LAURITZ

Lauritz.com A/S

CVR no. 24 99 45 70

Annual Report

January – December 2021

Content

Company details

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
Claus Due Pedersen
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. Expected development for 2022 for the company is 0-10% growth in auction turnover, 5-15% growth in revenue, and EBITDA of 3-8 mDKK.

Impact on 2021 financial result due to the sale of activities

The M&A process initiated in April 2020 has been finalised in May 2021 with a sale of Stockholms Auktionsverk, Karlstad Hammarö Auktionsverk and 3 auction houses in Germany.

The sale of the Carve-out subsidiaries results in an accounting loss as the book value of the sold business is higher than the realised sales price, resulting in an impairment loss of DKK 36m. This loss was included as an impairment in the financial statement in 2020.

Financing

As planned, most of the proceeds from the sale in 2021 was be used to reduce the debt and currency risk of the company by approximately DKK 60m (bond debt SEK 45m, accrued interest on bond SEK 16m and Senior loan SEK 21m) in June 2021. A further DKK 11m (SEK 15m) is planned for May 2022, after which the remaining bond debt will be DKK 102m (SEK 140m). The remaining SEK loan is a standing debt 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 parent 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.

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Auction turnover [1]	**418,700**	**442,243**	**427,619**	**458,861**	**537,690**
Statement of comprehensive income [2]					
Revenue	133,348	131,138	136,772	148,235	182,035
Gross profit	46,917	46,511	48,975	52,931	85,502
EBITDA	4,361	- 24,964	2,920	- 16,721	24,296
Operating profit (EBIT)	- 780	- 31,696	- 5,687	- 26,120	- 9,395
Net financials	- 12,318	-48,207	50,345	- 46,799	- 11,862
Profit before tax (EBT)	- 13,098	- 79,903	44,658	- 72,919	- 21,257
Tax on profit for the year	- 1,548	10,042	6,203	7,228	- 1,016
Profit for the year	- 14,646	- 69,861	50,861	- 65,691	- 22,273
Balance sheet					
Non-current assets	52,448	57,158	176,364	187,640	221,385
Current assets	67,014	171,410	74,416	82,359	96,071
Share capital	53,090	53,090	53,090	53,090	53,090
Equity	- 59,095	- 44,449	25,412	- 25,449	40,242
Non-current liabilities	109,307	1,290	1,312	935	237,020
Current liabilities	69,250	271,727	224,056	294,513	82,209
Balance sheet total	119,462	228,568	250,780	269,999	359,471
Cash flows					
Operating activities	- 60,019	10,281	- 12,733	- 41,142	- 27,355
Investing activities	108,790	- 83	- 2,167	38,322	7,936
Of this, investments in property, plant, and equipment	- 314	-	131	36,071	- 1,425
Financing activities	- 47,169	- 579	12,130	- 605	-
Total cash flows	1,602	9,619	- 2,770	- 3,425	- 19,419
Ratios:					
Gross margin	35.2 %	35.5 %	35.8 %	35.7 %	47.0 %
EBITDA margin	3.3 %	- 19.0 %	2.1 %	- 11.3 %	13.3 %
Profit margin	- 0.6 %	- 24.2 %	- 4.2 %	- 17.6 %	- 5.2 %
Equity ratio	- 49.5 %	- 19.4 %	10.1 %	- 9.4 %	11.2 %
Return on equity	- %	- %	- %	- %	- 43.4 %
Earnings per share (EPS Basic), DKK	- 27.59	- 131.59	95.80	- 123.74	- 41.95
Dividend per share	0	0	0	0	0
Average number of full-time employees	27	31	33	39	46

[1] Auction turnover reflect activities on www.lauritz.com and mobile app. Auction turnover includes hammer prices and buyer's premiums exclusive of VAT.

[2] 2017-2020 includes discontinued operations.

Management statement

The Board of Directors and the Executive Management have today discussed and approved the Annual Report of Lauritz.com A/S for 2021.

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 2021 and of the results of the company's operations and cash flows for the financial year 2021.

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, 19 May 2022

Executive Management

Mette Margrethe Rode Sundstrøm
CEO

Preben Vinkler Lindgaard
CFO

Board of Directors

Bengt Sundström
Chairman

Claus Due Pedersen

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 2021 - 31 December 2021, 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 accompanying financial statements present fairly, in all material respects, the company's assets, equity and liabilities and financial position as 31 December 2021 and the company's financial performance and cash flows for the financial year 1 January 2021 - 31 December 2021 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 the auditor's 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 the management's review

The management is responsible for the management's review.

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

In connection with our audit of the financial statements, it is our responsibility to read the management's review and in this connection consider whether the management's review is materially inconsistent with the financial statements or the knowledge we have obtained during our audit, or in any other way appears to be materially misstated.

Furthermore, it is our responsibility to consider whether the management’s review contains the information required under the Danish Financial Statements Act.

Based on the work performed, we believe that the management’s review is in accordance with the financial statements and has been prepared in accordance with the provisions of the Danish Financial Statements Act. We have not detected any material misstatement in the management’s review.

Management’s responsibilities for the consolidated financial statements and the financial statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for the preparation of financial statements that provide a fair presentation in accordance with the Danish Financial Statements Act. Furthermore, the management is responsible for such internal control as the 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, the management is responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the 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 the 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 in the notes, and whether financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the company to express an opinion on financial statements. We are responsible for the direction, supervision and performance of the company's 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.

Aalborg, 19 May 2022
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		2021 DKK'000	2020 DKK'000
2	Revenue	133,348	131,138
	Direct costs	- 86,431	- 84,627
	Gross profit	**46,917**	**46,511**
3	Other external expenses	- 17,561	- 30,059
4	Staff costs	- 24,995	- 41,416
	Operating profit/loss before depreciation, amortisation and impairment (EBITDA)	**4,361**	- **24,964**
5	Depreciation amortisation and impairment losses	- 5,141	- 6,732
	Operating profit/loss (EBIT)	**- 780**	**- 31,696**
6	Financial income	6,638	9,543
7	Financial expenses	- 18,956	- 57,750
	Profit/Loss before tax (EBT)	- **13,098**	- **79,903**
8	Tax on profit/loss for the year	- 1,548	10,042
	Profit/Loss for the year	**- 14,646**	**- 69,861**
	Other comprehensive income	-	-
	Total comprehensive income	**- 14,646**	**- 69,861**

Balance sheet

Assets

Notes		31.12.2021 DKK'000	31.12.2020 DKK'000
	Non-current assets		
	Software in process of development	-	622
	Developed software	1,997	6,200
	Goodwill	21,815	21,815
	Rights acquired	-	-
9	Total intangible assets	23,812	28,637
	Right-of-use assets	2,892	1,768
	Other fixtures and fittings, tools, and equipment	3,549	3,356
10	Total property, plant, and equipment	6,441	5,124
11,21	Equity interest in subsidiaries	7,475	7,475
15	Deferred tax	12,721	14,105
12	Deposits	1,999	1,817
	Total financial assets	22,195	23,397
	Total non-current assets	**52,448**	**57,158**
	Current assets		
	Inventories	116	112
	Trade receivables	753	657
	Contractual receivables	26,238	22,036
	Receivables from group enterprises	4,244	571
	Receivables from Parent Company	13,275	16,948
	Tax receivable	-	2,636
	Other current receivables	3,523	2,705
13	Total receivables	48,033	45,553
	Cash and cash equivalents	18,865	17,263
11	Equity interest in subsidiaries, available for sale	-	108,482
	Total current assets	**67,014**	**171,410**
	Total assets	**119,462**	**228,568**

Equity and liabilities

Notes		31.12.2021 DKK'000	31.12.2020 DKK'000
	Equity		
14	Share capital	53,090	53,090
	Reserve for development projects	1,558	4,836
	Retained earnings	- 113,743	- 102,375
	Total equity	**- 59,095**	**- 44,449**
	Liabilities		
17	Bond debt	101,640	-
	Other non-current debt	5,318	-
	Lease liabilities	2,349	1,290
	Total non-current liabilities	109,307	1,290
17	Bond debt	10,890	147,940
17	Senior loan	-	13,446
	Lease liabilities	838	580
	Trade payables	43,842	44,096
	Payables to group enterprises	5,264	42,787
18	Other payables	8,416	22,878
	Corporate taxes payable	-	-
	Total current liabilities	69,250	271,727
	Total liabilities	**178,557**	**273,017**
	Total equity and liabilities	**119,462**	**228,568**

16 Financial liabilities and financial activities

19 Financial risks

Statement of changes in equity

	Share capital DKK'000	Reserve for development projects DKK'000	Retained earnings DKK'000	Total Equity DKK'000
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**
Equity at 1 January 2020	**53,090**	**9,556**	**-37,234**	**25,412**
Profit/Loss for the year	-	-4,720	-65,141	-69,861
Equity at 31 December 2020	**53,090**	**4,836**	**-102,375**	**-44,449**

Statement of cash flows

		2021 DKK'000	2020 DKK'000
	Operating profit/loss (EBIT)	**-780**	**-31,696**
5	Depreciation amortisation and impairments of non-current assets	5,199	6,897
	Impairment assets/liabilities	-3,113	-3,624
	Increase/decrease in inventories	-4	-21
	Increase/decrease in receivables	-8,268	26,880
	Increase/decrease in trade payables and other payables	-37,893	15,694
	Other adjustments	-54	-1,553
	Cash flows from ordinary operating activities	-44,913	12,577
	Interest and financial income received	929	1,239
	Interest and financial expenses paid	-18,671	-3,535
	Income tax settled including joint taxation	2,636	-
	Cash flows from operating activities	**-60,019**	**10,281**
	Purchase of property, plant, and equipment	-314	-
	Purchase of intangible assets	-	-622
	Sale of intangible assets, software	622	-
	Divestments, equity interest	117,795	-
	Contribution of share capital to subsidiaries	-9,313	-
	Dividends received from subsidiaries	-	539
	Cash flows from investing activities	**108,790**	**-83**
16	Payments, lease liabilities	-683	-579
16	Repayment, bond debt	-33,111	-
16	Repayment, senior loan	-13,375	-
	Cash flows from financing activities	**-47,169**	**-579**
	Net cash flow for the year	1,602	9,619
	Net capital resources, beginning of year	17,263	7,644
	Net capital resources, end of year	**18,865**	**17,263**
	Net capital resources, end of year, are composed as follows:		
	Cash and cash equivalents	18,865	17,263
	Net capital resources, end of year	**18,865**	**17,263**

1. Going Concern

Management of the company has throughout 2020 and 2021 been working to secure sufficient financing to secure the growth and operations of the company. The sale of 'Stockholms Auktionsverk', the auction house in 'Karlstad Hammarö' and 3 auction houses in Germany in May 2021 was a major part of this, securing a reduction of the debt, and improved terms and conditions on the bond debt, which should secure that the company can realise the plans for the coming financial year. The changes to the terms and conditions for the bond terms finalized in May 2021 include a reduction of the interest and no annual amortization on the bond which mature in December 2024, making room for operating and developing the business. Further, the company is no longer in breach of the terms and conditions of the bond.

Cash resources are limited and contingent on a continuation of the improvement in the company's remaining activity and a change to a situation with positive operating cash flow and results. 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.

Management is continuing the work on securing further capital for the longer term, looking into financing based on refinancing the bond debt as well as based on equity.

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.

	2021 DKK'000	2020 DKK'000
2. Revenue		
Auction commissions, fees etc.	126,018	123,800
Other revenue - marketing contribution etc.	7,330	7,338
	133,348	**131,138**
3. Other external expenses		
Fees to auditors appointed at the annual general meeting		
Audit services	503	547
Tax services	-	20
Other services	10	392
	513	**939**

Other external expenses include impairment losses on receivables of DKK -2,970k (-958k).

	2021 DKK'000	2020 DKK'000
4. Staff costs		
Wages and salaries	17,769	18,726
Management fees, group enterprises	4,890	20,616
Defined contribution pension plans, cf. below	618	709
Other social security cost	177	168
Other staff cost	1,541	1,197
	24,995	**41,416**
Average number of full-time employees	27	31

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.

In 2020 Wages and salaries include subsidies and compensations of DKK 0.9m mainly related to COVID-19 relief packages. In 2020 management fees for group enterprises include an adjustment of fees for prior years of DKK 13.1m.

	2021 DKK'000	2020 DKK'000
Remuneration of the Board of Directors and Executive Management		
Remuneration of the Board of Directors	209	250
	209	**250**

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

	2021 DKK'000	2020 DKK'000
5. Depreciation, amortisation, and impairment losses		
Depreciation, other fixtures, tools, and equipment	120	245
Depreciation, right-of-use assets	876	601
Amortisation, developed software	4,203	6,051
Depreciation amortisation and impairment losses	**5,199**	**6,897**
Losses/(gains) arising from disposal	- 58	- 165
	5,141	**6,732**

	2021 DKK'000	2020 DKK'000
6. Financial income		
Interest income	835	1,239
Interest income, group enterprises	94	-
Interest income, financial assets	**929**	**1,239**
Dividend from subsidiaries	-	539
Impairment gain, receivables group enterprises	3,230	7,765
Exchange rate gains	2,479	-
	6,638	**9,543**

	2021 DKK'000	2020 DKK'000
7. Financial expenses		
Interest expenses	276	528
Interest expense, group enterprises	230	145
Interest expenses, lease	171	93
Bank charges etc.	576	569
Guarantee commission	2,895	2,869
Financial expenses, bond debt	5,495	9,045
Interest expenses from financial liabilities	**9,643**	**13,249**
Impairment losses, current accounts	-	1,804
Exchange rate losses	-	6,833
Impairment losses, investments in subsidiaries	9,313	35,864
	18,956	**57,750**

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

	2021	2020
8. Tax on profit/loss for the year		
Current tax for the year incl. contribution from joint taxation	-	- 2,636
Adjustment to deferred tax	1,581	- 8,016
Adjustment to deferred tax, prior years	- 197	610
Adjustment to current tax, prior years	164	-
Tax on profit/loss for the year	**1,548**	**- 10,042**

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

	2021	2020
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 %)	- 2,486	- 17,578
Adjustment to prior years	- 33	610
Tax effect of:		
Non-deductible expenses/non-taxable income	2,581	7,045
Non-recognised tax losses carried forward, adjusted	1,486	-
Dividend received from subsidiaries	-	- 119
	1,548	**- 10,042**
Effective tax rate	Negative	Negative

9. Intangible assets (DKK'000)

	Software in process of development	Developed software	Acquired rights	Goodwill
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**
Cost at 1 January 2020	-	58,660	5,182	15,716
Additions from acquisitions	-	-	-	6,099
Additions	622	-	-	-
Cost at 31 December 2020	**622**	**58,660**	**5,182**	**21,815**
Amortisation at 1 January 2020	-	46,409	5,182	-
Amortisation for the period	-	6,051	-	-
Amortisation and impairment losses at 31 December 2020	**-**	**52,460**	**5,182**	**-**
Carrying amount at 31 December 2020	**622**	**6,200**	**-**	**21,815**

9. Intangible assets (continued)

Software includes development projects for IT systems and processes in progress. Apart from goodwill, 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 2021 (0.0m).

Acquired enterprises are integrated in the company 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 2021, 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 Auction Turnover growth, EBITDA growth, discount rate and terminal value growth rate for the 2022 period and the forecast period 2023-2027 and the terminal period.

The assessment of growth rate in Auction Turnover 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 seen previously and Management assess that the used assumptions are realistic to realize. Impairment recognized for 2021 totals DKK 0m (0m).

Auction Turnover and EBITDA growth is determined based on historical performance, and Auction Turnover 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 Auction Turnover increases by 5-15 % in 2022 compared to 2021, and by 5-10% per year in the forecast period 2023 until 2027. 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, whereas the growth in cost for rent of premises is low as the growth in activity can be handled in the physical locations currently in use.

EBITDA is expected to grow from DKK 2.7m in 2021 to a level between DKK 3m and DKK 8m in 2022. This 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 Auction Turnover is driving value creation in the business. Economies of scale are quite high, resulting in a yearly growth in EBITDA of 15-25 percent, bringing EBITDA to a level between DKK 20m and 25m 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 10-15 percent of budgeted EBITDA. The effect of expected acquisitions is not included at investment level.

The discount rate is determined based on the Group'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 11.5 percent (11.5).

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

Sensitivity analysis

Following the sale of activities, 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):

	2021
Average Auction Turnover-growth for 2023 to 2027	- 1 %
Average EBITDA-growth for 2023 to 2027	- 5 %
WACC, pre-tax	29 %
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 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**
Cost at 1 January 2020	3,033	18,690
Re-measuring of lease liabilities	579	-
Disposal	-	- 1
Cost at 31 December 2020	3,612	18,689
Depreciation at 1 January 2020	1,243	15,088
Depreciation for the period	601	245
Depreciation related to disposals	-	-
Depreciation at 31 December 2020	1,844	15,333
Carrying amount at 31 December 2020	**1,768**	**3,356**

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.

	2021 DKK'000	2020 DKK'000
11. Equity interest in subsidiaries		
Cost at 1 January	50,846	212,332
Addition, capital increase	9,313	17,730
Disposal	- 9,313	- 100
Transfer to assets available for sale	-	- 179,116
Cost at 31 December	**50,846**	**50,846**
Value adjustment at 1 January	- 43,371	- 78,141
Impairment losses	- 9,313	- 35,864
Disposal	9,313	-
Transfer to assets available for sale	-	70,634
Value adjustment at 31 December	**- 43,371**	**- 43,371**
Carrying amount at 31 December	**7,475**	**7,475**

Impairment losses in 2021 due to lower recoverable amounts in Lauritz.com Deutschland GmbH. (2020: Lauritz.com Sverige AB, Lauritz.com Globen AB, LC SE2 AB, LC SE1 AB, Lauritz.com Deutschland GmbH, and QXL No AS.

Subsidiaries are specified in note 21.

12. Financial assets

	Deposits DKK'000
Cost at 1 January 2021	1,817
Additions	182
Cost at 31 December 2021	**1,999**
Carrying amount at 31 December 2021	**1,999**
Cost at 1 January 2020	2,115
Disposal	- 298
Cost at 31 December 2020	**1,817**
Carrying amount at 31 December 2020	**1,817**

13. Receivables

	31.12.2021 DKK'000	31.12.2020 DKK'000
Trade receivables	753	657
Contractual receivables	26,238	22,036
Receivable from parent and group companies	17,519	17,519
Tax receivable	-	2,636
Other current receivables	3,523	2,705
	48,033	**45,553**

Contractual receivables relate to the sale of 4 partnership agreements. The contractual receivables from sale of partnerships agreements are in the range of DKK 1.9m to DKK 6.3m. 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 11.6m (19.6m) is expected to mature after 12 months. Impairment of trade receivables and other receivables is made based on expected credit loss. During 2021 impairment losses of DKK 0.0m has been recognized (2.1m), of which DKK 0.0m (1.8m) is recognised as financial expenses.

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	10,249	21,716
Realised impairment losses	- 9,359	- 5,847
Impairment losses for the period	-	2,145
Reversed impairments for the period	-	- 7,765
Impairment losses end of period	**890**	**10,249**

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 2021	**53,090**

15. Deferred tax

	31.12.2021 DKK'000	31.12.2020 DKK'000
Deferred tax at 1 January	14,105	6,699
Adjustment to deferred tax, prior years	197	- 610
Deferred tax on profit/loss for the year	- 1,581	8,016
Deferred tax at 31 December	**12,721**	**14,105**
Specification of deferred tax:		
Tax losses carried forward	8,272	7,787
Tax, losses not recognised	- 1,486	-
Right-if-use assets	65	22
Other fixtures and fittings	3,919	3,906
Leasehold improvements	3	3
Rights acquired	576	576
Software	- 85	- 665
Goodwill	- 586	- 586
Other provisions	2,043	3,062
	12,721	**14,105**
Deferred tax is recognized as follows in the balance sheet:		
Deferred tax (asset)	12,721	14,105
Deferred tax at 31 December, net (asset)	**12,721**	**14,105**

16. Financial liabilities and financial activities

	Bond/Senior loan debt DKK'000	Lease liabilities DKK'000
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**
Financial liabilities 1 January 2020	156,106	1,870
Cash flow from settlements	-	579
Non-cash changes:		
Remeasure of lease liabilities	-	- 579
Exchange rate adjustments	5,280	-
Financial liabilities 31 December 2020	**161,386**	**1,870**

17. Bond debt and Senior loan debt

The company has a bond originally issued in 2014.

The main terms of the bond debt at 31.12.2021 (the balance sheet date) are:

- Outstanding principal amount SEK 155m (SEK 200m).
- Fixed interest rate of 4.0 percent on the principal amount SEK 155m.
- Next redemption in May 2022 for SEK 15m (after receiving the last part of the sales proceeds (SEK 15m) from the divestment of activities in May 2021).
- 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.

In June 2019, a senior loan facility was issued to Lauritz.com A/S. The main terms of the senior loan are:

- Senior Loan Facility is denominated in SEK equivalent of up to 25mDKK superseding the bond debt.
- Fixed interest rate of 7.5 percent pro annum.

The senior loan was repaid in May 2021 in connection with the divestment of activities.

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 2021 would affect income and equity by approx. DKK 4.9m (4.4m).

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.

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**
2020 (DKK'000)					
Bond principal and senior loan	161,386	-	-		161,386
Lease liabilities	580	580	580	130	1,870
Other liabilities incl. interest	66,974	-	-		66,974
31 December 2020	**228,940**	**580**	**580**	**130**	**230,230**

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 42 days. In order 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 and note 17 and management's recent activities regarding refinancing of the company and of the Group.

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 wholly 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)

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

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

Claus Due Pedersen, Member of The Board of Directors (since 2018)

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 2021, the agreement amounted to DKK 5,090k (24,452k).

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 1.4m).

The company has interest-bearing long-term receivables from parent companies (Blixtz Holding A/S, Ejendomsselskabet Blixtz Aps) at DKK 17.9m (DKK 17.7m) 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 2021, DKK 0 in ordinary dividend has been distributed to the shareholders of Lauritz.com A/S, equalling DKK 0 per share (for 2020 DKK 0 per share).

For the financial year 2021, 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 8 April 2022, 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 2021 has been presented in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of 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 2020.

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 2021.

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.

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.

Assets and liabilities held for sale
Assets classified as held for sale comprise assets and liabilities, the value of which are highly probable to be recovered through a sale within 12 months rather than through continued use. Assets and liabilities classified as held for sale are measured at the carrying amount at the time of classification as 'held for sale' or at market value, less selling costs, whichever is lower. The carrying amount is measured in accordance with the company's accounting policies. No depreciation or amortisation is recognized on intangible assets and property, plant, and equipment from the time of classification as 'held for sale'

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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