LAURITZ

Lauritz.com A/S

CVR no. 24 99 45 70

Annual Report

January – December 2022

Approved at the annual General Meeting
On April 20th, 2023

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Preben Vinkler Lindgaard
Chairman of the meeting

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The company	Lauritz.com A/S	
	Dynamovej 11C	
	2860 Søborg	
	Denmark	
	Phone:	+ 45 44 50 98 00
	CVR no.:	24 99 45 70
	Incorporated:	1 October 1999, founded 1885
	Municipality:	Søborg
	Financial year:	1 January - 31 December
	Web-site:	www.lauritz.com
Contact	Preben Vinkler Lindgaard, CFO	
	E-mail: preben@lauritz.com	
Board of Directors	Bengt Sundström, Chairman	
	Tue Byskov Bøtkjær	
	Preben Vinkler Lindgaard	
Executive Management	Mette Margrethe Rode Sundstrøm, CEO	
	Preben Vinkler Lindgaard CFO	
Independent Auditor	Beierholm	
	Statsautoriseret Revisionspartnerselskab	

For further comments on the Lauritz Group activities we refer to the consolidated accounts of Lauritz Group A/S.

Lauritz.com A/S parent company

Lauritz.com operates an international online platform selling art, design, antiquities, and home luxury to international buyers.

Guidance for 2023

In the annual report for 2021 our guidance for 2022 was a growth in Total Sales of 0-10 percent, growth in Revenue of 5-15 percent and EBITDA of DKK 3-8m. Realised EBITDA for the year was DKK 6.4m. For Total Sales and Revenue, the realised growth for the year ended at -9.0 percent and -14.8 percent respectively, both below the guidance given in the 2021 annual report for 2022, but within the latest guidance given by Lauritz.com Group A/S in December 2022.

Our guidance for 2023 is:

- Total Sales: Growth of 0 - 5 percent
- Operating Profit: DKK 3 - 8m
- Free Cash Flow: Slightly positive

Financing

Towards the end of 2019 a review of the capital structure of the group has been carried out, resulting in an M&A process that commenced in April 2020 and was finalised in May 2021. The result of that process included e.g. the sale of Stockholm's Auktionsverk and the reduction of Lauritz' bond dept.

In May 2022, we received the last part of the sales proceeds (SEK 15m) from the sale of Stockholm's Auktionsverk and a payment to reduce the bond debt by SEK 15m was made, after which the remaining bond debt is DKK 94m (SEK 140m). The bond debt is now a standing loan until the maturity date in December 2024.

Equity

Management has assessed the equity situation according to the Danish company act and is expecting to reestablish the Equity of the company through operating profits over the next years, and/or through additional equity financing.

Events after the balance sheet date

No events have occurred after the balance sheet date that could have a material influence on the company's financial position.

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Total sales [1]	**390,970**	**429,647**	**442,243**	**427,619**	**458,861**
Statement of comprehensive income [2]					
Revenue	110,531	133,348	131,138	136,772	148,235
Gross profit	49,763	46,917	46,511	48,975	52,931
EBITDA	9,604	4,361	-24,964	2,920	-16,721
Operating profit (EBIT)	6,583	-780	-31,696	-5,687	-26,120
Net financials	-4,809	-12,318	-48,207	50,345	-46,799
Profit before tax (EBT)	1,774	-13,098	-79,903	44,658	-72,919
Tax on profit for the year	-1,548	-1,548	10,042	6,203	7,228
Profit for the year	226	-14,646	-69,861	50,861	-65,691
Balance sheet					
Non-current assets	53,721	52,448	57,158	176,364	187,640
Current assets	41,851	67,014	171,410	74,416	82,359
Share capital	53,090	53,090	53,090	53,090	53,090
Equity	-58,870	-59,095	-44,449	25,412	-25,449
Non-current liabilities	100,476	109,307	1,290	1,312	935
Current liabilities	53,966	69,250	271,727	224,056	294,513
Balance sheet total	95,572	119,462	228,568	250,780	269,999
Cash flows					
Operating activities	3,988	-60,019	10,281	-12,733	-41,142
Investing activities	-8,664	108,790	-83	-2,167	38,322
Of this, investments in property, plant, and equipment	-	-314	-	131	36,071
Financing activities	-11,563	-47,169	-579	12,130	-605
Net cash flows for the year	-16,239	1,602	9,619	-2,770	-3,425
Ratios:					
Gross margin	45.0 %	35.2 %	35.5 %	35.8 %	35.7 %
EBITDA margin	8.7 %	3.3 %	-19.0 %	2.1 %	-11.3 %
Profit margin	6.0 %	-0.6 %	-24.2 %	-4.2 %	-17.6 %
Equity ratio	-61.6 %	-49.5 %	-19.4 %	10.1 %	-9.4 %
Return on equity	- %	- %	- %	- %	- %
Earnings per share (EPS Basic), DKK	0.43	-27.59	-131.59	95.80	-123.74
Dividend per share	0	0	0	0	0
Average number of full-time employees	24	27	31	33	39

[1] Total sales reflect activities on www.lauritz.com and mobile app. Total sales include sale/knockdown prices, buyer's premiums and buyers fees exclusive of VAT.

[2] 2018-2020 includes discontinued operations.

Earnings per share are calculated according to IAS 33 (note 20). Key ratios are applied and calculated as follows:

Gross margin	$\dfrac{\text{Gross profit x 100}}{\text{Revenue}}$
EBITDA margin	$\dfrac{\text{Operating profit/loss before depreciation, amortisation and impairment (EBITDA) x 100}}{\text{Revenue}}$
Profit margin	$\dfrac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$
Equity ratio	$\dfrac{\text{Equity, year-end x 100}}{\text{Balance sheet total}}$
Return on equity	$\dfrac{\text{Profit for the year x 100}}{\text{Equity, average}}$
Earnings per share (EPS Basic)	$\dfrac{\text{Profit for the year}}{\text{Average no of shares in circulation}}$
Dividend per share	$\dfrac{\text{Dividend distributed}}{\text{Average no of shares in circulation}}$

The Board of Directors and the Executive Management have today discussed and approved the Annual Report of Lauritz.com A/S for 2022.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the company's financial statements give a true and fair view of the company's assets, liabilities, and financial position at 31 December 2022 and of the results of the company's operations and cash flows for the financial year 2022.

Further, in our opinion the Management review includes a true and fair review of the development in the company's operations and financial matters, of the result for the year and of the company's financial position as well as describes the significant risks and uncertainties affecting the company.

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

Copenhagen, 24 March 2023

Executive Management

Mette Margrethe Rode Sundstrøm CEO	Preben Vinkler Lindgaard CFO

Board of Directors

Bengt Sundström Chairman	Tue Byskov Bøtkjær
Preben Vinkler Lindgaard	

To the shareholders of Lauritz.com A/S

Opinion

We have audited the financial statements of Lauritz.com A/S for the financial year 1 January 2022 - 31 December 2022, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies, for the company as well as the statement of comprehensive income and the cash flow statement. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's assets, equity and liabilities and financial position as 31 December 2022 and the results of the company's financial performance and cash flows for the financial year 1 January 2022 - 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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.

Material uncertainty regarding going concern assumption

Without modifying our opinion, we draw attention to the information in note 1 Going concern in which the management accounts for the uncertainty which exists regarding the company's ability to continue as a going concern. We agree with the management as to the description of uncertainties and the choice of accounting policies.

Statement regarding management's review

Management is responsible for the management's review.

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

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

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

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

Management's responsibilities for the consolidated financial statements and the financial statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 consolidated financial statements and 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 International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, 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 the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting in its preparation of 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 content of the financial statements, including the disclosures, and whether 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.

Aalborg, 24 March 2023
Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Martin Ødum Madsen
State Authorized Public Accountant
MNE no. mne45893

Statement of comprehensive income 1 January - 31 December

Notes		2022 DKK'000	2021 DKK'000
2	Revenue	110,531	133,348
	Direct costs	- 60,768	- 86,431
	Gross profit	**49,763**	**46,917**
3	Other external expenses	- 17,344	- 17,561
4	Staff costs	- 22,815	- 24,995
	Operating profit/loss before depreciation, amortisation and impairment (EBITDA)	**9,604**	**4,361**
5	Depreciation amortisation and impairment losses	- 3,021	- 5,141
	Operating profit/loss (EBIT)	**6,583**	**- 780**
6	Financial income	9,139	6,638
7	Financial expenses	- 13,948	- 18,956
	Profit/Loss before tax (EBT)	**1,774**	**- 13,098**
8	Tax on profit/loss for the year	- 1,548	- 1,548
	Profit/Loss for the year	**226**	**- 14,646**
	Other comprehensive income	-	-
	Total comprehensive income	**226**	**- 14,646**

Assets

Notes		31.12.2022 DKK’000	31.12.2021 DKK’000
	Non-current assets		
	Software in process of development	358	-
	Developed software	728	1,997
	Goodwill	23,725	21,815
	Rights acquired	-	-
9	Total intangible assets	24,811	23,812
	Right-of-use assets	2,802	2,892
	Other fixtures and fittings, tools, and equipment	3,462	3,549
10	Total property, plant, and equipment	6,264	6,441
11,21	Equity interest in subsidiaries	9,333	7,475
15	Deferred tax	11,169	12,721
12	Deposits	2,144	1,999
	Total financial assets	22,646	22,195
	Total non-current assets	**53,721**	**52,448**
	Current assets		
	Inventories	44	116
	Trade receivables	2,019	753
	Contractual receivables	7,969	26,238
	Receivables from parent enterprises	18,035	13,275
	Receivables from group enterprises	25	4,244
	Receivables from associated enterprises	8,479	-
	Tax receivable	-	-
	Other current receivables	2,654	3,523
13	Total receivables	39,181	48,033
	Cash and cash equivalents	2,626	18,865
	Total current assets	**41,851**	**67,014**
	Total assets	**95,572**	**119,462**

Equity and liabilities

Notes		31.12.2022 DKK'000	31.12.2021 DKK'000
	Equity		
14	Share capital	53,090	53,090
	Reserve for development projects	609	1,558
	Retained earnings	- 112,568	- 113,743
	Total equity	**- 58,869**	**- 59.095**
	Liabilities		
17	Bond debt	93,604	101,640
	Other non-current debt	4,706	5,318
	Lease liabilities	2,166	2,349
	Total non-current liabilities	100,476	109,307
17	Bond debt	-	10,890
	Lease liabilities	871	838
	Trade payables	38,220	43,842
	Payables to parent enterprises	3,055	-
	Payables to group enterprises	8,240	5,264
18	Other payables	3,399	8,416
	Corporate taxes payable	-	-
	Total current liabilities	53,965	69,250
	Total liabilities	**154,441**	**178,557**
	Total equity and liabilities	**95,572**	**119,462**

16 Financial liabilities and financial activities

19 Financial risks

	Share capital DKK'000	Reserve for development projects DKK'000	Retained earnings DKK'000	Total Equity DKK'000
Equity at 1 January 2022	53,090	1,558	-113,743	-59,095
Profit/Loss for the year	-	-949	1,175	226
Equity at 31 December 2022	**53,090**	**609**	**-112,568**	**-58,869**
Equity at 1 January 2021	53,090	4,836	-102,375	-44,449
Profit/Loss for the year	-	-3,278	-11,368	-14,646
Equity at 31 December 2021	**53,090**	**1,558**	**-113,743**	**-59,095**

Note		2022 DKK'000	2021 DKK'000
	Operating profit/loss (EBIT)	**6,583**	**- 780**
5	Depreciation amortisation and impairments of non-current assets	3,052	5,199
	Impairment assets/liabilities	-	- 3,113
	Increase/decrease in inventories	72	- 4
	Increase/decrease in receivables	6,942	8,268
	Increase/decrease in trade payables and other payables	- 4,428	- 37,893
	Other adjustments	- 178	- 54
	Cash flows from ordinary operating activities	12,043	44,913
	Interest and financial income received	853	929
	Interest and financial expenses paid	- 8,912	- 18,671
	Income tax settled including joint taxation	4	2,636
	Cash flows from operating activities	**3,988**	**- 60,019**
	Purchase of property, plant, and equipment	-	- 314
	Purchase of intangible assets	- 1,164	-
	Sale of intangible assets, software	-	622
	Divestments, equity interest	-	117,795
	Contribution of share capital to subsidiaries	- 7,500	- 9,313
	Dividends received from subsidiaries	-	-
	Cash flows from investing activities	**- 8,664**	**108,790**
16	Payments, lease liabilities	- 923	- 683
16	Repayment, bond debt	- 10,640	- 33,111
16	Repayment, senior loan	-	- 13,375
	Cash flows from financing activities	**- 11,563**	**- 47,169**
	Net cash flow for the year	- 16,239	1,602
	Net capital resources, beginning of year	18,865	17,263
	Net capital resources, end of year	**2,626**	**18,865**
	Net capital resources, end of year, are composed as follows:		
	Cash and cash equivalents	2,626	18,865
	Net capital resources, end of year	**2,626**	**18,865**

1. Going Concern

During the last 3 years the company has improved its earnings primarily through significant cost reductions. Cost reductions has been achieved both through cost reductions in own auction houses, taking over partner owned auction houses and reducing cost in Lauritz headquarter. This has resulted in an improvement in our EBITDA from DKK -25.0m in 2020 to DKK 4.4m in 2021 and further to DKK 9.6m in 2022. From the beginning of 2023 we have increased our fees and commissions, which together with further cost reductions contribute to the expected continued growth in earnings in 2023.

Cash resources are limited and contingent on a continuation of the improvements described above in the company's earnings and the resulting change to a situation with positive operating cash flows. The markets for auctioning and online sale of vintage and luxury items are growing, and the company is working hard to take its share of the market through strong initiatives in marketing and in new business areas under development, and we expect to be able to continue the positive development.

Management is continuing the work on securing further capital for growth initiatives as well as for refinancing the bond which matures in December 2024, looking into loans as well as equity-based financing options.

Based on the above-mentioned conditions for the company, management has assessed that the cash resources of the company are sufficient to secure the future operations for at least one year, so that the report can be prepared on a going concern basis.

	2022 DKK'000	2021 DKK'000
2. Revenue		
Sales and auction commissions, fees etc.	104,140	126,018
Other revenue - marketing contribution etc.	6,391	7,330
	110,531	**133,348**
Services transferred at a point in time	110,531	133,348
Services transferred over time	-	-
	110,531	**133,348**

Revenue is attributed to Denmark and all non-current assets are located in Denmark.

3. Other external expenses

	2022 DKK’000	2021 DKK’000
Fees to auditors appointed at the annual general meeting		
Audit services	450	503
Other services	-	10
	450	**513**

Other external expenses include impairment losses on receivables of DKK 0k (-2,970k).

4. Staff costs

	2022 DKK’000	2021 DKK’000
Wages and salaries	15,294	17,769
Management fees, group enterprises	5,010	4,890
Defined contribution pension plans, cf. below	634	618
Other social security cost	183	177
Other staff cost	1,694	1,541
	22,815	**24,995**
Average number of full-time employees	24	27

The company has concluded defined contribution pension plans. According to the concluded agreement, the company pays a monthly amount of 5 percent of the concerned employees’ basic salary. The contribution recognised in the income statement in this respect is stated above.

Remuneration of the Board of Directors and Executive Management

	2022 DKK’000	2021 DKK’000
Remuneration of the Board of Directors	269	209
	269	**209**

The remuneration of Executive Management is paid from Lauritz.com Group A/S.

5. Depreciation, amortisation, and impairment losses

	2022 DKK’000	2021 DKK’000
Depreciation, other fixtures, tools, and equipment	86	120
Depreciation, right-of-use assets	889	876
Amortisation, developed software	2,077	4,203
Depreciation amortisation and impairment losses	**3,052**	**5,199**
Losses/(gains) arising from disposal	- 31	- 58
	3,021	**5,141**

	2022 DKK'000	2021 DKK'000
6. Financial income		
Interest income	587	835
Interest income, group enterprises	141	94
Interest income, financial assets	**728**	**929**
Impairment gain, receivables group enterprises	-	3,230
Exchange rate gains	8,411	2,479
	9,139	**6,638**
7. Financial expenses		
Interest expenses	89	276
Interest expense, group enterprises	-	230
Interest expenses, lease	162	171
Bank charges etc.	999	576
Guarantee commission	2,882	2,895
Financial expenses, bond debt	4,175	5,495
Interest expenses from financial liabilities	**8,307**	**9,643**
Impairment losses, investments in subsidiaries	5,641	9,313
	13,948	**18,956**

The exchange rate gains/losses are primarily related to debt denominated in SEK.

8. Tax on profit/loss for the year		
Current tax for the year incl. contribution from joint taxation	-	-
Adjustment to deferred tax	1,381	1,581
Adjustment to deferred tax, prior years	171	- 197
Adjustment to current tax, prior years	- 4	164
Tax on profit/loss for the year	**1,548**	**1,548**

Current tax for the financial year is for Danish enterprises computed based on a tax rate of 22.0 % (22.0 %).

Tax on profit/loss for the year is made up as follows:		
Computed 22.0 % tax on profit for the year before tax (22.0 %)	390	- 2,486
Adjustment to prior years	167	- 33
Tax effect of:		
Non-deductible expenses/non-taxable income	1,303	2,581
Non-recognised tax losses carried forward, adjusted	- 312	1,486
Dividend received from subsidiaries	-	-
	1,548	**1,548**
Effective tax rate	87.3 %	Negative

9. Intangible assets (DKK'000)

	Software in process of development	Developed software	Acquired rights	Goodwill
Cost at 1 January 2022	-	58,660	5,182	21,815
Addition	964	200	-	1,910
Transfer	- 606	606	-	-
Cost at 31 December 2022	**358**	**59,466**	**5,182**	**23,725**
Amortisation at 1 January 2022	-	56,663	5,182	-
Amortisation for the period	-	2,075	-	-
Amortisation and impairment losses at 31 December 2022	**-**	**58,738**	**5,182**	**-**
Carrying amount at 31 December 2022	**358**	**728**	**-**	**23,725**
Cost at 1 January 2021	622	58,660	5,182	21,815
Disposal	- 622	-	-	-
Cost at 31 December 2021	**-**	**58,660**	**5,182**	**21,815**
Amortisation at 1 January 2021	-	52,460	5,182	-
Amortisation for the period	-	4,203	-	-
Amortisation and impairment losses at 31 December 2021	**-**	**56,663**	**5,182**	**-**
Carrying amount at 31 December 2021		**1,997**	**-**	**21,815**

9. Intangible assets (continued)

Software includes development projects for IT systems and processes in progress. Apart from goodwill and trademarks, all other intangible assets are regarded as having determinable useful lives over which the assets are amortised, see accounting policies. The carrying amounts of trademarks without determinable useful lives totals DKK 0.0m at 31 December 2022 (0.0m).

Acquired enterprises are integrated in the Group as soon as possible to realize synergy effects in the business areas. Consequently, it is generally not possible after a short period to trace and measure the value of goodwill in the individual units or enterprises. The impairment test is therefore made at group level.

At 31 December 2022, Management has tested the carrying amount of goodwill, software in process of development and other intangible assets for impairment. An impairment test is performed in the event of indication of impairment and at least once a year as part of the presentation of the Annual Report.

The key assumptions underlying the discounted cashflow calculation of value in use are the determination of Total sales growth, EBITDA growth, discount rate and growth rate for the 2023 period, the forecast period 2024-2028, and the terminal period.

The assessment of growth rate in Total sales is by nature subject to material uncertainty which naturally impacts the forecasted EBITDA. The Impairment test is based on a successful return to growth, although at a lower growth rate than previously and Management assess that the used assumptions are realistic to realize. Impairment recognized for 2022 totals DKK 0m (0m).

Total sales and EBITDA growth is determined based on historical performance, and Total sales and EBITDA realized in the period immediately prior to the beginning of the budget period, adjusted for non-recurring expenses, expected market developments and enterprises acquired and divested.

Impairment test is based on a turnaround where Total sales increases by 0-5 % in 2023 compared to 2022, and by 5% per year in the forecast period 2024 until 2028. Cost development in the forecast period is moderate and primarily driven by increase in commission to partners as well as staff cost and variable cost in own auction houses driven by the higher activity level, and the growth in cost for rent of premises is moderate as the growth in activity can be handled in the physical locations currently in use.

EBITDA is expected to grow from 2022 to 2023 in line with the growth in EBIT mentioned in the guidance for 2023. The increase in EBITDA is primarily due to growth in Revenue, and further strengthened by a change in business setup with more owned auction houses and a number of cost-cutting initiatives and other initiatives in relation to how the business is operated.

Growth in Total sales is driving value creation in the business. Economies of scale are quite high, resulting in a yearly growth in EBITDA of 10-15 percent, bringing EBITDA to a level between DKK 15m and 20m at the end of the forecast period.

9. Intangible assets (continued)

When determining investments, the effect of EBITDA growth is included based on historical experience, equivalent to an investment level of approximately 10 percent of budgeted EBITDA. The effect of expected acquisitions is not included at investment level.

The discount rate is determined based on the Company's marginal borrowing rate plus a risk premium that reflects the risk involved in investing in shares and the risk involved in the activity performed, equivalent to a pre-tax discount rate of 12.5 percent (11.5).

The terminal value growth rate of 0.5 percent (0.5) p.a. is based on estimated economic growth.

Sensitivity analysis

Compared to previous years, the headroom in the impairment test has increased.
The assessment of the assumptions applied when preparing the impairment test is by nature subject to material uncertainty.

A sensitivity analysis has been performed of the main assumptions in the impairment test to identify the lowest and/or the highest discount rate and the lowest growth rate in the forecast period for the cash-generating unit without resulting in any impairment losses. A summary of sensitivity analysis is shown below (all other assumptions unchanged):

	Group
	2022
Average Total sales growth for 2024 to 2028	0 %
Average EBITDA-growth for 2024 to 2028	- 29 %
WACC, pre-tax	25 %
Terminal growth	Can not result in impairment on its own

10. Property, plant, and equipment (DKK'000)

	Right-of-use assets	Other fixtures etc.
Cost at 1 January 2022	3,168	18,866
Adjustment at 1 January 2022	835	-
Re-measuring of lease liabilities	773	-
Disposal	- 576	-
Cost at 31 December 2022	4,200	18,866
Depreciation at 1 January 2022	276	15,317
Adjustment at 1 January 2022	835	-
Depreciation for the period	889	87
Depreciation related to disposals/expirations	- 602	-
Depreciation at 31 December 2022	1,398	15,404
Carrying amount at 31 December 2022	**2,802**	**3,462**
Cost at 1 January 2021	3,612	18,689
Re-measuring of lease liabilities	579	-
Additions	1,286	314
Disposal	- 2,309	- 137
Cost at 31 December 2021	3,168	18,866
Depreciation at 1 January 2021	1,844	15,333
Depreciation for the period	876	120
Depreciation related to disposals/expirations	- 2,444	- 137
Depreciation at 31 December 2021	276	15,317
Carrying amount at 31 December 2021	**2,892**	**3,549**

Right-of-use assets is based on the present value of rental agreements for showrooms, warehouses, office space and other facilities. Depreciation is straight-line on basis of the underlying contracts with an average of 3 years.

	2022 DKK'000	2021 DKK'000
11. Equity interest in subsidiaries		
Cost at 1 January	50,846	50,846
Addition, capital increase	7,500	9,313
Disposal	-	- 9,313
Cost at 31 December	**58,346**	**50,846**
Value adjustment at 1 January	- 43,371	- 43,371
Impairment losses	- 5,642	- 9,313
Disposal	-	9,313
Value adjustment at 31 December	**- 49,013**	**- 43,371**
Carrying amount at 31 December	**9,333**	**7,475**

Subsidiaries are specified in note 21.

12. Financial assets

	Deposits DKK'000
Cost at 1 January 2022	1,999
Additions	145
Cost at 31 December 2022	**2,144**
Carrying amount at 31 December 2022	**2,144**
Cost at 1 January 2021	1,817
Additions	182
Cost at 31 December 2021	**1,999**
Carrying amount at 31 December 2021	**1,999**

	31.12.2022 DKK'000	31.12.2021 DKK'000
13. Receivables		
Trade receivables	2,019	753
Contractual receivables	7,969	26,238
Receivable from parent, group, and associated companies	26,539	17,519
Other current receivables	2,654	3,523
	39,181	**48,033**

Contractual receivables relate to the sale of 2 partnership agreements. The contractual receivables from sale of partnerships agreements are in the range of DKK 2.0m to DKK 6.0m. Receivables from sale of partnership agreements are interest bearing. The repayment of the receivables is based on performance and repaid on a monthly or quarterly basis. Contractually Lauritz.com has various possibilities to collect the receivable up to and including the option of taking over the branch. The receivable related to the sale of shares is non-interest bearing and has no contingencies.

Of the contractual receivables DKK 7.6m (11.6m) is expected to mature after 12 months. Impairment of trade receivables and other receivables is made based on expected credit loss. During 2021 and 2022 no impairment losses was recognised.

The impairment test performed on the receivables from sale of partnership agreements is based on the expected performance, the historic track record for repayments and the expected resale value of the auction house.

The impairment losses included in the receivables listed above have developed as follows:

Lifetime Expected Credit Loss:		
Impairment losses at 1 January	890	10,249
Realised impairment losses	-	- 9,359
Impairment losses for the period	-	-
Reversed impairments for the period	-	-
Impairment losses end of period	**890**	**890**

The company has no significant credit risks in trade receivables related to a single costumer or market. Impairment of trade receivables is based on a provision matrix based on historical losses adjusted for specific and general changes in circumstances.

The company has credit risks related to contractual receivables and other receivables as described above. In determining the expected credit losses for these assets, impairments are made if the receivables show indication of impairment.

14. Share capital

The share capital consists of 530,900 shares with a nominal value of DKK 100 each. The shares have been paid in full. The shares have not been divided into classes and no special rights have been attached to the shares.

	DKK'000
Share capital 1 October 1999	3.000
Capital increase, cash 31 May 2000	150
Capital increase, cash 25 October 2000	3.000
Capital decrease, 24 August 2001	- 150
Capital increase, 3 April 2015	2
Capital increase, cash 12 July 2016	47,088
Total share capital at 31 December 2022	**53,090**

15. Deferred tax

	31.12.2022 DKK'000	31.12.2021 DKK'000
Deferred tax at 1 January	12,721	14,105
Adjustment to deferred tax, prior years	- 171	197
Deferred tax on profit/loss for the year	- 1,381	- 1,581
Deferred tax at 31 December	**11,169**	**12,721**
Specification of deferred tax:		
Tax losses carried forward	6,827	8,272
Tax, losses not recognised	- 1,578	- 1,486
Right-if-use assets	52	65
Other fixtures and fittings	3,939	3,919
Leasehold improvements	3	3
Rights acquired	576	576
Software	143	- 85
Goodwill	- 586	- 586
Other provisions	1,793	2,043
	11,169	**12,721**
Deferred tax is recognized as follows in the balance sheet:		
Deferred tax (asset)	11,169	12,721
Deferred tax at 31 December, net (asset)	**11,169**	**12,721**

No deferred tax is incumbent on other comprehensive income. Recognized tax losses carry forwards are expected to be utilized within 5 years.

16. Financial liabilities and financial activities

	Bond debt DKK'000	Lease liabilities DKK'000
Financial liabilities 1 January 2022	112,530	3,187
Cash flow from settlements	- 10,640	- 923
Non-cash changes:		
Remeasure of lease liabilities	-	773
Exchange rate adjustments	- 8,286	-
Financial liabilities 31 December 2022	**93,604**	**3,037**
Financial liabilities 1 January 2021	161,386	1,870
Cash flow from settlements	- 46,486	- 792
Non-cash changes:		
New lease liabilities	-	1,524
Remeasure of lease liabilities	-	576
Exchange rate adjustments	- 2,370	9
Financial liabilities 31 December 2021	**112,530**	**3,187**

17. Bond debt

The company has a bond originally issued in 2014.

The main terms of the bond debt at 31.12.2022 (the balance sheet date) are:

- Outstanding principal amount SEK 140m (SEK 155m).
- Fixed interest rate of 4.0 percent on the principal amount SEK 140m.
- Final redemption date of SEK 140m is 17 December 2024, no yearly redemptions.
- Interest for the period 17 December 2020 to 17 December 2021 to be paid at maturity of the bond in December 2024.
- Security EUR 10m to secure the bonds, primarily in form of a pledge in the vineyard Chateau Vignelaure, owned by the main shareholder in Lauritz.com Group A/S, Bengt Sundström.

18. Other payables

Other payables include payroll taxes, holiday pay, payable VAT, severance pay and other costs payable. The company has received extended payments terms and credit from the government related to Covid-19 relief programs.

19. Financial risks

Currency risks

The company's currency risks for the continuing operations are primarily related to the bond debt denominated in SEK. The remaining currency exposure is primarily in DKK. The difference between ingoing and outgoing payments denominated in the same currency is a measure of currency risk.

The bonds issued are in SEK. The principal amount is subject to exchange rate fluctuations between the Company's functional currency (DKK) and SEK. A 5 percent change in the SEK rate at 31 December 2022 would affect income and equity by approx. DKK 3.8m (4.9m).

Interest risks

The company has interest-bearing financial assets and liabilities and so it is affected by interest rate fluctuations. Following the restructuring of the bond debt, which included a change to fixed interest rates on the bond debt, the impact of fluctuations in the level of interest rates on the company's comprehensive income and equity has diminished significantly and is primarily related to interest on cash in bank accounts.

Liquidity risk

The following table detail the company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the company may be required to pay.

2022 (DKK'000)	**0-1 year**	**1-2 years**	**2-3 years**	**3+ years**	**Total**
Bond principal	-	98,310	-	-	98,310
Bond interest (2023-2024)	3,932	2,694	-	-	6,626
Lease liabilities	871	900	791	475	3,037
Other liabilities	53,095	-	-	-	53,095
31 December 2022	**57,898**	**101,904**	**791**	**475**	**161,068**

2021 (DKK'000)	**0-1 year**	**1-2 years**	**2-3 years**	**3+ years**	**Total**
Bond principal	10,890	-	106.958	-	117,848
Bond interest (2022-2024)	4,270	4,270	3,910	-	12,450
Lease liabilities	838	838	838	673	3,187
Other liabilities	57,522	-	-	-	57,522
31 December 2021	**73,520**	**5,108**	**111,706**	**673**	**191,007**

19. Financial risks (continued)

The company aims to have adequate cash resources to continuously carry out transactions appropriately as regards operations and investments. The company's cash reserve consists of cash and cash equivalents. The company's liquidity is mainly based on operating profits and the difference between the time of payment and the time of settlement. The time allowed for payment by buying customers is three days, and payment to selling customers takes place within approx. 40 bank days. To maintain the current liquidity level, the company is therefore dependent on continued growth and positive earnings. Management assesses the company's liquidity requirements on a regular basis.

Credit risks

The company is not exposed to significant credit risks on trade receivables as all items are handed in on a commission basis, and items from auctions are not handed out until payment has been made. Payments are mostly affected by way of credit cards or bank transfer. The Company has only experienced few cases of credit card fraud. Moreover, reputable collaborators are used for managing cash flows, mainly Valitor, ALTAPAY, Jyske Bank, Danske Bank, and SEB. Credit risks related to contractual receivables and other receivables are disclosed in note 13.

Other

The company regularly assesses its capital structure with a view to ensuring adequate equity. Reference is made to note 1.

20. Contingencies etc.

Contingent liabilities

The company has issued letters of support to the subsidiaries Lauritz.com Globen AB and Lauritz SHOP A/S. This is not expected to have any impact on comprehensive income or equity.

The shares of Lauritz.com A/S are pledged as security for the bond debt.

The company participates in a national joint taxation arrangement with Blixtz Holding A/S serving as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the company is therefore liable for income taxes etc. for the jointly taxed companies, which is limited to the equity interest by which the entity participates in the Group as well as for obligations, if any, relating to the withholding of tax on interest, royalties, and dividends for the jointly taxed companies. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the financial statement of the administration company.

21. Related parties

Related parties with a controlling interest

The following related parties have a controlling interest in Lauritz.com A/S:

Name	*Registered office*	*Basis of control*
Blixtz Holding A/S	Søborg, Denmark	Shareholder is holding the majority of voting rights in Lauritz.com Group A/S
Lauritz.com Group A/S	Søborg, Denmark	Shareholder is holding the majority of voting rights in Lauritz.com A/S

Ownership

Lauritz.com A/S is 100% owned by Lauritz.com Group A/S, Søborg, Denmark.

Subsidiaries	Registered office	Ownership interest
LC Danmark ApS	Søborg, Denmark	100 %
Lauritz SHOP A/S *	Søborg, Denmark	100 %
QXL.no AS *	Oslo, Norway	100 %
LC SE 1 AB (dormant) *	Helsingborg, Sweden	100 %
LC SE 2 AB (dormant)*	Helsingborg, Sweden	100 %
Lauritz.com Globen AB (dormant) *	Stockholm, Sweden	100 %
Companies divested in May 2021:		
Lauritz.com Deutschland GmbH *	Hamburg, Germany	100 %
Lauritz.com Sverige AB *	Stockholm, Sweden	100 %
AB Stockholms Auktionsverk *	Stockholm, Sweden	100 %
Karlstad-Hammarö Auktionsverk AB *	Skoghall, Sweden	100 %
Lauritz.com Finland OY *	Helsinki, Finland	100 %

*The company is not audited by Beierholm.

Related individuals

Bengt Olof Tony Sundström, Chairman of The Board of Directors (since 2016)

Tue Byskov Bøtkjær, Member of The Board of Directors (since May 19, 2022)

Claus Due Pedersen, Member of The Board of Directors (2018 to May 19, 2022)

Preben Vinkler Lindgaard, CFO, Member of The Board of Directors (since 2018)

Mette Margrethe Rode Sundstrøm, CEO (since 2021), Member of the Board of Directors (2017-2021)

21. Related parties (continued)

Transactions

Lauritz.com A/S did not enter into significant transactions with members of the Board or the Executive Management, except for compensation and benefits received as a result of their membership of the Board or employment with Lauritz.com A/S.

Lauritz.com A/S has entered into a management agreement with the Parent Company Lauritz.com Group A/S. In 2022, the agreement amounted to DKK 5,010k (5,090k).

As part of the debt restructuring in 2019 certain assets has been pledged with EUR 10m by the parent Group Blixtz Holding. This agreement includes guarantee commission paid by the company at DKK 2.9m (DKK 2.9m).

The company has interest-bearing long-term receivables from parent companies (Blixtz Holding A/S, Ejendomsselskabet Blixtz Aps) at DKK 18.0m (DKK 17.9m) related to the purchase of a property and related to the joint taxation. The company has received interest from parent companies of DKK 0,1m (0,1m).

22. Events after the balance sheet date

No other events have occurred after the balance sheet date that could have a material influence on the company's financial position.

23. Dividend

During 2022, DKK 0 in ordinary dividend has been distributed to the shareholders of Lauritz.com A/S, equalling DKK 0 per share (for 2021 DKK 0 per share).

For the financial year 2022, the Board of Directors has proposed dividend of DKK 0k, corresponding to DKK 0 per share.

24. Approval of annual report for publication

At the Board of Directors' meeting on 24 March 2023, the Board of Directors approved the present annual report for publication. The annual report is presented to the shareholders of Lauritz.com A/S for their approval at the annual general meeting.

25. Accounting policies

The Annual Report of Lauritz.com A/S for the financial year 2022 has been presented in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of medium-sized enterprises in reporting class C under the Danish Financial Statements Act.

A consolidated report is prepared by the parent company Lauritz.com Group A/S.

The Annual Report is presented in Danish kroner (DKK), which is the presentation currency of the activities and the functional currency of the company.

The accounting policies applied are consistent with those applied for 2021.

Changes in accounting policies

No new accounting standards, amended standards, or interpretations of relevance for Lauritz.com A/S has been identified for the year commencing 1 January 2023.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company’s financial statements are not expected to impact the financial statements of Lauritz.com A/S. The company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Critical accounting judgements and key sources of estimation uncertainty

When applying the company’s accounting policies, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily evident from other sources. The company has not identified any critical accounting judgements. The estimates and assumptions are based on historic experience and other relevant factors. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

During annual testing of goodwill and other non-current assets, including tax assets for impairment, or when an indication of impairment exists, an assessment is made as to how those activities of the company (cash-generating unit) that relate to goodwill would be able to generate sufficient positive future net cash flows to support the value of goodwill, non-current intangible assets and property, plant and equipment relating to those activities. Due to the nature of the business, estimates are made of cash flows for many years ahead, which inherently is subject to some uncertainty. This risk and this uncertainty are reflected in the discount rate applied and in the terminal value growth rate.

In calculating write-downs for bad and doubtful debts, Management has made estimates based on information available and other indications. It may be necessary to change previous estimates due to changes in those circumstances on which the estimates are based, or due to new information or subsequent events.

Business combinations

Newly acquired or newly established enterprises are recognized in the financial statements from the time of acquiring or establishing such enterprises. Time of acquisition is the date on which control over the enterprise is actually obtained. Divested or wound-up enterprises are recognized in the consolidated statement of comprehensive income up to the time of their divestment or wind-up.

The purchase method is applied on acquisition of new entities over which Lauritz.com A/S obtains control. The identifiable assets, liabilities and contingent liabilities of the entities acquired are measured at fair value at the date of acquisition.

25. Accounting policies (continued)

Identifiable intangible assets are recognised if they can be separated or arise out of a contractual right, and their fair value can be calculated reliably. Deferred tax is recognized for any reassessments made.

Cost of an enterprise consists of fair value of the consideration agreed. If part of the consideration is contingent upon future events, such part is recognised in cost in so far as the events are likely to occur, and the consideration can be calculated reliably.

Positive differences (goodwill) between the cost of the entity acquired and the fair value of the identifiable assets acquired, net of the amount of liabilities and contingent liabilities, are recognised as goodwill in intangible assets. Goodwill is not amortised but tested at least once a year for impairment. On acquisition, goodwill is allocated to cash-generating units, which then form the basis of impairment testing.

If the asset's carrying amount is higher than its recoverable amount, it is written down to such lower recoverable amount. Goodwill and fair value adjustments made as part of the acquisition of a foreign entity using a functional currency other than the presentation currency used by Lauritz.com Group A/S are accounted for as assets and liabilities belonging to the foreign entity and translated into Danish kroner (the functional currency) applied by the foreign entity at the transaction date exchange rate. Negative balances (negative goodwill) are recognised in other operating income in the statement of comprehensive income at the date of acquisition.

If uncertainty exists at the date of acquisition as to the measurement of identifiable assets, liabilities or contingent liabilities acquired, initial recognition will be based on preliminary fair values. Should the fair values of identifiable assets, liabilities, or contingent liabilities at the date of acquisition then turn out to differ from those previously estimated, goodwill is adjusted up until 12 months after the date of acquisition, and adjustments are subsequently taken to the statement of comprehensive income.

Gains or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of net assets, including goodwill, at the time of sale plus divestment or winding-up expenses.

Foreign currency translation

Foreign currency transactions are translated using the transaction date exchange rate. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date are recognized in the statement of comprehensive income as financial income or financial expenses. If foreign exchange positions are considered hedging of future cash flows, the value adjustments are recognised directly in other comprehensive income.

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 balance sheet date and the rate in effect at the time when the payable or the receivable arose are recognized in the statement of comprehensive income as financial income or financial expenses.

Non-current assets purchased in foreign currencies are translated applying the transaction date exchange rate.

On recognition in the consolidated financial statements of entities using functional currencies other than Danish kroner, the income statement items are translated using the average exchange rate for the year, whereas the balance sheet items are translated at the balance sheet date exchange rate. Exchange differences arising out of the translation of such entities' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from the transaction date exchange rates to the balance sheet date exchange rates are recognized in other comprehensive income.

25. Accounting policies (continued)

Statement of comprehensive income

Revenue

The Auction business of Lauritz.com generates revenue from knockdowns on the auction platforms of the group, consisting of commissions and fees from auctions, seller advertising marketing contribution received prom partner owned auction houses etc. Revenue from auctions etc. is recognised in the statement of comprehensive income once the sale has taken place and the income can be determined reliably and receipt thereof is expected.

Furthermore, revenue is generated through fees from sales of partnership agreements. Revenue from sale of partnership agreements is recognised once a sale is completed, and the income can be determined reliably, and is presented separately in the notes.

Revenue is recognised net of VAT, duties, and less sales discounts.

Direct costs

Direct costs are composed of the share of commissions and fees paid to partner owned auction houses and packing and distribution costs as well as other costs related to revenue.

Other operating income

Other operating income comprises income of a secondary nature relative to the activities, including rental income.

Other external expenses

Other external expenses comprise expenses for sale, marketing, administration, premises, bad debts, operating lease expenses, etc.

Staff costs

Staff costs include wages, salaries, pension contributions, fees to the Board of Directors and the Executive Board as well as other social security costs.

Financial income and expenses

These items comprise interest income and interest expenses, realised and unrealised capital gains and losses from liabilities and foreign currency transactions as well as amortisation, adjustments and impairment of financial assets and liabilities. Financial income and expenses are recognized at the amounts relating to the financial year.

Profit/loss from investments in subsidiaries

Dividends from equity investments are recognized when unconditional entitlement to such dividends arise. This is typically the date on which the annual general meeting approves distribution by the relevant entity.

Tax on profit/loss for the year

The company participates in a joint taxation arrangement with both Danish and foreign group enterprises.

Current Danish income tax is allocated among the jointly taxed enterprises proportionally to their taxable income (full allocation with a refund concerning tax losses). The jointly taxed enterprises are subject to the Danish Tax Prepayment Scheme.

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the statement of comprehensive income by the portion attributable to profit or loss for the year or taken to other comprehensive income by the portion attributable to entries directly in other comprehensive income. Tax recognised in the statement of comprehensive income is classified as tax on profit or loss for the year.

25. Accounting policies (continued)

Balance sheet
Intangible assets
On initial recognition, goodwill is recognized at cost in the balance sheet as described under "Business combinations". Subsequently, goodwill is measured at cost less any accumulated impairment losses.
The carrying amount of goodwill is allocated to the Group's cash-generating unit at the time of acquisition.
Determination of cash-generating units complies with the management structure and management control of the Group. As a result of integrating the acquired entities in the existing Group, Management estimates that the lowest level of cash-generating units, to which the carrying amount of goodwill may be allocated, is at group level as it is generally impossible to trace and measure the value of goodwill in each of the entities acquired after a short period of time.

Rights acquired are measured at cost less accumulated amortisation. Rights acquired are amortised on a straight-line basis over their estimated useful lives, which are estimated to be up to 20 years or less depending on the terms of contract.

Software in process of development comprises both externally acquired software and proprietary software qualifying for capitalisation. Software in process of development is not amortised, however, its value is tested on a regular basis, which may result in a write-down.

Completed software is amortised on a straight-line basis using its estimated useful life. The period of amortisation is usually 3 to 5 years.

Intangible assets with indefinite useful lives are not amortised but are tested at least once a year for impairment. If the assets' carrying amounts exceed their recoverable amounts, they are written down to such lower amount. In the balance sheet, intangible assets with indefinite useful lives are presented in "Rights acquired".

Right-of-use assets (leased assets)
The group assesses whether a contract is or contains a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to the lease arrangements in which it is the lessee, except for short term leases (under 12 month) and leases of low value assets. For short term and low value asset leases the group recognises the lease payments in operating expenses on a straight-line basis over the lease term.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset. The right-of-use assets are presented as a separate line in the consolidated balance sheet.

Property, plant, and equipment
Land and buildings are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated. Other fixtures and fittings, tools 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. The residual value is the estimated amount that would be earned if selling the asset today net of selling costs if the asset is of an age and a condition that is expected after the end of useful life.

25. Accounting policies (continued)

Depreciation is provided on a straight-line basis from the following assessment of the assets' expected useful lives:

Other fixtures and fittings, tools, and equipment	3 to 10 years

The gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the selling price net of selling costs and the carrying amount at the time of sale. Gains or losses are recognised in "Depreciation and amortisation" in the statement of comprehensive income.

Write-down for impairment of non-current assets
The carrying amounts of both intangible assets and items of property, plant and equipment are reviewed annually for any indicators of impairment in addition to that reflected through amortisation and depreciation. However, goodwill and intangible assets with indefinite useful lives are tested annually for impairment, the first time being at the end of the acquisition year.

If any such indication exists, impairment tests are made of each asset and group of assets, respectively. Write-down is made to the lower of recoverable amount and carrying amount.

The recoverable amount is the higher of net selling price and value in use. Value in use is the present value of the estimated net income from using the asset or the group of assets.

Non-current financial assets
Deposits
Deposits are measured at cost.

Investments in group enterprises
Investments in subsidiaries are recognised and measured at cost in the balance sheet. An impairment test is made if there is any indication of impairment. If cost exceeds recoverable amount, cost is written down to recoverable amount.

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

Trade receivables, contract receivables and other receivables
Trade receivables, contract receivables and other receivables are initially recognised at Fair value, plus any direct transaction costs, and subsequently measured at amortised cost using the effective interest method. For other receivables and contract receivables, write down is made for anticipated losses in accordance with IFRS 9 based on specific individual or group assessments. For trade receivables, the loss allowance is measured in accordance with IFRS 9 applying a provision matrix based on the groups historical loss experience adjusted for expected changes in specific or general circumstances.

25. Accounting policies (continued)

Equity and liabilities

Equity
Proposed dividend is recognized as a liability at the time of adoption at the annual general meeting (the time of declaration).

Reserves for treasury shares are recognized at purchase value.

Reserves for exchange rate adjustments comprise exchange differences arising from the translation of financial statements of entities with a functional currency other than Danish kroner.

Current tax and deferred tax
The current tax payable or receivable is recognized in the balance sheet, stated as tax computed on this year's taxable income adjusted for prepaid tax.

Deferred tax is the tax recognised on temporary differences between the carrying amount and tax-based value of assets and liabilities. Deferred tax liabilities as well as deferred tax assets are recognised.
Deferred tax is measured based on the current tax rate. Changes in deferred tax resulting from changed tax rates are recognized in the statement of comprehensive income.

Liabilities
Financial liabilities are recognized at the time of borrowing at nominal value less transaction costs incurred, equivalent to the proceeds received. Subsequently, financial liabilities are recognized at amortised cost equal to the capitalised value using the effective interest method to the effect that the difference between the proceeds and the nominal amount is recognized in the statement of comprehensive income over the term of the loan.

The lease liability is initially measured at the present value of the lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined the group uses its incremental borrowing rate. The lease liability is presented as a separate line in the consolidated balance sheet.

Other liabilities including debt to suppliers, subsidiaries as well as other payables are measured at amortised cost which usually corresponds to nominal value.

Cash flow statement
The cash flow statement is presented using the indirect method and shows cash flows for the year by operating, investing, and financing activities, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as profit or loss for the year adjusted for non-cash operating items, working capital changes as well as interest income, interest expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of entities and activities as well as the acquisition and sale of non-current assets.

Cash flows from financing activities comprise changes in the size or composition of share capital and related expenses. Moreover, cash flows from financing activities comprise raising of loans, repayments of interest-bearing debt including debt related to right-of-use assets and payment of dividend.

Cash and cash equivalents comprise cash less any overdraft facilities forming an integral part of cash management.

25. Accounting policies (continued)

Financial assets and liabilities
The company classifies its financial assets as loans and receivables and their financial liabilities as other financial liabilities.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are stated in current assets. The maturity profile of the Loans and receivables is shown in the notes. In the balance sheet, loans and receivables are classified as “Deposits”, “Trade receivables”, “Contract receivables”, “Receivables from Parent Company” and “Other receivables”.

Other financial liabilities
Financial liabilities are non-derivative financial liabilities that are measured at amortised cost. They are recognized in the balance sheet under non-current liabilities when the time to maturity from the balance sheet date exceeds 12 months. In the event of maturity within 12 months, they are recognized under current liabilities. Other financial liabilities are classified in the balance sheet as “Trade payables” and “Other payables”.

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