Merlot HoldCo ApS

Bragesvej 1, 4600 Køge

CVR no. 38 12 54 94

Annual report 2019

Approved at the Company's annual general meeting on 26.08.2020

Chairman:

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Statement by the Board of Directors and the Executive Board

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

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2019 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2019.

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

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

Køge, 6 May 2020
Executive Board:

Stian Glendrange

Board of Directors:

Wilhelm Mohn Chairman	Gudmund Killi	Henning Skov Andersen

Lars Peter Rasmussen

Independent auditor's report

To the shareholders of Merlot HoldCo ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Merlot HoldCo ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent Company financial statements" (herinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 6 May 2020
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Robert Christensen
State Authorised Public Accountant
mne16653

Martin Stenstrup Toft
State Authorised Public Accountant
mne42786

Management's review

Letter from the Board of Directors

The Group made good progress during 2019. The organisation delivered growth well above the general market, despite severe challenges related to the relocation process to the company's new facilities and plant in Køge.

Our strategy is working.

We 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. With the addition of two new high capacity filling lines, we are further strengthening the pillars for cost leadership and filling capacity in the Northern European market.

In marketing, our market insight and local market understanding provide a strong position to help our Retailer and Horeca customers build value with new concepts and products in the wine category.

The relocation to Køge has established a unique northern European platform to enable long term profitable growth. The year was always expected to be centred on settling into Køge, although the ramp-up time of close to 9 months proved to be both longer and more expensive than anticipated. This is reflected in the costs and results of Globus Wine in 2019.

We have invested significant effort and costs to deliver on our customer promises

Financially, 2019 ended up behind expectations. The delayed ramp-up was primarily caused by a significant delay in commissioning the new BIB-line. To hold our customers as harmless as possible in these circumstances, Globus Wine invested significant extra resources and costs to uphold its customer promises. Internally, this lead to impressive efforts, but also stressful working conditions over a prolonged period of the year. The concerted efforts to deliver on its customer promises resulted in additional direct related costs of DKK 26 million. Including indirect costs related to the delayed ramp-up (lost sales, production inefficiency etc.), the total costs were in the range DKK 40-45 million. We are pleased that production problems and one-off costs were overcome and stopped after Q3 2019.

Thank you to Vendors, Customers and the Globus Wine organization

The Board would like to thank our vendors and customers for the commitment shown to Globus Wine in a challenging 2019. We appreciate our collaboration and are sure that we stand stronger and closer together than ever.

Finally, the Board would like to thank all of Globus Wins' employees for the commitment, efforts and dedication you demonstrated in what was a very challenging year. The Board acknowledge the number of hours spent on getting to where we are with the Køge site today – a world class Winery.

Going forward

We will in 2020 continue and intensify the strategic focus on building brands and realize organic growth in the Northern European markets while expanding our filler services. We expect a significant efficiency increase in production and a return to healthy profit margin levels as we continue to serve and grow with our customers, with a joint ambition of further adding value and innovation to the wine category.

On behalf of the Board of Directors,

Wilhelm Mohn

Management's review

Company details

Name	Merlot HoldCo ApS
Address, Postal code, City	Bragesvej 1, 4600 Køge
CVR no.	38 12 54 94
Established	21 October 2016
Registered office	Køge
Financial year	1 January - 31 December
Board of Directors	Wilhelm Mohn, Chairman Gudmund Killi Henning Skov Andersen Lars Peter Rasmussen
Executive Board	Stian Glendrange
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights for the Group

DKK'000	2019 12 months	2018 12 months	2016/17 15 mdr.(months)
Key figures			
Revenue	595,125	536,997	502,591
Gross profit	42,437	55,491	72,849
Operating profit/loss	-26,118	-5,792	11,791
Net financials	-4,567	-3,423	-3,166
Profit/loss for the year	**-24,968**	**-8,530**	**5,533**
Total assets	322,208	311,631	327,351
Investment in property, plant and equipment	-6,905	-33,797	-1,010
Equity	**93,122**	**117,205**	**125,131**
Financial ratios			
Operating margin	-4.4%	-1.1%	2.3%
Return on assets	-8.2%	-1.8%	3.6%
Current ratio	80.8%	98.1%	128.5%
Equity ratio	28.9%	37.6%	38.2%
Average number of employees	**85**	**72**	**73**

For terms and definitions, please see the accounting policies.

Management's review

Business review

Merlot HoldCo's main activity is filling of wine into bag-in-boxes and bottles as well as import and sale of wine through the subsidiary Globus Wine A/S.

Financial review

Group revenue increased by DKK 58.1 million to DKK 595.1 million against DKK 537.0 million last year. Cash flows from operating activities were a negative DKK 32.8 million.

Especially in the first half of the year, there were start-up problems for new production lines in the Køge facility (delayed ramp-up time). To avoid affecting customers, a number of activities were carried out, which resulted in additional costs to production, transportation and demurrage.

The Group's profit before net financials is affected by the relocation and ramping up of the production facilities amounting to DKK 26.3 million. These costs relate to re-establishment of existing production lines, repair of leaseholds, etc.

The Group and the Parent Company's profit before net financials was significantly affected by the relocation and ramping up of the production facilities. The direct non-recurring costs amounted to DKK 26.3 million. These costs relate to demurrage, overtime, part-time workers and re-establishment of existing production lines.

Both before and after adjusting for relocation and ramping up costs, Management considers the results of operation unsatisfactory and expectations were not met. On the positive side, the non-recurring costs stopped during Q4, implying a significantly improved run-rate when entering 2020.

The German subsidiary, Globus Wine GmbH, became a party to a legal case in December 2019 concerning tariff classifications for cider products sourced by a third party producer and sold to border customers. The case is expected to be settled in 2020. Please refer to note 15.

Special risks

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

Statutory CSR report

Business model

The Group's main activity is filling of wine into bag-in-boxes and bottles. The wines are either sourced by Globus Wine and sold as private label or Globus Wine brands, or filled for Brand owners.

We base our corporate responsibility on our five corporate values, our Code of Conduct and corporate ethical rules. All activities are carried out in compliance with control procedures and requirements of the international IFS as well as the requirements of the Danish food safety authorities.

The Group operates in compliance with European, international legislation and regulations as to labour and human rights, and it is our aim that our suppliers do the same. We intend to have a production site which is safe and a healthy place to work for our employees.

Through the supply chain, the Group works to ensure climatic and environmental sustainability as well as production in accordance with human rights and social and employee conditions. All producers delivering wine to Globus Wine are requested to live up to a number of requirements as well as sound business ethics.

Globus Wine works against all forms of corruption, including extortion and bribery, and our activities must always be in full compliance with anti-corruption legislation irrespective of the place of operation being our Scandinavian home markets or our export markets.

Management's review

Human rights

The Group complies with existing labour legislation and collective agreements, including enforcement of the freedom of association and assembly, the elimination of forced and compulsory labour and the use of child labour as well as the elimination of discrimination in respect of the employee's gender, race, religious beliefs or political affiliation.

Policies: The Group has developed a Code of Conduct for suppliers, which covers environment, business ethics, health and social conditions and animal welfare. Furthermore, all suppliers are requested to document their quality management, food safety management and environmental management.

Actions and results 2019: The Code of Conduct was introduced in 2016 and the compliance is monitored. All officially registered suppliers have accepted the company Code of Conduct.

The main risks are considered to be in the wine harvesting itself. The Company sources wines from all over the world, but carefully selects producers living up to our high standards.

Climate and environmental conditions

The Group operates in a highly competitive market, which necessitates a strong focus on product costs and optimization. This is supported by our policy of acting responsibly towards the climate and the environment through careful control and continuous ongoing optimization of our resource consumption. Transportation is done as environmentally friendly as possible, and sea transport is preferred above road transport where possible. Utility usage during production (electricity and water) is where possible optimized. Optimization of electricity and water was also investigated in 2019.

Policies actions and results in 2019: The delayed ramp up in the Køge facility resulted in the postponement of water reduction programs from 2019 to 2020. In 2019, the Company entered into an agreement to source 100% of its electricity from wind power for the coming 2 years.

The main climatic and environmental concerns are considered to be within the transportation of wine to and from the production site and core production/filling of products.

Social and employee conditions

Policies: The Group complies with legislation within countries where it operates. Globus Wine will be a safe and healthy place to work for its employees, and the Group focuses on preventive measures to avoid employees being worn out or incurring work-related injuries.

Actions and results in 2019 mainly focused on effective onboarding and training in systems and standard operating procedures. In the production, an employee competency-mapping tool was introduced for all employees to identify training needs and maximize the effect of received training.

Our main risks are considered to be within the physical handling of filling of boxes and bottles. The Company operates with night shifts, but works to limit these due to increased capacity and automation. In other parts of the organization, stress is considered the main risk.

Anti-corruption

Globus Wine works to prevent all forms of corruption, including extortion and bribery. Our activities must always comply with existing anti-corruption legislation, irrespective of geographical area. According to the Ethics Policy, employees are not allowed to offer or accept bribes or any improper payments for personal or corporate gain. Strict disciplinary actions are taken if an employee should be involved in bribery.

Policies and actions are collected in an ethical rules policy, which new employees are asked to sign when receiving onboarding training. These are covering relations to customers, employee corporation and relations to other parties.

Main risks are considered to be non-compliance with company policies within exposure through employees', suppliers' and partners' violations. The Company did not experience any violations of ethnical rules in 2019.

Management's review

Account of the gender composition of Management

Merlot HoldCo ApS believes that diversity among employees, including an equal gender ratio, contributes positively to the working environment and strengthens the Group's performance and competitiveness. We focus on increasing the number of female leaders in the Group and consequently, the Group has set a specific target for the underrepresented gender and prepared policies in this respect effective from 2019.

Merlot HoldCo ApS' objective is that 40% of the board members elected by the general meeting should be women, corresponding to two woman, before 2021.

At present, none of the members of the Board of Directors of Merlot HoldCo ApS are female, and the objective has therefore not been met. In 2019, no new members were elected for the Board of Directors.

Towards 2021, the Board will actively seek to increase the percentage of female board members. Realization of the 40% target will, however, depend on the number of changes made to the current Board.

To reach the above-mentioned target for more female leaders, Merlot HoldCo ApS has taken initiatives to promote development and to support female leaders. In connection with employment and recruitment to executive positions, the objective is to have both male and female candidates despite the fact that the Group operates in an industry dominated by men. The principle should apply to internal as well as external job postings.

Events after the balance sheet date

The Company generally achieved results in Q1 2020, which are in line with expectations. However, Management has noted that the worldwide Covid-19 outbreak will potentially affect the Company's performance and financial position by 2020. However, it is not possible for the Company's management at the time of reporting to quantify the effect any further, as it will depend on the duration and extent of the virus outbreak. Danish retail and Swedish wine importers constitute the majority of the Company's volume and currently appear fairly robust, while sales to the German border and to the Horeca segment will decrease significantly. Sourcing of wine also appears manageable, based on the current situation. Overall, the situation appears manageable, based on the situation as of the date of this report.

No other material events affecting the Group's financial position have occurred subsequent to the financial year-end.

Outlook

For 2020, the Group expects increasing revenue and profits. Positive cash flows from operating activities are expected.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

		Group		Parent company	
Note	DKK'000	2019	2018	2019	2018
3	**Revenue**	595,125	536,997	0	0
	Change in inventories of finished goods and work in progress	20,770	31,892	0	0
	Raw materials and consumables	-504,112	-454,733	0	0
	Other external expenses	-69,346	-58,665	-174	-112
	Gross profit	42,437	55,491	-174	-112
4	Staff costs	-53,305	-45,859	0	0
5	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-15,250	-15,424	0	0
	Other operating expenses	0	-5	0	0
	Profit/loss before net financials	-26,118	-5,797	-174	-112
	Income from investments in group enterprises	0	0	-24,496	-8,443
	Financial income	334	181	0	0
6	Financial expenses	-4,901	-3,604	-435	0
	Profit/loss before tax	-30,685	-9,220	-25,105	-8,555
7	Tax for the year	5,717	690	137	25
	Profit/loss for the year	-24,968	-8,530	-24,968	-8,530

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
	ASSETS				
	Fixed assets				
8	**Intangible assets**				
	Acquired intangible assets	35,325	40,029	0	0
	Goodwill	71,649	75,884	0	0
	Development projects in progress and prepayments for intangible assets	210	0	0	0
		107,184	115,913	0	0
9	**Property, plant and equipment**				
	Plant and machinery	51,135	54,147	0	0
	Fixtures and fittings, other plant and equipment	429	568	0	0
	Leasehold improvements	2,520	1,035	0	0
	Property, plant and equipment under construction	2,867	0	0	0
		56,951	55,750	0	0
10	**Investments**				
	Investments in group entities	0	0	87,854	112,415
		0	0	87,854	112,415
	Total fixed assets	164,135	171,663	87,854	112,415
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	12,383	19,790	0	0
	Finished goods and goods for resale	111,674	90,904	0	0
		124,057	110,694	0	0
	Receivables				
	Trade receivables	12,082	5,266	0	0
	Receivables from group entities	0	0	19,324	4,500
13	Deferred tax assets	0	0	161	25
	Corporation tax receivable	1,808	1,165	0	9
	Other receivables	543	1,997	0	0
	Prepayments	219	453	0	0
		14,652	8,881	19,485	4,534
11	**Cash**	19,364	20,393	792	2,169
	Total non-fixed assets	158,073	139,968	20,277	6,703
	TOTAL ASSETS	322,208	311,631	108,131	119,118

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

		Group		Parent company	
Note	DKK'000	2019	2018	2019	2018
	EQUITY AND LIABILITIES				
	Equity				
12	Share capital	120,709	119,759	120,709	119,759
	Net revaluation reserve according to the equity method	0	0	0	0
	Retained earnings	-27,587	-2,554	-27,587	-2,554
	Total equity	93,122	117,205	93,122	117,205
	Provisions				
13	Deferred tax	6,967	13,015	0	0
	Total provisions	6,967	13,015	0	0
	Liabilities other than provisions				
14	**Non-current liabilities other than provisions**				
	Lease liabilities	1,183	2,767	0	0
	Other credit institutions	24,000	36,000	0	0
	Other payables	1,383	0	0	0
		26,566	38,767	0	0
	Current liabilities other than provisions				
14	Short-term part of long-term liabilities other than provisions	13,584	13,802	0	0
	Other credit institutions	70,569	34,562	0	0
	Trade payables	57,567	71,794	9	12
	Payables to group entities	0	0	0	1,901
	Corporation tax payable	0	2,898	0	0
	Payables to shareholders and Management	15,480	0	15,000	0
	Other payables	38,353	19,588	0	0
		195,553	142,644	15,009	1,913
	Total liabilities other than provisions	222,119	181,411	15,009	1,913
	TOTAL EQUITY AND LIABILITIES	322,208	311,631	108,131	119,118

1 Accounting policies
2 Special items
15 Contractual obligations and contingencies, etc.
16 Collateral
17 Currency risks
18 Related parties
19 Fee to the auditors appointed by the Company in general meeting

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Group Share capital	Retained earnings	Total
	Equity at 1 January 2018	119,259	5,872	125,131
	Capital increase	500	0	500
	Transfer through appropriation of loss	0	-8,530	-8,530
	Adjustment of investments through forreign exchange adjustments	0	17	17
	Adjustment of hedging instruments at fair value	0	111	111
	Tax on items recognised directly in equity	0	-24	-24
	Purchase of treasury shares	0	-1,669	-1,669
	Sale of treasury shares	0	1,669	1,669
	Equity at 1 January 2019	119,759	-2,554	117,205
	Capital increase	950	0	950
	Transfer through appropriation of loss	0	-24,968	-24,968
	Adjustment of hedging instruments at fair value	0	-83	-83
	Tax on items recognised directly in equity	0	18	18
	Equity at 31 December 2019	120,709	-27,587	93,122

Note	DKK'000	Parent company Share capital	Net revaluation reserve according to the equity method	Retained earnings	Total
	Equity at 1 January 2018	119,259	5,995	-122	125,132
	Capital increase	500	0	0	500
20	Transfer, see "Appropriation of profit/loss"	0	-6,099	-2,432	-8,531
	Other value adjustments of equity	0	104	0	104
	Purchase of treasury shares	0	0	-1,669	-1,669
	Sale of treasury shares	0	0	1,669	1,669
	Equity at 1 January 2019	119,759	0	-2,554	117,205
	Capital increase	950	0	0	950
20	Transfer, see "Appropriation of profit/loss"	0	0	-24,968	-24,968
	Other value adjustments of equity	0	0	-65	-65
	Equity at 31 December 2019	120,709	0	-27,587	93,122

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

		Group	
Note	DKK'000	2019	2018
	Profit/loss for the year	-24,968	-8,530
21	Adjustments	14,100	18,265
	Cash generated from operations (operating activities)	-10,868	9,735
22	Changes in working capital	-13,473	5,046
	Cash generated from operations (operating activities)	-24,341	14,781
	Interest received, etc.	334	181
	Interest paid, etc.	-4,901	-3,604
	Income taxes paid	-3,937	-5,579
	Cash flows from operating activities	-32,845	5,779
	Additions of intangible assets	-817	-123
	Additions of property, plant and equipment	-6,905	-33,797
	Disposals of property, plant and equipment	0	279
	Cash flows to investing activities	-7,722	-33,641
	Proceeds of long-term liabilities	36,007	0
	Proceeds of debt to credit institutions	0	15,447
	Proceeds of debt, payables to shareholders and Management	15,000	0
	Repayments, long-term liabilities	0	-15,430
	Repayments, debt to credit institutions	-12,419	0
	Acquisition of treasury shares	0	-1,669
	Sale of treasury shares	0	1,669
	Cash capital increase	950	500
	Other cash flows from financing activities	-3,346	-11,866
	Cash flows from financing activities	36,192	-11,349
	Net cash flow	-4,375	-39,211
	Cash and cash equivalents at 1 January	8,527	47,738
23	**Cash and cash equivalents at 31 December**	4,152	8,527

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Merlot HoldCo ApS for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

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

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

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

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

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the Parent Company and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated.

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

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

External business combinations

Recently acquired entities are recognised in the consolidated financial statements from the date of acquisition. Entities sold or otherwise disposed of are recognised up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinued operations are presented separately, see below.

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

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

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

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

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

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

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

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

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

Foreign currency translation

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

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

Foreign group entities

Foreign subsidiaries are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on the translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement along with changes in the fair value of the hedged asset or liability.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

Income statement

Revenue

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.

Other operating expenses

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

Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables 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 pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

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

Acquired intangible assets	1-10 years
Goodwill	20 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

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

Plant and machinery	10-40 years
Fixtures and fittings, other plant and equipment	3-5 years
Leasehold improvements	3-10 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

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

Profit/loss from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Financial income and expenses

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

Tax

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

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

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

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

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 20 years. The amortisation period is fixed on the basis of the expected repayment horizon, longest for strategically acquired business enterprises with strong market positions and long-term earnings profiles.

The Group's investment in Globus Wine A/S in 2016 is considered to be strategically important to the Group. Due regard being had to the Group's expected plans to increase the level of activity and earnings, the economic life of goodwill has been set at 20 years.

Acquired customer-related assets are measured at cost less accumulated depreciation. Customer-related assets are depreciated over their estimated economic lives, which are determined based on Management's experience within the individual business areas. Customer-related assets are depreciated on a straight-line basis over the depreciation period of 10 years.

Acquired order backlogs are measured at cost less accumulated depreciation. Order backlogs are depreciated over their estimated economic lives on a straight-line basis over the depreciation period of less than 1 year.

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.

Property, plant and equipment

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

As regards self-produced assets, the cost includes the cost of materials and labour, etc. directly relating to the production.

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

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method.

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

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

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.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

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

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

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

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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

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

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

Prepayments

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

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Income taxes

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

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

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

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

Liabilities

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

Other liabilities are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Cash flow statement

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

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

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

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

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

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

2 Special items

Special items comprise significant income and expenses of a special nature relative to the Group's revenue generating operating activities such as costs of comprehensive structuring of processes and basic structural adjustments as well as any disposal gains and losses relating thereto and which over time are of significant importance. Special items also comprise significant one-off items which in the opinion of Management do not form part of the Group's operating activities.

As disclosed in the Management's review, the profit for the year is affected by the relocation and ramping up of the production facilities amounting to DKK 26,300 thousand (2018: DKK 24,423 thousand) that in the opinion of the Board of Directors do not form part of the operating activities.

	Group		Parent company	
DKK'000	2019	2018	2019	2018
Expenses				
Relocation	-26,300	-24,423	-26,300	-24,423
	-26,300	-24,423	-26,300	-24,423
Special items are recognised in the below items of the financial statements				
Raw materials and consumables	-10,300	-5,676	0	0
Other external expenses	-15,300	-14,796	0	0
Staff costs	-700	-1,722	0	0
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	0	-2,229	0	0
Income from investments in group entities	0	0	-26,300	-24,423
Net loss on special items	-26,300	-24,423	-26,300	-24,423

3 Segment information

The Group 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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

		Group		Parent company	
	DKK'000	2019	2018	2019	2018
4	**Staff costs**				
	Wages/salaries	47,052	40,488	0	0
	Pensions	3,325	2,461	0	0
	Other social security costs	825	783	0	0
	Other staff costs	2,103	2,127	0	0
		53,305	45,859	0	0
	Average number of full-time employees	85	72	0	0

Group

Total remuneration to Group Management amounts to DKK 3,520 thousand (2018: DKK 3,428 thousand).

Parent company

The Parent Company has no employees.

The Parent Company did not pay any remuneration to Management during the financial year.

		Group		Parent company	
	DKK'000	2019	2018	2019	2018
5	**Amortisation/depreciation and impairment of intangible assets and property, plant and equipment**				
	Amortisation of intangible assets	9,546	9,734	0	0
	Impairment of intangible assets	0	212	0	0
	Depreciation of property, plant and equipment	5,704	3,461	0	0
	Impairment of property, plant and equipment	0	2,017	0	0
		15,250	15,424	0	0
6	**Financial expenses**				
	Interest expenses, group entities	0	0	430	0
	Other financial expenses	4,901	3,604	5	0
		4,901	3,604	435	0

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
7 Tax for the year				
Estimated tax charge for the year	291	383	0	0
Deferred tax adjustments in the year	-6,064	-1,073	-137	-25
Tax adjustments, prior years	56	0	0	0
	-5,717	-690	-137	-25

8 Intangible assets

DKK'000	Group: Acquired intangible assets	Goodwill	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2019	58,066	84,707	212	142,985
Additions	607	0	210	817
Disposals	0	0	-212	-212
Cost at 31 December 2019	58,673	84,707	210	143,590
Impairment losses and amortisation at 1 January 2019	18,037	8,823	212	27,072
Amortisation for the year	5,311	4,235	0	9,546
Reversal of accumulated amortisation and impairment of assets disposed	0	0	-212	-212
Impairment losses and amortisation at 31 December 2019	23,348	13,058	0	36,406
Carrying amount at 31 December 2019	35,325	71,649	210	107,184

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

9 Property, plant and equipment

	Group				
DKK'000	Plant and machinery	Fixtures and fittings, other plant and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 January 2019	73,484	1,945	2,187	0	77,616
Foreign exchange adjustments	0	6	0	0	6
Additions	3,847	90	91	2,867	6,895
Transferred	-1,594	0	1,594	0	0
Cost at 31 December 2019	75,737	2,041	3,872	2,867	84,517
Impairment losses and depreciation at 1 January 2019	19,337	1,377	1,152	0	21,866
Depreciation	5,272	235	193	0	5,700
Transferred	-7	0	7	0	0
Impairment losses and depreciation at 31 December 2019	24,602	1,612	1,352	0	27,566
Carrying amount at 31 December 2019	51,135	429	2,520	2,867	56,951
Property, plant and equipment include finance leases with a carrying amount totalling	6,222	0	0	0	6,222

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

10 Investments

DKK'000	Parent company Investments in group entities
Cost at 1 January 2019	114,759
Cost at 31 December 2019	114,759
Value adjustments at 1 January 2019	-2,344
Profit for the year	-24,496
Changes in equity	-65
Value adjustments at 31 December 2019	-26,905
Carrying amount at 31 December 2019	87,854

Parent company

Name	Legal form	Domicile	Interest
Subsidiaries			
Merlot BidCo	ApS	Køge, Denmark	100.00%
Globus Wine	A/S	Køge, Denmark	100.00%
Globus Wine	GmbH	Harrislee, Germany	100.00%
Globus Wine Germany	GmbH	Harrislee, Germany	100.00%
Globus Wine Poland	Sp. Z.o.o.	Krakow, Poland	100.00%

11 Cash

An amount of DKK 15,212 thousand is placed on escrow accounts as security for factoring agreements.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	Parent company 2019	Parent company 2018
12 Share capital		
Analysis of the share capital:		
84,568,428 A shares of DKK 1.00 nominal value each	84,568	84,568
36,140,692 B shares of DKK 1.00 nominal value each	36,141	35,191
	120,709	119,759

Each A-share shall carry 1 vote and B-shares shall carry no vote.

Analysis of changes in the share capital over the past 3 years:

DKK'000	2019	2018	2016/17
Opening balance	119,759	119,259	50
Capital increase	950	500	119,209
	120,709	119,759	119,259

DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
13 Deferred tax				
Deferred tax at 1 January	13,014	14,063	-25	0
Deferred tax adjustment during the year	-6,064	-1,073	-136	-25
Tax on items recognised directly in equity	18	24	0	0
Deferred tax at 31 December	6,968	13,014	-161	-25
Deferred tax relates to:				
Intangible assets	7,733	8,657	0	0
Property, plant and equipment	3,946	3,538	0	0
Inventories	1,733	1,115	0	0
Liabilities	-828	-271	0	0
Tax loss	-5,616	-25	-161	-25
	6,968	13,014	-161	-25

14 Non-current liabilities other than provisions

DKK'000	Group: Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	2,767	1,584	1,183	0
Other credit institutions	36,000	12,000	24,000	0
Other payables	1,383	0	1,383	0
	40,150	13,584	26,566	0

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

15 Contractual obligations and contingencies, etc.

Other contingent liabilities

Group

The Group is party to a pending legal action in Germany concerning tariff classifications for cider products sourced by a third party producer and sold to border customers. In Management's opinion, the outcome of this legal action will not affect the Group's financial position apart from the receivables and payables recognised in the balance sheet at 31 December 2019.

Other financial obligations

Other rent and lease liabilities:

	Group		Parent company	
DKK'000	2019	2018	2019	2018
Rent and lease liabilities	90,335	97,861	0	0

Group

Rent and lease liabilities include a rent obligation totalling DKK 90,335 in interminable rent agreements with remaining contract terms of 1-11 years.

Parent company

As management company, the Company is jointly taxed with other Danish group entities. The Company is jointly and severally liable with other jointly taxed group entities for payment of income taxes from the income year 2017 onwards.

16 Collateral

Group

A company charge of DKK 55,000 thousand has been provided as security for debt to credit institutions, DKK 106,569 thousand at 31 December 2019, secured on receivables, inventories, items of property, plant and equipment and intangible assets at a total carrying amount of DKK 188,675 thousand at 31 December 2019.

Bank guarantees totalling DKK 4,301 thousand have been put up as security for debt to third parties.

Parent company

As security for the Group's debt to credit institutions, the Parent Company has provided security or other collateral in its investments in group entities. The total carrying amount of these assets is DKK 87,854 thousand.

The Parent Company has provided surety for subsidiaries' debt to credit institutions. The debt has a carrying amount of DKK 106,569 thousand at 31 December 2019.

The company has issued a subordination letter of DKK 15,000 thousand for the receivables in the subsidiary, Globus Wine A/S, in favor of credit institutions.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

17 Currency risks

Group

Currency risks

Analysis of the Group's balances in foreign currency as well as related hedging transactions at 31 December 2019:

Currency (DKK'000)	Payment/maturity	Payables	Hedging transactions	Net position
USD	< 1 year	-6,268	8,728	2,460

Group

Forecast transactions

The Group uses forward exchange contracts to hedge expected currency risks relating to the purchase of goods in the coming year.

		Contractual value		Gains and losses recognised in equity	
DKK'000	Period	2019	2018	2019	2018
Forward exchange contracts	0-2 months	8,728	20,746	-83	111

18 Related parties

Group

Merlot HoldCo ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Credo Invest Nr 11 AS	Stortingsgaten 22, 0124 Oslo, Norway	Participating interest

Related party transactions

DKK'000	2019	2018
Group		
Purchase of management and consultancy assistance	1,853	1,840
Payables to shareholders and Management	15,480	0
Parent Company		
Payables to shareholders and Management	15,000	0

With reference to Section 98(3) of the Danish Financial Statements Act, information on transactions between Merlot HoldCo ApS and its wholly-owned subsidary is not disclosed.

Information on the remuneration to management

Information on the remuneration to Management appears from note 4, "Staff costs".

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Notes to the financial statements

	DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
19	**Fee to the auditors appointed by the Company in general meeting**				
	Total fees to EY	257	317	45	53
	Statutory audit	149	148	10	10
	Tax assistance	25	24	6	6
	Other assistance	83	145	29	37
		257	317	45	53

	DKK'000	Parent company 2019	Parent company 2018
20	**Appropriation of profit/loss**		
	Recommended appropriation of profit/loss		
	Net revaluation reserve according to the equity method	0	-6,099
	Retained earnings/accumulated loss	-24,968	-2,431
		-24,968	-8,530

	DKK'000	Group 2019	Group 2018
21	**Adjustments**		
	Amortisation/depreciation and impairment losses	15,250	15,424
	Gain/loss on the sale of non-current assets	0	5
	Financial income	-334	-181
	Financial expenses	4,901	3,604
	Tax for the year	-5,717	-690
	Other adjustments	0	103
		14,100	18,265
22	**Changes in working capital**		
	Change in inventories	-13,363	-20,574
	Change in receivables	-5,128	27,676
	Change in trade and other payables	5,018	-2,056
		-13,473	5,046
23	**Cash and cash equivalents at year-end**		
	Cash according to the balance sheet	19,364	20,393
	Escrow accounts as security on factoring agreements	-15,212	-11,866
		4,152	8,527

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"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

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