variable lease payments not included in the measurement of lease liabilities (including COVID-19 rent concessions)	4 860
- expenses relating to other short-term leases	11
- expenses relating to leases of low-value assets	113
- other expenses	(12)

Some leases of restaurants contain variable lease payments that are based on sales made by the Company at the restaurant. Fixed and variable rental payments for the period ended 31 December 2020 were as follows:

	NOK'000
Fixed payments	25 004
Variable payments	5 476
Total lease payments based on sales	30 480

The Company expects the incidence variable lease payments over the fixed ones to increase consistently with the sales growth expected for the future years.

iii. Amounts recognised in statement of cash flows

	NOK'000
- Payment of lease liabilities (interest portion)	(27 660)
- Payment of lease liabilities (principal portion)	(33 104)
Total cash outflow for leases	(60 764)

iv. Extension Options

Most of the restaurants lease contract contain extension options exercisable only by the Company and not by lessors up to a specific period (usually not higher than one year) before the end of the non-cancellable contract period. The Company assesses at lease commencement whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its controls.
According to the master franchise agreement with McDonald's, expiring 31 March 2037, a restaurant cannot be closed without its approval, even though it is loss making. It is therefore assumed that the lease term will be renewed until 31 March 2037 if there is not an approval from McDonalds to close a specific restaurant.
As a consequence, all available extension options have been already included in the lease term until the closest date to 31 March 2037. No other potential future lease payments not included in lease liabilities can be therefore disclosed.

v. Lease not yet commenced

The Company has entered during 2020 into lease agreements with few landlords not yet commenced, but committing to pay rent from the subsequent year.

The estimated amount of lease liability for the lease period has been assessed around NOK 7 million.

vi. Rent concessions

The Company negotiated rent concessions with its landlords for some of its leases as a result of the severe impact of the COVID-19 pandemic during the year. The Company applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to its properties leases.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Company has applied the practical expedient for COVID-19-related rent concessions is NOK 616 thousand (2019: nil).

Notes *(continued)*

22 Changes in liabilities from financing activities

NOK'000	Opening balance	IFRS 16 initial application	Cash flows	Non-cash transactions	Closing balance
2020					
Debt to credit institutions	370 229	0	0	(3 663)	366 566
Lease liabilities	595 620	0	(60 764)	65 484	600 340
Long-term liabilities	**965 849**	**0**	**(60 764)**	**61 821**	**966 906**
Debt to credit institutions	(234)	0	0	3 897	3 663
Lease liabilities	28 495	0	0	(1 800)	26 695
Short-term liabilities	**28 261**	**0**	**0**	**2 097**	**30 358**
Liability from financing activities for 2020	**994 110**	**0**	**(60 764)**	**63 918**	**997 264**
2019					
Debt to credit institutions	265 754	0	88 750	15 725	370 229
Lease liabilities	0	625 411	(59 228)	29 437	595 620
Long-term liabilities	**265 754**	**625 411**	**29 522**	**45 162**	**965 849**
Debt to credit institutions	12 639	0	0	(12 873)	(234)
Lease liabilities	0	26 172	0	2 323	28 495
Short-term liabilities	**12 639**	**26 172**	**0**	**(10 550)**	**28 261**
Liability from financing activities for 2019	**278 393**	**651 583**	**29 522**	**34 612**	**994 110**

23 Subsequent events

Market risk caused by COVID-19 outbreak continues in 2021. The Company is following the developments and the authorities' recommendations closely, and taking the measures deemed necessary to reduce the impact in the short and long term.
In spite of this, the beginning of 2021 has been strong in terms of sales and profits. The sales performance of the first quarter of 2021 increased compared to last year, despite some restaurants have been partly or fully closed due to governmental restrictions in downtown. From an EBITDA perspective, results at the end of March are higher than plan.

Where identified due to uncertainties or implications, adjustments have been considered in the financial statements 2020. However, in conclusion, the COVID-19 pandemic does not materially affect the Company financial position at 31 December 2020.

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Anders Torbjörn Hägg
Board Member
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IP: 213.89.xxx.xxx
2021-04-19 10:51:12Z

Lars Børre Kleivan
Managing Director
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To the General Meeting of Food Folk Norge AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Food Folk Norge AS, which comprise the balance sheet as at 31 December 2020, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors 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.

KPMG

Food Folk Norge AS

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Hamar, 19 April 2021
KPMG AS

Thore Kleppen
State Authorised Public Accountant

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Jeanette Munkvold Skovholt	25.04.2018	14.05.2018
Telefon	Deres referanse	Vår referanse
90076012	Kennet Wienecke	2018/605516

FOOD FOLK GROUP HOLDINGS AS
Storgata 15
0155 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev av 25. april 2018 hvor dere søker om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for:

- Food Folk Group Holdings AS, org.nr. 817 906 222
- Food folk Norge Holdings AS, org.nr. 917 906 254
- Food Folk Norge AS, org.nr. 950 173 378
- Zero Five AS, org.nr. 951 816 981

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering ovenstående selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn
Fra søknaden gjengis:

Food Folk Group Holdings AS ("Food Folk") er Development Licensee til McDonald's Corporation I Norden ("McD") — og holder rettighetene til å utvikle, drive og videreleie rettighetene til McDonald's restauranter i de nordiske markedene gjennom en 20 års Master Unit Franchise Agreement ("MUFA") med McD.

Alle aksjene i Food Folk eies av en utenlandsk aksjonaer, Capitola Capital II S.a.r.l som igjen eies av engelskmannen Guy Hands.

Det er således klart at hovedmassen av aksjonærene ikke forstår norsk, men fullt ut behersker engelsk. Engelskkunnskaper er således nødvendig for å holde seg oppdatert om selskapet. All intern rapportering og kommunikasjon, med unntak av oversettelsen av årsregnskap og årsrapport til norsk som følge av lovkrav, foregår på engelsk. Det er ikke formidlet noe ønske fra selskapets aksjonærer om at slik rapportering og kommunikasjon bør være på norsk som et supplement til engelsk.

McDonalds er et internasjonalt konsern med virksomhet i mange land og med profesjonelle

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
	E-post: skatteetaten.no/sendepost	22 17 08 60

kontraktsmotparter, og behersker engelsk fullt ut.

Food Folks interne og eksterne arbeidsspråk er engelsk. Hovedbankforbindelse til Food Folk (Danske Bank) har i tillegg krevd at engelsk benyttes ved rapportering. Flesteparten av konsernets ansatte snakker ikke norsk. Konsernledelsen og styret har medlemmer som ikke behersker norsk. Alle sakspapirer til styre og konsernledelse er på engelsk.

En rekke av de personer som utarbeider grunnlagsdata for årsregnskap og årsberetning behersker ikke norsk. I praksis arbeides det med den engelske versjon av årsrapporten, som siden oversettes til norsk.

En norsk oversettelse vil kun ha til formål å tilfredsstille regnskapslovens språkkrav.

Skattedirektoratets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal "*årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.*"

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at det norske konsernet er heleid av et utenlandsk selskap, og at eierkretsen derfor er begrenset. Det er videre lagt vekt på at selskapet har utenlandske styremedlemmer, og at arbeidsspråket er engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Jeanette Munkvold Skovholt

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer