GLOBUS WINE A/S

Bragesvej 1
4600 Køge
CVR No. 27366988

Annual report 2023

The Annual General Meeting adopted the annual report on 28.06.2024

Tomi Janne Halttunen
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2023	11
Balance sheet at 31.12.2023	12
Statement of changes in equity for 2023	14
Notes	15
Accounting policies	21

Entity details

Entity

GLOBUS WINE A/S
Bragesvej 1
4600 Køge

Business Registration No.: 27366988
Date of foundation: 01.10.2003
Registered office: Køge
Financial year: 01.01.2023 - 31.12.2023
Phone number: +45 43 43 43 74
Fax: +45 39 30 90 39
URL: www.globuswine.dk

Board of Directors

Tomi Janne Halttunen, chairperson
Sigmund Laszlo Toth
Risto Tapani Gaggl

Executive Board

Jens Christian Voldmester

Bank

Danske Bank
Stensbjergsvej 1, 1. sal
4600 Køge

Auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup
CVR No.: 33771231

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of GLOBUS WINE A/S for the financial year 01.01.2023 - 31.12.2023.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Køge, 28.06.2024

Executive Board

Jens Christian Voldmester

Board of Directors

Tomi Janne Halttunen
chairperson

Sigmund Laszlo Toth

Risto Tapani Gaggl

Independent auditor's report

To the shareholders of GLOBUS WINE A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company’s operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of GLOBUS WINE A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (“financial statements”).

Basis for opinion

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Copenhagen, 28.06.2024

PricewaterhouseCoopers Statsautoriseret revisionspartnerselskab
CVR No. 33771231

Flemming Eghoff
State Authorised Public Accountant
Identification No (MNE) mne30221

Kenneth Østergaard
State Authorised Public Accountant
Identification No (MNE) mne47262

Management commentary

Financial highlights

	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key figures					
Revenue	906,446	813,247	726,419	695,851	588,269
Gross profit/loss	67,887	82,327	114,847	96,536	40,554
Operating profit/loss	(24,656)	(6,304)	43,098	31,811	(18,062)
Net financials	(15,992)	(4,698)	(3,361)	(4,194)	(1,600)
Profit/loss for the year	(29,817)	(6,970)	32,877	15,047	(14,351)
Total assets	342,793	316,919	257,909	211,168	236,003
Investments in property, plant and equipment	2,072	1,611	12,737	3,569	6,895
Equity	15,806	49,381	69,508	44,012	35,598
Average number of employees	140	127	105	93	82
Ratios					
Gross margin (%)	7.49	10.12	15.81	13.87	6.89
EBIT margin (%)	(2.72)	(0.78)	5.93	4.57	(3.07)
Net margin (%)	(3.29)	(0.86)	4.53	2.16	(2.44)
Return on equity (%)	(91.48)	(11.73)	57.92	37.80	(33.53)
Equity ratio (%)	4.61	15.58	26.95	20.84	15.08

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):
<u>Gross profit/loss * 100</u>
Revenue

EBIT margin (%):
<u>Operating profit/loss * 100</u>
Revenue

Net margin (%):
<u>Profit/loss for the year * 100</u>
Revenue

Return on equity (%):
<u>Profit/loss for the year * 100</u>

Average equity

Equity ratio (%):
Equity * 100
Total assets

Primary activities

The Company's main activity is filling wine into bag-in-boxes and bottles. The wines are either sold as Globus Wine's own brands or filled on behalf of third party brand owners.

Development in activities and finances

Revenue increased by DKK 93.2 million to DKK 906.4 million against DKK 813.2 million last year. Profit before tax decreased by DKK 29.7 million to DKK -39.0 million against DKK -9.3 million last year. Profit after tax decreased by 22.8 million to DKK -29.8 million from DKK -7.0 million last year. Equity of DKK 15.8 million as per 31. December 2023 is DKK 33.6 million lower than last year.

Profit/loss for the year in relation to expected developments

Management considers the top line result of the Company overall satisfactory, however unsatisfactory when considering the bottom-line as the expectations were not met.

The 2023 financial bottom-line result

2023 was a disappointing year financially for the company, as several key events impacted the bottom-line result significantly. The commercial success and growth leading to increased volume the past years, required the company to staff up significantly to continue to deliver at the highest quality level and on time. The constant year over year volume growth furthermore led to a requirement for a significant capital investment in our production facility, to pave the way for further growth together with our clients. These investments impacted our operational efficiency and throughput, leading to the company having to utilize external filling solutions which came at a significant cost. Thirdly, the macro-economic and political turmoil impacted the predictability of the supply chain throughout the world, leading to suppliers stocking up and combining shipments to us. This led to significant demurrage (harbor rental cost) again directly impacting the bottom line. Finally, the uncertain energy situation throughout Europe led to very significant energy surcharges.

So, while the bottom-line result was a disappointment, the company moves forward knowing that it was investments in our customers of tomorrow combined with significant one-off cost, that primarily led to the poor result.

Our top line strategy continues to impress & profitability is increasing

We continue to see growth in all key segments, and a strengthening of our customer relations. In terms of sourcing, we continue to add new markets, producers, and knowledge, to further strengthen our leading service platform and value proposition to customers. In marketing, our continued strengthening of market insight and local market understanding provide a strong position to help our customers build value with new concepts and products in the wine category. We have invested significant effort and costs to deliver on our customer promises.

Outlook

For 2024, the company expects a revenue in the range DKK 900-940 million pre-excise wine duties and profit before tax of DKK 40-50 million. Positive cash flows from operating activities are expected.

In 2024 we will continue and intensify the strategic focus on building brands and realize organic growth in the Northern European markets for both own and partner brands. We will continue the focus on operational excellence and efficiency, which was significantly improved during 2023. We furthermore expect to reap the FY benefits of the initiatives implemented in 2023, with respect to profit margins, as we continue to serve and grow with our customers, with a joint ambition of further adding value and innovation to the wine category. The further benefit of being under the Anora umbrella will continue to materialize and lead to increased volume going through our operation. Ultimately, we believe the investments and initiatives made will lead to a positive bottom line for 2024.

Use of financial instruments

Due to the Group's activities abroad, profit, cash flows and equity are affected by the development in exchange rates for several currencies, primarily USD, SEK, AUD, and ZAR. To a certain extent, the Group hedges currency risks by entering forward exchange contracts and by making purchases and sales in the same currency.

Statutory report on corporate social responsibility

The Group works actively with social responsibility with focus om human rights, social and employee conditions, anti-corruption as well as climate- and environmental conditions. In regard to the statutory requirement of the corporate social responsibility reporting we refer to the CSR-report on https://downloads.ctfassets.net/197jjpt91b9r/6AhhDJUCh4sJM79dqrYIrQ/58165736c57f2c0b54d391824e842c28/Anora_Annual_Report_2023.pdf

Statutory report on the underrepresented gender

	2023
Supreme management body	
Total number of members	3
Underrepresented gender (%)	0.00
Target figures (%)	33.00
Year of expected achievement of target figures	2025

Cf. §99b in the Danish Financial Statements Act, the Company´s policy regarding management diversity aims on having 50% female members on the board of Directors. However, the company also aims on having the most qualified resources available.

	2023
Other management levels	
Total number of members	5
Underrepresented gender (%)	40.00

The company is currently not in compliance with the policy as 100% members of the board are male (3 persons). Due to internal matters in 2023, it has not been possible to find available qualified female candidates. The Company aim to meet the target of 50% female members on the Board of Directors in 2025 at the latest.

The Company´s policy regarding management diversity aims on having 40% female members on other managerial positions (directors and department leaders). The company is currently in compliance and meets requirement of equal gender composition.

Statutory report on data ethics policy

The board has not adopted a specific policy for data ethics but has taken appropriate measure to ensure ethical data processing and has implemented protective measures to ensure the storage of data. It is management's assessment that the organization's maturity in relation to the handling of personal data in accordance with the GDPR and the work with IT at a more general level is at an appropriate level. All employees are informed about the importance of adhering to the GDPR and other related laws, and are receiving training in these topics.

Income statement for 2023

	Notes	2023 DKK'000	2022 DKK '000
Revenue	2	906,446	813,247
Changes in inventories of finished goods and work in progress		18,658	22,143
Other operating income	3	1,796	780
Cost of sales		(770,793)	(692,270)
Other external expenses	4	(88,220)	(61,573)
Gross profit/loss		**67,887**	**82,327**
Staff costs	5	(83,712)	(79,701)
Depreciation, amortisation and impairment losses	6	(8,333)	(8,930)
Other operating expenses		(498)	0
Operating profit/loss		**(24,656)**	**(6,304)**
Income from investments in group enterprises		1,637	1,724
Other financial income	7	1,206	1,157
Other financial expenses	8	(17,198)	(5,855)
Profit/loss before tax		**(39,011)**	**(9,278)**
Tax on profit/loss for the year	9	9,194	2,308
Profit/loss for the year	10	**(29,817)**	**(6,970)**

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Acquired intangible assets		3,590	4,269
Development projects in progress	12	148	482
Intangible assets	11	**3,738**	**4,751**
Plant and machinery		38,426	43,952
Other fixtures and fittings, tools and equipment		4,361	1,287
Leasehold improvements		4,676	7,846
Property, plant and equipment in progress		0	71
Property, plant and equipment	13	**47,463**	**53,156**
Investments in group enterprises		5,107	3,407
Financial assets	14	**5,107**	**3,407**
Fixed assets		**56,308**	**61,314**
Raw materials and consumables		45,593	28,207
Manufactured goods and goods for resale		165,492	146,833
Inventories		**211,085**	**175,040**
Trade receivables		38,135	33,988
Receivables from group enterprises		18,649	19,302
Deferred tax	15	1,879	0
Other receivables		414	4,914
Prepayments	16	312	1,968
Receivables		**59,389**	**60,172**
Cash		**16,011**	**20,393**
Current assets		**286,485**	**255,605**
Assets		**342,793**	**316,919**

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital	17	1,725	1,725
Reserve for fair value adjustments of hedging instruments		(569)	3,238
Reserve for net revaluation according to the equity method		4,733	3,020
Reserve for development expenditure		115	0
Retained earnings		9,802	41,398
Equity		**15,806**	**49,381**
Deferred tax	15	0	6,516
Provisions		**0**	**6,516**
Payables to group enterprises		160,000	0
Holiday pay obligation		4,170	4,075
Non-current liabilities other than provisions	18	**164,170**	**4,075**
Trade payables		122,802	105,102
Payables to group enterprises		3,698	111,430
Joint taxation contribution payable		0	5,990
Other payables		36,317	34,425
Current liabilities other than provisions		**162,817**	**256,947**
Liabilities other than provisions		**326,987**	**261,022**
Equity and liabilities		**342,793**	**316,919**
Events after the balance sheet date	1		
Financial instruments	19		
Unrecognised rental and lease commitments	20		
Contingent liabilities	21		
Assets charged and collateral	22		
Related parties with controlling interest	23		
Non-arm’s length related party transactions	24		
Group relations	25		

Statement of changes in equity for 2023

	Contributed capital DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	1,725	3,238	3,020	0	41,398
Exchange rate adjustments	0	0	46	0	0
Value adjustments	0	(4,881)	0	0	0
Other entries on equity	0	0	30	0	(27)
Tax of entries on equity	0	1,074	0	0	0
Transfer to reserves	0	0	0	115	(115)
Profit/loss for the year	0	0	1,637	0	(31,454)
Equity end of year	**1,725**	**(569)**	**4,733**	**115**	**9,802**

	Total DKK'000
Equity beginning of year	49,381
Exchange rate adjustments	46
Value adjustments	(4,881)
Other entries on equity	3
Tax of entries on equity	1,074
Transfer to reserves	0
Profit/loss for the year	(29,817)
Equity end of year	**15,806**

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation ofthis annual report.

2 Revenue

All revenue relates to the wine bottling activity. The Groups has not disclosed the breakdown of revenue by geographical and business segments, see section 96(1) of the Danish Financial Statements Act, as Management is of the opinion that such disclosure could be highly detrimental to the Group.

3 Other operating income

	2023 DKK'000	2022 DKK'000
Administration fee - subsidiaries	780	780
Salary reimbursement	1,016	0
	1,796	**780**

4 Fees to the auditor appointed by the Annual General Meeting

With reference to section 96(3) of the Danish Financial Statements Act, audit fees are not disclosed as audit fees are disclosed for the Group as such in the consolidated financial statements of Anora Group Plc.

5 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	72,466	70,151
Pension costs	6,636	5,549
Other social security costs	1,067	1,000
Other staff costs	3,543	3,001
	83,712	**79,701**
Average number of full-time employees	140	127

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to the Management is not disclosed.

6 Depreciation, amortisation and impairment losses

	2023 DKK'000	2022 DKK'000
Amortisation of intangible assets	1,083	1,117
Depreciation of property, plant and equipment	7,250	7,813
	8,333	**8,930**

7 Other financial income

	2023 DKK'000	2022 DKK'000
Financial income from group enterprises	853	548
Other interest income	353	38
Exchange rate adjustments	0	571
	1,206	**1,157**

8 Other financial expenses

	2023 DKK'000	2022 DKK'000
Financial expenses from group enterprises	5,907	911
Other interest expenses	9,739	4,342
Exchange rate adjustments	1,141	0
Other financial expenses	411	602
	17,198	**5,855**

9 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Current tax	0	196
Change in deferred tax	(9,194)	(2,504)
	(9,194)	**(2,308)**

10 Proposed distribution of profit and loss

	2023 DKK'000	2022 DKK'000
Retained earnings	(29,817)	(6,970)
	(29,817)	**(6,970)**

11 Intangible assets

	Acquired intangible assets DKK'000	Development projects in progress DKK'000
Cost beginning of year	7,801	482
Transfers	404	(404)
Additions	0	148
Disposals	0	(78)
Cost end of year	**8,205**	**148**
Amortisation and impairment losses beginning of year	(3,532)	0
Amortisation for the year	(1,083)	0
Amortisation and impairment losses end of year	**(4,615)**	**0**
Carrying amount end of year	**3,590**	**148**

12 Development projects

Completed development projects and development projects in progress include the development of tecnology which automate various processes within the production of wine. The development projects are expected to be completed within one year and comprise only of external costs.

13 Property, plant and equipment

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	86,364	2,230	9,302	71
Transfers	54	4,244	(4,244)	(54)
Additions	1,013	47	1,012	0
Disposals	(11,076)	0	0	(17)
Cost end of year	**76,355**	**6,521**	**6,070**	**0**
Depreciation and impairment losses beginning of year	(42,412)	(943)	(1,456)	0
Transfers	0	(869)	869	0
Depreciation for the year	(6,095)	(348)	(807)	0
Reversal regarding disposals	10,578	0	0	0
Depreciation and impairment losses end of year	**(37,929)**	**(2,160)**	**(1,394)**	**0**
Carrying amount end of year	**38,426**	**4,361**	**4,676**	**0**

14 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	387
Disposals	(13)
Cost end of year	**374**
Revaluations beginning of year	3,020
Exchange rate adjustments	46
Share of profit/loss for the year	1,637
Other adjustments	30
Revaluations end of year	**4,733**
Carrying amount end of year	**5,107**

Investments in subsidiaries	**Registered in**	**Corporate form**	**Equity interest %**
Globus Wine GmbH	Harrislee, Germany	GmbH	100.00
Globus Wine Germany	Harrislee, Germany	GmbH	100.00

15 Deferred tax

	2023 DKK'000	2022 DKK'000
Intangible assets	(785)	(933)
Property, plant and equipment	(5,433)	(5,807)
Inventories	(2,338)	(2,040)
Tax losses carried forward	10,435	2,459
Other taxable temporary differences	0	(195)
Deferred tax	**1,879**	**(6,516)**

Changes during the year	**2023 DKK'000**	**2022 DKK'000**
Beginning of year	(6,516)	(9,020)
Recognised in the income statement	9,194	2,504
Recognised directly in equity	1,074	0
Received joint taxation contribution receivables	(1,873)	0
End of year	**1,879**	**(6,516)**

Deferred tax assets

As it is expected to generate taxable income within the next couple of years we have recognized a deferred tax asset.

16 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

17 Share capital

	Number	Par value DKK'000	Recorded par value DKK'000
Share capital	1,725	1	1,725
	1,725		**1,725**

The share capital has not changed for 5 years.

18 Non-current liabilities other than provisions

	Due after more than 12 months 2023 DKK'000	Outstanding after 5 years 2023 DKK'000
Payables to group enterprises	160,000	0
Holiday pay obligation	4,170	4,170
	164,170	**4,170**

19 Financial instruments

Other recevables and payabels include positive and negative fair value of derivative financial instruments of a net negative DKK (730) thousand. Derivative financial instruments have been entered into to hedge exchange rate exposure of future purchases for ZAR and USD. Forward exchange contracts expire between January 2023 and December 2024.

20 Unrecognised rental and lease commitments

	2023 DKK'000	2022 DKK'000
Liabilities under rental or lease agreements until maturity in total	**171,001**	**104,017**

Rent and lease liabilities include rent obligations totalling DKK 171,001 thousand in rent agreements with a contract period of 1-14 years.

21 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Arcus Denmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

22 Assets charged and collateral

Bank guarantee of DKK 40 thousand has been proided as bank guarantee and security for the Danish Authorities. This guarantee is mandatory for companies with activities including production of alcohol.

Bank guarantees totalling DKK 5,571 thousand have been put up as security for debt to third parties.

23 Related parties with controlling interest

Anora Group Plc, P.O. Box 350, 00101 Helsinki, Finland owns all shares in the Entity, thus exercising control.

24 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

25 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Anora Group Plc, P. O. Box 350, 00101 Helsinki, Finland

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Merlot HoldCo Aps, Bragesvej 1, 4600 Køge

Copies of the consolidated financial statements of Anora Group Plc may be ordered at the following address:
P. O. Box 350, 00101 Helsinki, Finland

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year. The financial statements are presented in T.DKK.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value, which has been calculated as the discounted value of expected future net cash flows by using an approximate risk-free interest rate adjusted for any factors that a potential market participant would attribute value to when acquiring the instrument. Derivative financial instruments are recognised in other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in the reserve for fair value adjustments of hedging instruments in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.
Income from the sale of goods for resale and finished goods is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

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

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods. This item includes normal writedowns of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

Other operating income

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

Cost of sales

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity’s primary activities, including loss from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

The item includes the entity's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

The proportionate share of the individual subsidiaries' profit/loss after tax after full elimination of internal gains/losses are recognised in the parent company's income statement.

Other financial income

Financial income are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income, realised and unrealised exchange gains on foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Other financial expenses

Financial expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest expenses, financial expenses related to finance leases, realised and unrealised exchange losses on foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3-5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Plant and machinery	10 - 40 years
Other fixtures and fittings, tools and equipment	3 -10 years
Leasehold improvements	3 - 20 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.
Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in subsidiaries are measured, using the equity method, at the Parent Company's proportionate share of such entities' equity plus goodwill on consolidation and intra-group losses and less intra-group gains and negative goodwill, if any. Investments in entities whose net asset value is negative are measured at DKK 0. The entity's proportionate share of a deficit on equity, if any, is set off against receivables from the investment in so far as the deficit is irrecoverable. Amounts in excess thereof are recognised under ‘Provisions' in so far as the Parent Company has a legal or constructive obligation to cover the deficit.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

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

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables
Receivables are measured at amortised cost.

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

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

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

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

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Joint taxation contributions payable or receivable
Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are

expected to be used under the joint taxation arrangement.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of Merlot HoldCo ApS, Business Reg. No. 38 12 54 94.