LAURITZ

Lauritz.com A/S

CVR no. 24 99 45 70

Annual Report

January – December 2019

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 Lindgaard, CFO E-mail: preben@lauritz.com	
Board of Directors	Bengt Olof Tony Sundström, Chairman Claus Due Pedersen Mette Margrethe Rode Sundstrøm Preben Vinkler Lindgaard	
Executive Management	Carsten Rysgaard, CEO Preben Vinkler Lindgaard CFO	
Independent Auditor	Deloitte Statsautoriseret Revisionspartnerselskab	

Improvement in EBITDA

In 2019 we have seen a strong improvement in EBITDA compared to last year. EBITDA for 2019 is DKK 9.4m (-2.3m). The 2018 EBITDA was DKK 1.9m when excluding sales gains and impairments. The improvement is primarily driven by cost savings of around 4% in the like-for-like business.

Auction Turnover and revenue development

The many changes and improvements implemented in the organisation during 2018 and 2019 to address the increased competition are now showing their effect, and Auction Turnover has been stabilized in 2019. For the full year auction turnover amounted to DKK 724m (738m). This corresponds to a decrease of 2.0 percent, partly due to depreciation of the Swedish krone. Excluding the depreciation of the Swedish krone the decrease is 0.9 percent.

Revenue amounted to DKK 220.2m (228.0m), a decrease of 3.3 percent. The decrease in revenue is explained by lower auction turnover (-2.0 percent) depreciation of the Swedish kronor (-0.7 percent) and increased incentives towards sellers (-0.6 percent).

Ownership of branches

During 2019 we have reacquired the Fine Art business (March) and taken over the branches in Aarhus (May) and Herning (March). In January 2020 Aarhus and Herning has been combined in a large newly renovated well situated property.

Financing

Towards the end of 2019 a review of the capital structure of the group has been carried out. The conclusion is that the current structure needs to be improved by securing a sustainable long-term solution for the capital structure of the group. Furthermore, a solution needs to be found in relation to the bondholders as the bond is no longer listed and the redemption to be made in December 2019 has been postponed.

As a consequence of this, and in agreement with a group of large bondholders representing 47% of the bonds, it has been decided to appoint an internationally acknowledged M&A consultant to actively pursue the strategic possibilities for strengthening the capital base of Lauritz.com and redeem the bond debt.

This process has commenced in April 2020 and is expected to be finalised before the end of 2020.

Until the end of 2020 the above mentioned group of bondholders has agreed not to propose or support any proposal to initiate an enforcement of the security provided in favour of bondholders, provided that the process with the M&A consultant proceeds according to plan.

Information about Corona virus pandemic

The spread of the Corona virus, the measures taken by governments and the health concerns in our societies has resulted in a reduction in auction turnover since the epidemic started in the Nordic region.

At the onset of the pandemic we initiated a number of measures to makes sure that customers and employees can safely enter our auction houses, further we have taken a number of initiatives (including possibilities under various government initiatives to support businesses) to temporarily reduce cost during the pandemic hereby reducing the impact on earnings. Traditionally March and April are strong months in terms of revenue. In 2020 this period has been weaker than usual due to the Corona crisis, impacting Auction Turnover, earning and cash flow. Management is following the impact of the Corona crisis closely, and adjustment are continuously made to address developments.

In 2020 for the period until 10 March auction turnover was in line with last year and with our expectations. For the rest of March Auction turnover and Revenue was impacted negatively, with a drop compared to last year of 31 percent. As a result hereof the result in Q1 2020 is impacted negatively by DKK 4-5m compared to last year. In April we have seen a strong rebound in Auction turnover and revenue with April down only 10 percent compared to last year in our main markets. For the period January to April 2020 Auction Turnover is 12 percent below last year.

Based on the development seen in April we are expecting that the Corona crisis will continue to impact our Auction Turnover in Q2, however on a manageable level. Revenue and result are very difficult to forecast since numerous factors are unknown at this time. In terms of cost we have reduced staffing in accordance with the different crisis packages issued by governments in March and expect this to continue in Q2. In total we expect the salary compensation to amount to approximately DKK 1.8m most of which will impact Q2. In terms of liquidity the group has had a positive impact from government initiatives in the form of deferred payment dates for taxes and VAT. Deferrals vary between 1 month and 1 year depending on the type of payment and country.

The largest online auction house in northern Europe.

Probably the largest auction house worldwide within design furniture classics.

Auctions to the people!

Lauritz.com is an international online platform selling art, design, antiquities and home luxury to international buyers. It is our vision to democratize the international auction world by making auctions accessible to everyone. Lauritz.com was the first traditional auction house in the world to convert to online auctions. An early disruption of a very traditional market. As a first mover Lauritz.com has become a game changer driving the paradigm shift from physical to online auctions through digitalization, internationalization and industrialization of the auction industry.

Lauritz.com in figures

- 29 auction houses in 6 countries
- Over 3 million customer registrations
- Over 9.000 new customer registrations monthly
- Up to 4.0 million visits monthly
- Up to 1.4 million unique visitors monthly
- Visitors from approx. 200 countries
- Over 270.000 lots sold yearly
- Typically over 10.000 lots on auction
- Approx. 1.500 new auctions starting daily
- Lot value from DKK 800 to 15 million
- Auction turnover of approx. DKK 724m in 2019

This is how it works

Lauritz.com sources items locally to sell globally. Lauritz.com has 29 physical auction houses in 6 countries. Here local sellers can consign items for auction. Sellers can interact with the local house by getting an online evaluation, by booking an expert for a home visit or by booking Lauritz.com's pick-up service to transport items from the seller to the auction house. All items are estimated, described and photographed objectively by Lauritz.com's experts. Each lot is put up for an individual timed auction for 5 days, sold to the highest bid and shipped to the buyer. All items are presented on physical viewing in the given local auction house during the auction period. Major collections or more expensive items are high-lighted on special theme actions. Lauritz.com offers an authenticity guaranty to avoid falsification and copies.

Assortment

Lauritz.com sold over 270.000 lots on auction in 2019. The wide assortment comprises everything from luxury flee market finds to expensive international art works - from DKK 800 and up. The categories cover e.g. modern and antique art and sculptures, furniture, lamps, carpets, ceramics, silver, glass, jewellery, clocks, wine, hunting equipment, collectables and much more. Lauritz.com is exceptionally strong in modern design classics – and probably the leading auction house internationally for 20th century design furniture classics.

High volumes are sold daily of the most famous furniture by Scandinavian architects such as Arne Jacobsen, Wegner, Finn Juhl, Poul Kjærholm, Bruno Mathsson, Carl Malmsten etc. The modern furniture categories add up to approx. 40 percent of Lauritz.com’s auction turnover.

Customers

Lauritz.com's customer profile stretches from trendsetters to pensioners, students to top executives. Lauritz.com strives to create a universe that appeals to everyone, whatever their taste, budget or age. The division between men and women between customers is approx. 50/50, typically with a middle to higher income, and in age mainly between 30 to 60 years. Lauritz.com has over 3 million customer registrations and up to 3.5 million visits monthly. Customers come from approx. 200 countries.

Market position

Lauritz.com focuses on the middle market segment for lots with a value between DKK 800 and 50.000. This segment positions Lauritz.com between classified platforms with high volume at low prices and the fine art market with low volume and high prices. Lauritz.com can be described as a contemporary combination of ebay and Sotheby’s.

Business model

Lauritz.com has a simple business model, based on a healthy premium structure. All auction items are sold in commission (which means that Lauritz.com has no inventory). When an item is sold, the buyer pays 22.5 percent in buyer’s premium plus a knockdown fee of DKK 150. The seller pays 15 percent in seller’s premium plus a knockdown fee of DKK 150. The buyer pays the knockdown and premiums within 3 days. Lauritz.com pays the seller within 35 days.

Geographical expansion

The main key success factor in the auction business is to create a sufficient in-flow of items from local private and professional sellers to present to global buyers. Lauritz.com has a strong track record establishing physical auction houses for this vital local sourcing of items. Lauritz.com can open local auction houses in 3 ways; by opening own operations greenfield, by finding local partners to start in a franchise-like model or by acquiring regional auction houses to convert their traditional physical auctions to online auctions. Germany is considered the next growth market with a potential of up to 20 Lauritz.com houses (at present 3). Furthermore, UK is an attractive market to open on long term for local consignments in up to 10 major cities.

Scalable platforms

Lauritz.com’s platforms - and head-quarter set-up - is highly scalable as to; increasing the number of items on auction, increasing online traffic, establishing new auction houses and opening new countries. Lauritz.com already exist in 6 languages, and more can be added.

Business opportunities

Many opportunities are still to be explored and possibly launched. E.g. management sees a considerate potential in; introducing a ‘Buy now at fixed price’ feature, increasing the number of new-produced items on auction (from design producers/retailers), shortening payment time to sellers, a new payment service, optimizing even quicker/cheaper shipment to buying customers, introducing adds on the platforms and offering new products like consumer loans.

Market position and competition landscape

As a first mover within online auctions worldwide, Lauritz.com has driven the international paradigm shift from traditional, physical auctions to online auctions through soon 2 decades. Significant volumes of items are being sold at Lauritz.com every day and we have a very strong position in the online auction industry. Over the years, we have created a unique position between classified online marketplaces and traditional auction houses. Our core concept as an international online auction marketplace for design, art and antiques - with a high level of expertise, quality and service – is a successful formula with a great future potential. Today, Lauritz.com holds a strong position as the biggest auction house in the Nordics. Lauritz.com's online platforms perform well, with over 9.000 new customer registrations and up to 4 million online visits per month.

The main key success factor in the auction industry is continuously to secure a sufficient number of items to sell to the buying customers. Therefore, Lauritz.com's growth potential is dependent on our capability to attract items to our auction houses from local sellers to expose these items online to our global buyers.

However, at the same time, we do operate in an increasingly competitive landscape with old and new competitors increasing their efforts to reach Lauritz.com's unique position. Lauritz.com has now entered a phase in our development that requires firm actions to stay ahead of upcoming competition. Traditional auction houses have become more focused and aggressive online. New commercial platforms are popping up with fixed-price or auction concepts. Social platforms have started to compete seriously within trading of second-hand items. In addition, the retail market of smaller but interesting local vintage shops is growing.

This development has had an unfortunate impact on Lauritz.com's in-flow of items from sellers, who now have more alternatives. The increased competition has influenced Lauritz.com's auction turnover negatively in 2017 and 2018 whereas in 2019 we have seen a stabilization.

In parallel, consumer behavior has gone through a rapid change the last years as result of the further digitalization. Today, consumers are prioritizing convenience more than ever. Historically, Lauritz.com has been acknowledged as the most convenient auction concept, defined to be accessible and to make life as easy as possible for the customers. We are now adjusting certain of our customer offerings, in order to stay ahead of the increasing number of alternative channels that consumers can chose when selling or buying second-hand items.

On the other hand, the market for online trade and trading of used items is generally growing, driven by the digitalization and a new customer focus on sustainability recycling and circular economy. The increasing interest in second-hand items and the consumers' adaption to online channels create an online market with a substantial future potential. This market development is promising and will give room for many online players.

In order to address the intensified competition and demand of convenience, Lauritz.com is constantly working to improve our offerings through different initiatives to upgrade convenience in Lauritz.com's services towards our future sellers and buyers, securing and developing our market leading position also in the future.

Commercial initiatives

Several commercial initiatives are showing positive effect on the results. Among them, a continued increased focus on sales management, business control and execution both internally in the headquarters and in relation to the individual auction houses.

The comprehensive optimization process that all auction houses have gone through in terms of logistics and handling of the auction supply chain, has released resources for intensified sales activities.

Apart from targeting more private sellers, we are continuously targeting professional sellers to consign larger lot stocks or one-off sales within both vintage items and newly produced items.

In terms of marketing activities, we are continuously focused on creating local activities including an increase in our outreach via focused social media, which is still showing a positive effect and strengthening our presence in the local and regional communities.

With regards to Stockholms Auktionsverk, we have observed a continuously positive steady development throughout the year. The implementation of Lauritz.com's sales management system is expanding the commercial skills among our Swedish experts whose role is currently changing from a more internal role to a more external role, proactively contacting potential sellers for consignments. Moreover, our focused brand related collaborations with other strong brands and ambassadors are are influencing the results positively, and we have strengthened our Stockholm based marketing department to support the positive development further.

The action plan formulated to address the intensified competition and demand of convenience, includes many new ambitious commercial initiatives to return Lauritz.com to the growth path followed for many years, except for the last two. The plan has shown results in 2019, and we are strengthening our efforts further to motivate and drive sales as well as increasing the number of individual sellers.

Lauritz.com's brand values are all about a democratic approach to auctions, making auctions accessible and convenient for modern consumers – in a contemporary and trendsetting way. After having launched our successful app and mobile website in recent years, we have upgraded our desktop website over recent months.

We keep planning and executing the next step in a demanding, now highly competitive environment. We are confident that the measures we have taken - and the coming actions in the pipeline - will have a positive impact with regards to both attracting more sellers and buyers and securing growth and profitability. On long term basis, we keep reviewing e.g. how to develop our business model, value propositions and product experience on the digitized market for auctions.

Development in organization

The key competence of Lauritz.com is the expertise within art design and antiquities. However, we are generally changing the expert's roles to work in a more proactive and outgoing way. The goal is that the experts should generate more customer leads themselves by finding and contacting potential sellers for external meetings about future consignments, e.g. professional sellers, collectors, major private customers etc. The conversion of the expert's role is addressed e.g. through courses for the experts at Lauritz.com University.

Development in auction turnover

During time, Lauritz.com has shown a yearly average auction turnover growth of over 25 percent from the start in 1999 until 2016. During the same period from 1999 to 2016, EBITDA has shown a strong and consistent development.

2017 and 2018 has been years with many changes around Lauritz.com. While our core business of selling second hands items online was stable in 2016, we experienced a decrease through 2017 and 2018. In 2019 the development has been stabilized. For the full year auction turnover amounted to DKK 724m (738m). This corresponds to a decrease of 2.0 percent, partly due to depreciation of the Swedish krone. Excluding the depreciation of the Swedish krone the decrease is 0.9 percent.

The stabilization is an effect of the commercial activities mentioned above.

Development in financials

EBITDA for the auction business - excluding sales gains and impairments - is DKK 9.4m (1.9m). The improvement from last year is a result of lower cost down DKK 15.2m, partly offset by lower revenue down DKK 7.7m equal to 3.3 percent due to the lower auction turnover, resulting in an improvement in EBITDA for the auction business of DKK 7.5m compared to last year.

Guidance for revenue and EBITDA has been stable during the year until December 5, 2019 where expectations were reduced following weak performance in Q4, including lower intake for the Fine Art auctions in November and December than expected.

For the full year auction turnover decreased to DKK 724m (738m). Net revenue decreased in 2019 to DKK 220.2m (228.0m).

The decrease in revenue is mainly explained by depreciation of the Swedish kronor DKK -1.7m and by lower auction turnover impacting revenue negatively by DKK -6.0m.

In connection with the test of the carrying amount of goodwill, software in process of development and other intangible assets an impairment was made in 2018. At the similar test performed at the end of 2019 no additional need for impairment has been identified. The impairment test is based on expected future performance, and the situation is largely the same as one year ago, with expected growth in revenue and EBITDA over the forecast period. As a result, the headroom in the impairment test is limited.

The restructuring of the bond debt competed in June 2019 has resulted in a gain of DKK 75.3m (0.0m) impacting the financial items positively,

The Profit/Loss for the year is positive with DKK 56.7m (-66.5m).

Net Cash Flow for the year was DKK -11.6m (-8.6m).

Events after the balance sheet date

In March 2020, the spread of the Corona virus is impacting the outlook for the business. A number of initiatives have been taken to minimize the financial impact. We monitor the situation closely, contingency plans are in place and all relevant precautions are taken for the business, customers visiting our auction houses and for the employees.

The impact of the Corona crisis so far has been a drop in Auction Turnover of 31 percent in the period from March 10 to March 31, and a 10 percent drop in Auction Turnover in April in our main markets. The negative impact on earnings in Q1 2020 from the Corona crisis is approximately DKK 4-5m.

Based on the development seen in April we are expecting that the Corona crisis will continue to impact our Auction Turnover in Q2, however on a manageable level. Revenue and result are very difficult to forecast since numerous factors are unknown at this time.

In April, and in agreement with a group of large bondholders owning 47% of the bond, the group has appointed an M&A consultant to actively pursue the strategic possibilities for strengthening the capital base of Lauritz.com and redeem the bond debt.

Until the end of 2020 the above mentioned group of bondholders has agreed not to propose or support any proposal to initiate an enforcement of the security provided in favour of bondholders, provided that the process with the M&A consultant proceeds according to plan.

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

Guidance for 2020

The spread of the Corona virus with uncertainty as to duration and magnitude of the outbreak is resulting in lack of visibility as to the expectation for the year. As a result, we suspend our previously issued guidance.

The previous guidance for 2020 was an expected growth in Auction Turnover and Revenue of 0-5 percent, and EBITDA of DKK 10-15m.

We will provide updated outlook for 2020 when there is greater clarity on the Corona virus impact on markets and our business.

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Auction turnover [1]	**723,537**	**738,217**	**858,893**	**1,024,232**	**1,019,515**
Statement of comprehensive income					
Revenue	220,228	227,962	297,120	320,989	329,507
Gross profit	130,365	116,517	192,814	210,138	215,324
EBITDA	9,436	- 2,305	44,692	46,282	41,830
Operating profit (EBIT)	-15,826	- 57,283	5,553	31,931	29,655
Net financials	60,279	- 12,186	- 12,904	- 15,275	- 40,423
Profit before tax (EBT)	44,453	- 72,016	- 7,351	16,656	- 10,768
Tax on profit for the year	12,243	5,561	- 3,927	- 5,096	2,255
Profit for the year	56,696	- 66,455	- 11,278	11,560	- 8,513
Balance sheet					
Non-current assets	222,975	184,599	225,347	289,826	282,162
Current assets	124,445	164,078	215,498	204,215	219,403
Balance sheet total	347,420	348,677	440,845	494,041	501,565
Share capital	53,090	53,090	53,090	53,090	6,002
Equity	25,412	- 30,002	39,926	63,452	13,287
Non-current liabilities	25,318	16,268	249,962	255,292	347,848
Current liabilities	296,690	362,412	150,957	175,297	140,430
Cash flows					
Operating activities	- 3,958	- 38,123	- 5,331	- 7,750	- 12,705
Investing activities	- 7,488	38,642	- 9,607	90,978	- 22,806
Of this, investments in property, plant and equipment	131	36,228	- 2,138	- 6,945	- 7,978
Financing activities	- 107	- 9,110	-	- 51,735	- 1,999
Total cash flows	- 11,553	- 8,591	- 14,938	31,493	- 37,510
Ratios:					
Gross margin	59.2%	51.1%	64.9 %	65.5 %	65.3 %
EBITDA margin	4.3%	- 1.0%	15.0 %	14.4 %	12.7 %
Profit margin	- 7.2%	- 25.1%	1.9 %	9.9 %	9.0 %
Equity ratio	7.3%	- 8.6%	9.1 %	12.8 %	2.8 %
Return on equity	- %	- %	- 20.7 %	30.1 %	- 61.2 %
Earnings per share (EPS Basic), DKK	106.79	- 125.17	- 21.24	39.13	-141.83
Dividend per share	0	0	0	0	0
Average number of full-time employees	155	136	182	201	204

[1] Auction turnover reflect activities on www.lauritz.com, mobile apps, www.hammaroauktionsverk.com and Stockholms Auktionsverk/Magasin 5.
The amount includes hammer prices, buyer's premiums exclusive of VAT.

Earnings per share are calculated according to IAS 33 (note 21). Key ratios are applied and calculated as follow:

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
EBITDA margin	$\frac{\text{Operating profit/loss before depreciation, amortisation and impairment (EBITDA) x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Balance sheet total}}$
Return on equity	$\frac{\text{Profit for the year x 100}}{\text{Equity, average}}$
Earnings per share (EPS Basic)	$\frac{\text{Profit for the year}}{\text{Average no of shares in circulation}}$
Dividend per share	$\frac{\text{Dividend distributed}}{\text{Average no of shares in circulation}}$
Auction turnover	Auction turnover reflect activities on www.lauritz.com, mobile apps, www.hammaroauktionsverk.com and Stockholms Auktionsverk/Magasin 5. The amount includes hammer prices, buyer's premiums exclusive of VAT.

Management statement

The Board of Directors and the Executive Management have today discussed and approved the Annual Report of Lauritz.com A/S for 2019.

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 Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 2019.

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

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

Copenhagen, 7 May 2020

Executive Management

Carsten Rysgaard CEO	Preben Vinkler Lindgaard CFO

Board of Directors

Bengt Olof Tony Sundström Chairman	Claus Due Pedersen
Mette Margrethe Rode Sundstrøm	Preben Vinkler Lindgaard

To the shareholders of Lauritz.com A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements og Lauritz.com A/S for the financial year 01.01.2019 – 31.12.2019, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and cash flows for the financial year 01.01.2019 - 31.12.2019 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 (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We would like to draw attention to the information contained in Group account note 1 and 18, which states that Management of the Company is currently exploring various specific options for refinancing the Group's bond loans in breach and providing additional operating financing for the going concern of the Parent and the Group. The going concern of the Group and the Parent is conditional on the implementation of a refinancing and a cash contribution to the Group, including a positive development in the Groups cash flow and results for the remaining part of 2020, as the cash flows and results in 1 Quarter of 2020 has been negative. Management expects improvement for the remaining part of 2020. This improvement is highly dependent on a positive development in the market conditions and the Groups efforts to respond to this development in a very uncertain business environment caused by the COVID-19 incident. As specified in note 1 and 18, Management expects refinancing, cash contribution and that a positive development in the remaining part of 2020 to fall into place and has therefore presented the financial statements on a going concern basis. Our opinion has not been modified with respect to this matter.

Emphasis of matter regarding material uncertainty related to measurement of the Group's intangible assets

We would like to draw attention to the information contained in note 11 of the consolidated financial statements, which states that Management of the Company has prepared an impairment test of the Group's intangible assets of DKK 172.2 million. The impairment test’s value in use of the intangible assets is close to the carrying amount and is based on optimistic assumptions for the development in key assumptions as revenue growth and growth in EBITDA for the period 2021-2026. Management has therefore illustrated in note 11 the sensitivity associated with the assumptions used for the impairment test. The current measurement of the Group's intangible assets is therefore subject to material uncertainty. As specified in note 11, it is Management’s assessment that the assumptions used for the impairment test are achievable and therefore no write-down for impairment of the Group’s intangible assets has been made. Our opinion has not been modified with respect to this matter.

Emphasis of matter regarding material uncertainty related to measurement of the Parent's investment in equity interest in subsidiary

As a consequence of the impairment test carried out of the Group’s intangible assets, we draw attention that there is a similar uncertainty associated with the measurement of the Parent’s investment in equity interest in subsidiaries of DKK 134.2 million after an impairment recognised of DKK 15.9 million, according to note 11 in the Parent financial statement. For an understanding of the uncertainty associated with the measurement of equity interest in subsidiaries, please refer to the sensitivity analyses performed by Management in connection with the impairment testing of the Group’s intangible assets in note 11. Similarly, these sensitivity analyses will apply to the measurement of the Parent’s equity interest in subsidiaries. Our opinion has not been modified with respect to this matter.

Statement on the management review

Management is responsible for the management review.

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

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

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

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent 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 parent financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent’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 consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 7 May 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Eskild Nørregaard Jakobsen
State-Authorised
Public Accountant
Mne 11681

Statement of comprehensive income 1 January - 31 December

Notes		Group 2019 DKK'000	Group 2018 DKK'000
2	Revenue	220,228	227,962
	Direct costs	- 89,863	- 111,445
	Gross profit	**130,365**	**116,517**
3	Other operating income	-	11,217
4	Other external expenses	- 43,030	- 65,763
5	Staff costs	- 77,900	- 64,276
	Operating profit/loss before depreciation, amortisation and impairment (EBITDA)	**9,435**	**- 2,305**
6	Depreciation, amortisation and impairment losses	- 25,261	- 54,978
	Operating profit/loss (EBIT)	**- 15,826**	**- 57,283**
7	Financial income	81,941	13,073
8	Financial expenses	- 21,281	- 25,259
9	Share of result in associated companies	- 381	- 2,547
	Profit/Loss before tax (EBT)	**44,453**	- **72,016**
10	Tax on profit/loss for the year	12,243	5,561
	Profit/Loss for the year	**56,696**	**- 66,455**
	Items that can be reclassified to profit or loss:		
	Exchange rate adjustments, foreign companies	- 1,282	- 3,473
	Tax on other comprehensive income	-	-
	Other comprehensive income	**- 1,282**	**- 3,473**
	Total comprehensive income	**55,414**	**- 69,928**
21	Earnings per share (EPS), DKK	**106.79**	- **125.17**
21	Earnings per share (EPS), diluted DKK	**106.79**	- **125.17**

Balance sheet

Assets

Notes		Group 31.12.2019 DKK'000	Group 31.12.2018 DKK'000
	Non-current assets		
11	Software in process of development	-	3,741
11	Developed software	12,278	11,079
11	Rights acquired	47,724	29,542
11	Goodwill	112,182	94,818
	Total intangible assets	172,184	139,180
12	Right-of-use assets	30,759	12,937
12	Other fixtures and fittings, tools and equipment	5,985	7,793
	Total property, plant and equipment	36,744	20,730
13	Deferred tax	10,677	10,986
14	Deposits	3,370	2,702
14	Investment in associated companies	-	11,001
	Total financial assets	14,047	24,689
	Total non-current assets	**222,975**	**184,599**
	Current assets		
	Inventories	128	772
15	Trade receivables	10,789	13,823
15	Contractual receivables	40,780	62,085
25	Receivables from group enterprises	9,315	9,178
	Tax receivable	1,363	3,396
25	Receivables from Parent Company	18,317	8,264
15	Other current receivables	5,920	16,604
	Total receivables	86,484	113,350
16	Cash and cash equivalents	37,833	49,956
	Total current assets	**124,445**	**164,078**
	Total assets	**347,420**	**348,677**

Equity and liabilities

Notes		Group 31.12.2019 DKK'000	Group 31.12.2018 DKK'000
	Equity		
	Share capital	53,090	53,090
	Other reserves	- 21,163	- 19,881
	Retained earnings	- 6,515	- 63,211
	Total equity	**25,412**	**- 30,002**
	Liabilities		
13	Deferred tax	6,476	9,729
	Lease liabilities	18,842	6,538
	Total non-current liabilities	25,318	16,267
18	Bond debt	143,100	229,673
18	Senior loan	13,006	-
	Lease liabilities	13,179	6,728
	Trade payables	98,968	105,582
19	Other payables	28,437	19,546
	Corporate taxes payable	-	883
	Total current liabilities	296,690	362,412
	Total liabilities	**322,008**	**378,679**
	Total equity and liabilities	**347,420**	**348,677**

17 Financial liabilities and financial activities

Statement of changes in Consolidate Group Equity

	Share capital DKK'000	Reserve for exchange rate adjustments DKK'000	Retained earnings DKK'000	Total Equity DKK'000
Equity at 1 January 2019	**53,090**	**-19,881**	**-63,211**	**-30,002**
Profit/Loss for the period	-	-	56,696	56,696
Other comprehensive income	-	-1,282	-	-1,282
Equity at 31 December 2019	**53,090**	**-21,163**	**-6,515**	**25,412**
Equity at 1 January 2018	**53,090**	**-16,408**	**3,244**	**39,926**
Profit/Loss for the year	-	-	-66,455	-66,455
Other comprehensive income	-	-3,473	-	-3,473
Equity at 31 December 2018	**53,090**	**-19,881**	**-63,211**	**-30,002**

Note		Group 31.12.2019 DKK'000	Group 31.12.2018 DKK'000
	Operating profit (EBIT)	**- 15,826**	**- 57,283**
	Depreciation and amortisation	24,907	50,628
	Impairments and losses on receivables	3,721	21,773
	Gain on sale of non-current assets, net	-	- 11,217
	Increase/decrease in inventories	644	246
	Increase/decrease in receivables	- 7,087	34
	Increase/decrease in trade payables and other payables	- 19,498	- 18,632
	Other adjustments	5,350	4,178
	Cash flows from ordinary operating activities	- 7,789	- 10,273
	Interest received	2,543	2,704
	Interest and financial expenses paid	- 9,415	- 19,238
	Corporate tax paid/refunded	10,703	- 11,317
	Cash flows from operating activities	**- 3,958**	**- 38,124**
	Purchase of property, plant and equipment	- 812	- 360
	Sale of property, plant and equipment	943	1,118
	Purchase of intangible assets	- 4,019	- 4,532
	Sale of assets held for sale	-	35,000
23	Acquisitions and divestments	- 3,600	7,417
	Cash flows from investing activities	**- 7,488**	**38,643**
17	Repayment, lease liabilities	- 12,795	- 9,110
18	Drawdown, senior loan	15,000	-
18	Repayment, senior loan	- 2,312	-
	Cash flows from financing activities	**- 107**	**- 9,110**
	Net cash flows for the period	- 11,553	- 8,591
	Net capital resources, beginning of period	49,956	60,070
	Exchange rate adjustment of capital resources	- 570	- 1,523
	Net capital resources, end of period	**37,833**	**49,956**
	Net capital resources, end of period, are composed as follows:		
	Cash and cash equivalents	37,833	49,956
	Net capital resources, end of period	**37,833**	**49,956**

1. Going Concern

As the group is in a turnaround process and is in breach of the terms of the groups bond, it needs to strengthen its capital structure.

Due to the Corona crisis liquidity is further strained. Cash resources are limited and contingent on an improvement in the Groups activity and a change to a situation with positive operating cash flows and results. The markets for auctioning and online sale of vintage and luxury items are growing, and the group is working hard to take its share of the market through strong initiatives in marketing and in new business areas under development.

Management of the group is working on concrete plans to obtain sufficient financing to secure the growth and operations of the group. The plans include financing based on equity as well as loans, which should secure that the group can realise the plans for the coming financial year.

As mentioned in company statements released on 17 December 2019 and 4 January 2020 it is expected that the new financial structure will include changes to the amortisation of the bond.

In agreement with a group of large bondholders representing 47% of the bonds, it has been decided to appoint an internationally acknowledged M&A consultant to actively pursue the strategic possibilities for strengthening the capital base of Lauritz.com and redeem the bond debt. This process has commenced in April 2020 and is expected to be finalised before the end of 2020.

Until the end of 2020 the above mentioned group of bondholders has agreed not to propose or support any proposal to initiate an enforcement according to the bond debt agreement including enforcement of the security provided in favour of bondholders, provided that the process with the M&A consultant proceeds according to plan.

Material uncertainty relates to the Groups future financial and liquidity set-up as the refinancing activities has not been finalised and therefore contingent on a successful M&A process and managements continuous activities within the financing and liquidity area.

Based on the above mentioned conditions for the Group, management has assessed that the cash resources of the group, provided that the planned financing initiatives are completed and a positive development in the business activities in the remaining part of 2020 are achieved, are sufficient to secure the future operations for at least one year, so that the annual report can be prepared on a going concern basis.

For additional information regarding bond debt and senior loan/ refinancing activities, including the initiated M&A process for the group, reference is made to note 18 and 26.

	Group 2019 DKK’000	Group 2018 DKK’000
2. Revenue		
Auction commissions, fees etc.	213,400	220,164
Other revenue - marketing contribution etc.	6,828	7,798
	220,228	**227,962**

The Group has no single key costumers.

3. Other operating income		
Gain from sale of activities	-	10,978
Rental and other income	-	239
	-	**11,217**

4. Other external expenses		
Fees to auditors appointed at the annual general meeting		
Audit services	916	1,009
Tax services	20	20
Other services	1,130	701
	2,066	**1,730**

Other services consist of advisory services related to financial statements and tax advisory in relation to acquisitions, divestments, and sale of assets.

Other external expenses include impairment losses on receivables of DKK -972k (15,930k).

5. Staff costs		
Wages and salaries	62,442	51,130
Defined contribution pension plans, cf. below	3,634	3,610
Other social security costs	9,351	6,640
Other staff costs	2,473	2,896
	77,900	**64,276**
Average number of full-time employees	155	136

The Group has concluded defined contribution pension plans with the majority of the employees in the Danish Group enterprises. According to the concluded agreement, the Group enterprises pay a monthly amount of 5 percent of the concerned employees’ basic salary. The contribution recognized in the income statement in this respect is stated above.

5. Staff costs (continued)

Remuneration of the Board of Directors and Executive Management		
Remuneration of the Board of Directors	541	578
Wages and salaries, Board of Directors and Executive Management	5,965	5,639
Pensions, Board of Directors and Executive Management	231	209
	6,737	**6,426**

Executive management is defined as publicly registered management. Wages and salaries for Board of Directors and executive management include compensation for management roles in other group Companies. Wages and salaries for Board of Directors and executive management include DKK 0k (775k) which has been settled with shares. Shares used for the settlements was purchased in a share buy-back program during the period 16 April to 14 June 2018.

Wages and salaries, Board of Directors and Executive Management includes a consultancy fee of DKK 1.2m (2.4m) to the Chairman of the Board.

6. Depreciation amortisation and impairment losses

Depreciation, right-of-use assets	12,209	9,439
Depreciation, other fixtures, tools and equipment	2,673	2,372
Amortisation rights acquired	3,327	4,184
Amortisation, developed software	6,562	7,168
Impairment losses goodwill	-	31,473
Depreciation amortisation and impairment losses	24,771	54,636
Gains/losses arising from disposals	490	342
	25,261	**54,978**

7. Financial income

Interest income	2,166	2,523
Interest income from group enterprises	377	180
Interest income from financial assets	**2,543**	**2,703**
Income from debt restructure, net	75,272	-
Exchange rate gains	4,126	10,370
	81,941	**13,073**

Net income from 2019 debt reduction includes incurred cost of 7,650k.

Exchange rate gains are primarily related to debt denominated in SEK.

	Group 2019 DKK'000	Group 2018 DKK'000
8. Financial expenses		
Financial expenses, bank etc.	516	109
Interest expenses, lease liabilities	1,519	888
Bank charges etc.	751	832
Guarantee commission	1,406	-
Financial expenses, bond debt and senior loan	11,497	17,410
	15,689	19,239
Impairment financial assets	4,693	4,035
Amortization of borrowing costs, bond debt	899	1,985
	21,281	**25,259**

9. Share of result in associated companies

The activities of the associated company AB Stockholms Auktionsverk is auctions, focused on physical auctions in the high-end exclusive Fine Art segment.

In March 2019, the Group re-acquired the full ownership of AB Stockholms Auktionsverk. For additional information see note 23.

	Group 2019 DKK'000	Group 2018 DKK'000
Financial figures from associated companies:		
Revenue	29	12,600
Operating profit before interest (EBIT)	-776	-5,188
Profit before tax	-778	-5,200
Share of result before tax in associated companies	-381	-2,547
Share of tax on profit/loss for the year in associated companies	-	-
	-381	**-2,547**

	Group 2019 DKK'000	Group 2018 DKK'000
10. Tax on profit/loss for the year		
Current tax for the year	1	1,606
Deferred tax change for the year	- 3,480	- 7,804
Adjustment to current taxes, prior years	- 9,618	566
Adjustment to deferred tax, prior years	854	71
Tax on profit/loss for the year	**- 12,243**	**- 5,561**

Current tax for the financial year is for Danish enterprises based on a tax rate of 22.0 % (2018: 22.0 %).

	Group 2019 DKK'000	Group 2018 DKK'000
Tax on profit for the year is made up as follows:		
Computed 22.0 % tax on profit for the year before tax (22.0 %)	7,322	- 14,319
Adjustment to taxes, prior years	- 8,764	637
Adjustment of previously unrecognised tax assets	46	1,430
Tax effect of non-deductible expenses/non-taxable income	- 10,847	6,691
	- 12,243	**- 5,561**
Effective tax rate	Negative	Negative

Tax on other comprehensive income DKK 0k (2018: DKK 0k).

11. Intangible assets (DKK'000)

	Software in process of development	Developed software	Rights acquired	Goodwill
Cost at 1 January 2019	3,805	52,727	48,207	126,291
Exchange rate adjustments	-	12	-245	-1,908
Additions from acquisitions	-	-	14,587	18,791
Additions	4,019	-	7,071	-
Transfer	-7,760	7,760	-	-
Cost at 31 December 2019	**64**	**60,499**	**69,620**	**143,174**
Amortisation at 1 January 2019	-	41,648	17,465	-
Impairment losses at 1 January 2019	64	-	1,200	31,473
Exchange rate adjustments	-	11	-96	-481
Amortisation for the year	-	6,562	3,327	-
Amortisation and impairment losses at 31 December 2019	**64**	**48,221**	**21,896**	**30,992**
Carrying amount at 31 December 2019	**-**	**12,278**	**47,724**	**112,182**
Cost at 1 January 2018	17,753	41,420	66,278	137,003
Exchange rate adjustments	-	-8	-2,105	-4,356
Disposals	-6,483	-519	-22,937	-6,356
Additions	4,369	-	6,971	-
Transferred	-11,834	11,834	-	-
Cost at 31 December 2018	**3,805**	**52,727**	**48,207**	**126,291**
Amortisation at 1 January 2018	-	35,008	14,086	-
Impairment losses at 1 January 2018	6,547	-	1,200	-
Exchange rate adjustments	-	-11	-227	-
Disposals	-6,483	-517	-578	-
Amortisation for the year	-	7,168	4,184	-
Impairment for the year	-	-	-	31,473
Amortisation and impairment losses at 31 December 2018	**64**	**41,648**	**18,665**	**31,473**
Carrying amount at 31 December 2018	**3,741**	**11,079**	**29,542**	**94,818**

11. 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 21.9m at 31 December 2019 (1.0m).

Acquired enterprises are integrated in the Group as soon as possible to realise 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 2019, 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 2021 period (where we expect to be back to normal activity level after the Corona crisis) and the forecast period 2022-2026 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 much lower rate than seen previously and Management assess that the used assumptions are realistic to realize. Impairment recognized for 2019 totals DKK 0m (31.5m).

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 8-10 % in 2021 compared to 2019, and by 4-5% per year in the forecast period 2022 until 2026. 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 7.7m in 2019 to a level between DKK 15m and DKK 25m in 2021. This increase in EBITDA is due to 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. The scalability of the business results in a significant growth in EBITDA of approximately 15 percent per year in the forecast period.

Growth in Auction Turnover is driving value creation in the business, as economies of scale are quite high, resulting in the difference in growth rates for Auction Turnover and EBITDA.

11. Intangible assets (continued)

When determining investments, the effect of EBITDA growth is included based on historical experience, equivalent to an investment level of approximately 15-20 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 11.5 percent (12.2).

The terminal value growth rate of 0.5 percent (2.0) p.a. is based on estimated economic growth.

Sensitivity analysis

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 impact of a change in the discount rate and the growth rate in the budget period for the cash-generating unit.

The value in use only has a small headroom compared to the book value of the assets, following the impairment made in 2018. Due to this the below sensitivities are shown as the additional impairment that would materialize through a change in the assumptions behind the value in use calculation.

A summary of sensitivity analysis is shown below (all other assumptions unchanged):

	Change in assumption	**Additional impairment 2019 (DKK m)**	**Additional impairment 2018 (DKK m)**
Average Auction Turnover-growth from 2019 to 2021	- 3%	12	-
Average Auction Turnover-growth for 2022 to 2026	- 2%	55	-
Average EBITDA-growth for 2022 to 2026	- 3%	30	-
Average EBITDA-growth for 2020 to 2024	- 1%	-	6
WACC, pre-tax	+ 1%	10	14
Terminal growth	- 0.5%	0	12

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

	Right-of-use assets	Other fixtures etc.
Cost at 1 January 2019	22,376	26,722
Exchange rate adjustments	-2,739	- 134
Additions from acquisitions	12,108	1,115
Additions	8,440	812
Re-measuring of lease liabilities	11,381	-
Disposals	- 2,946	- 3,158
Cost at 31 December 2019	**48,620**	**25,357**
Depreciation at 1 January 2019	9,439	18,929
Exchange rate adjustments	- 1,054	- 15
Depreciation for the period	12,209	2,673
Depreciation related to disposals	- 2,733	- 2,215
Depreciation at 31 December 2019	**17,861**	**19,372**
Carrying amount at 31 December 2019	**30,759**	**5,985**
Cost at 1 January 2018	-	36,890
Exchange rate adjustments	-	- 569
Additions due to change in accounting policies	40,068	-
Additions	-	360
Disposal	-17,692	- 9,959
Cost at 31 December 2018	**22,376**	**26,722**
Depreciation at 1 January 2018	-	24,355
Exchange rate adjustments	-	- 350
Depreciation for the year	9,439	2,372
Depreciation related to disposals	-	- 7,448
Depreciation at 31 December 2018	**9,439**	**18,929**
Carrying amount at 31 December 2018	**12,937**	**7,793**

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 2-3 years.

13. Deferred tax

	Group 2019 DKK'000	Group 2018 DKK'000
Deferred tax at 1 January	1,257	- 8,037
Exchange rate adjustments	318	1,561
Adjustments, prior years	- 854	- 71
Deferred tax on profit/loss for the year	3,480	7,804
Deferred tax at 31 December	**4,201**	**1,257**

Specification of deferred tax:		
Tax loss carry forwards	36,299	35,848
Tax loss carry forwards, not recognised	- 34,284	- 34,440
Right-of-use assets/lease liabilities	277	72
Other fixtures and fittings	4,089	3,584
Leasehold improvements	65	64
Rights acquired	- 3,602	- 4,439
Software	- 1,337	- 1,343
Goodwill	- 385	- 123
Receivables	2,602	1,807
Other payables	477	227
	4,201	**1,257**

Each of the changes in deferred tax is recognized in profit/loss for the year. No deferred tax is incumbent on other comprehensive income. Tax loss carry forwards are expected to be utilized within 5 years.

Deferred tax is recognized as follows in the balance sheet:		
Deferred tax (asset)	10,677	10,986
Deferred tax (liability)	- 6,476	- 9,729
Deferred tax at 31 December, net	**4,201**	**1,257**

14. Financial assets (DKK'000)

	Deposits	Investment in associated companies
Cost at 1 January 2019	2,702	13,548
Exchange rate adjustments	-	- 363
Addition	668	-
Transfer to subsidiary	-	- 13,185
Cost at 31 December 2019	**3,370**	**-**
Adjustments at 1 January 2019	-	2,547
Exchange rate adjustments	-	- 69
Share of result for the period 1 January – 5 March 2019, 49%	-	381
Transfer to subsidiary	-	- 2,859
Adjustments at 31 December 2019	**-**	**-**
Carrying amount at 31 December 2019	**3,370**	**-**
Cost at 1 January 2018	2,294	-
Addition	408	14,180
Exchange rate adjustments	-	- 632
Disposal	-	-
Cost at 31 December 2018	**2,702**	**13,548**
Adjustments at 1 January 2018	-	-
Share of result	-	2,547
Adjustments at 31 December 2018	**-**	**2,547**
Carrying amount at 31 December 2018	**2,702**	**11,001**

In March 2019 51% of the shares in AB Stockholms Auktionsverk was purchased making the company a fully owned subsidiary. For more information about investment in associated companies we refer to note 23.

	Group 31.12.2019 DKK’000	Group 31.12.2018 DKK’000
15. Receivables		
Trade receivables	10,789	13,823
Contractual receivables	40,780	62,085
Other current receivables	5,920	16,604
	57,489	**92,512**

Contractual receivables relate to the sale of 8 partnership agreements and credit granted to partners on current accounts. The contractual receivables from sale of partnerships agreements are in the range of DKK 1.0m to DKK 19.9m (1.0m to 22.3m). Receivables from sale of partnership agreements and current accounts 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.

Of the contractual receivables DKK 36.0m (45.8m) is expected to mature after 12 months. Impairment of trade receivables and other receivables is made based on expected credit loss. In 2019 impairment losses of DKK 5.3m has been recognized (20.0m) and previously recognised impairments of DKK 1.5m (0m) has been released. The net impairment losses DKK 3.8m (20.0m) is recognised as DKK -0.9m (15.9m) on external expenses and DKK 4.7m (4.1m) as financial expenses.

The impairment test performed on contractual receivables is based on the expected performance, the historic track record for repayments and the expected resale value of the auction house. A large part of the receivables is related to partners buying their auction house in recent years, with expected strong improvements in the first years of their ownership. Improvements are coming slower than previously expected, resulting in the impairment recognised in 2018 and 2019.

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

Lifetime Expected Credit Loss:		
Impairment losses at 1 January	19,965	5,169
Realised impairments losses	- 9,793	- 5,169
Impairment losses for the period	5,344	19,965
Reversed impairments for the period	- 1,565	-
Impairment losses at 31 December	**13,951**	**19,965**

The Group 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. In determining the expected credit losses for these assets, impairments are made if the receivable show indication of impairment.

16. Cash and Cash equivalents

Cash and cash equivalents include restricted cash amounting to DKK 19.8m (24.4m).

17. Financial liabilities and financial activities

	Group 31.12.2019 DKK'000	Group 31.12.2018 DKK'000
Financial liabilities include:		
Bond debt, current	143,100	229,673
Senior loan	13,006	-
Bond debt & Senior loan debt	**156,106**	**229,673**
Lease liabilities, non-current	18,842	6,538
Lease liabilities, current	13,179	6,728
Lease liabilities	**32,021**	**13,266**

The financial activities for the period are:

	Bond/Senior loan debt DKK'000	Lease liabilities DKK'000
Financial liabilities 1 January 2019	229,673	13,266
Cash flow from drawdowns	15,000	-
Cash flow from settlements	- 2,312	- 12,795
Non-cash changes:		
Exchange rate adjustments	- 4,232	- 159
Additions from acquisitions	-	18,572
Additions	-	1,976
Remeasure of liabilities	-	11,161
Amortization of borrowing costs	899	-
Debt restructuring	- 82,922	-
Financial liabilities 31 December 2019	**156,106**	**32,021**
Financial liabilities 1 January 2018	237,020	-
Cash flow from settlements	-	- 9,110
Non-cash changes:		
Addition from change in accounting policies	-	40,068
Foreign exchange change	- 7,347	-
Disposals from divestment	-	- 17,692
Financial liabilities 31 December 2018	**229,673**	**13,266**

18. Bond debt and Senior loan/ refinancing activities of the group

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.
- Scheduled quarterly redemptions with final redemption in December 2020.

The Group has restructured the bond originally issued in 2014. The new bond terms were accepted by bondholders on June 28, 2019. The main terms of the bonds are:

- Outstanding principal amount SEK 200m.
- Fixed interest rates of 7.5 percent on SEK 70m of the principal amount and 4.0 percent on SEK 130m of the principal amount. Redemptions will first lead to a reduction of the principal amount that bears the higher interest rate of 7.5 percent.
- Final redemption date is 17 December 2024, with scheduled yearly redemptions.
- Additional 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.

As mentioned in company statements released on 17 December 2019 and 4 January 2020 it is expected that the new financial structure will include changes to the amortisation of the bond. Repayment of SEK 20m on the bond and SEK 2.7m on the Super Senior Loan that was scheduled for 17. December 2019, and repayment on the Super Senior Loan SEK 2.2m as well as guarantee commission to Blixtz Holding/Vignelaure S.A.S. SEK 4m to be paid at 17 March 2020 have not been paid according to the bond agreement. This represents a breach of the bond agreement, which according to the bond agreement becomes payable on demand. Bond debt has therefore been classified as current, though bond holders have not demanded payment of the bond debt and interest as a consequence of the breach.

In agreement with a group of large bondholders representing 47% of the bonds, it has been decided to appoint an internationally acknowledged M&A consultant to actively pursue the strategic possibilities for strengthening the capital base of Lauritz.com and redeem the bond debt.

This process has commenced in April 2020 and is expected to be finalised before the end of 2020.

Until the end of 2020 the above mentioned group of bondholders has agreed not to propose or support any proposal to initiate an enforcement of the security provided in favour of bondholders, provided that the process with the M&A consultant proceeds according to plan.

19. Other payables

Other payables include payroll taxes, holiday pay, payable VAT, severance pay and other costs payable.

20. Financial risks

Currency risks

The difference between ingoing and outgoing payments denominated in the same currency is a measure of currency risk. The Group's currency exposure at 31 December 2019 is specified below.

2019 (DKK'000)	Cash and cash equivalents	Receivables	Bond debt and senior loan	Other liabilities	Net position
NOK	122	92	-	-890	-676
EUR	2,628	15,200	-	-6,243	11,585
SEK	28,083	12,128	-156,106	-98,678	-214,573
31 December 2019	**30,833**	**27,420**	**-156,106**	**-105,811**	**-203,664**

2018 (DKK'000)	Cash and cash equivalents	Receivables	Bond debt	Other liabilities	Net position
NOK	122	100	-	-476	-254
EUR	3,236	11,403	-	-6,265	8,374
SEK	37,440	34,312	-229,673	-75,184	-233,105
31 December 2018	**40,798**	**45,815**	**-229,673**	**-81,925**	**-224,985**

The bonds and senior loan issued are in SEK and so 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 2019 would, including the effects on intangible assets denominated in foreign currencies, affect comprehensive income and equity by approx. DKK 2m (4m). The above table shows the difference between the 31 December 2019 fair value calculated for the Group's monetary assets and liabilities denominated in foreign currencies.

Interest risks

The Group has interest-bearing financial assets and liabilities and so it is affected by interest rate fluctuations. Following the restructuring of the bond debt and senior loan, which included a change to fixed interest rates on the bond debt, the impact of fluctuations in the level of interest rates on the groups comprehensive income and equity has diminished significantly. An increase in the interest rate level of 1 percentage point per annum compared to the interest rate level at the balance sheet date would have had a negative impact of approx. DKK 0m (2m) on comprehensive income and equity. A similar decline in the interest rate level would have resulted in an equivalent positive effect on comprehensive income and equity. We refer to the conditions of the bond debt interest in note 18.

20. Financial risks (continued)

Liquidity risks

The following table detail the Group'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 Group may be required to pay.

2019 (DKK'000)	**0-1 year**	**1-5 years**	**5+ years**	**Total**
Bond debt and senior loan	156,106	-	-	156,106
Lease liabilities	13,200	18,505	316	32,021
Other liabilities	127,404	-	-	127,404
31 December 2019	**296,710**	**18,505**	**316**	**315,531**

2018 (DKK'000)	**0-1 year**	**1-5 years**	**5+ years**	**Total**
Bond debt	229,673	-	-	229,673
Lease liabilities	6,740	6,002	525	13,267
Other liabilities	131,118	-	-	131,118
31 December 2018	**367,531**	**6,002**	**525**	**374,058**

The Group aims to have adequate cash resources to continuously carry out transactions appropriately as regards operations and investments. The Group's cash reserve consists of cash and cash equivalents. The Group'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. 35 days. In order to maintain the current liquidity level, the Group is therefore dependent on continued growth and positive earnings. Management assesses the Group's liquidity requirements on a regular basis. Reference is made to note 18 and management's current activities regarding refinancing of the Group.

Credit risks

The Group 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, SEB and DNB.

Credit risks related to contractual receivables and other receivables are disclosed in note 15.

20. Financial risks (continued)

Other

The Group regularly assesses its capital structure with a view to ensuring adequate equity in the Group. Reference is made to note 18 and management's current activities regarding refinancing of the Group.

21. Earnings per share (EPS)

	Group 31.12.2019 DKK'000	Group 31.12.2018 DKK'000
Profit/Loss for the year	56,696	- 66,455
Number of shares	530,900	530,900
Average number of shares	530,900	530,900
EPS at DKK 100	106.79	- 125.17
EPS at DKK 100 diluted	106.79	- 125.17

22. Dividend

In 2019, DKK 0 in ordinary dividend has been distributed to the shareholders of Lauritz.com A/S, equalling DKK 0 per share (for 2018: DKK 0 per share).

For the financial year 2019, the Board of Directors has proposed dividend of DKK 0k, corresponding to DKK 0 per share.

23. Acquisitions and divestments

Acquisitions in 2019, AB Stockholms Auktionsverk

In March 2018 Lauritz.com separated Stockholms Auktionssverk's Fine Art business into a separate company, AB Stockholms Auktionsverk, owned 51% by Gelba Management AB and 49% by Lauritz.com Sverige AB. A structure that both partners was expecting to be beneficial to the Fine Art business as well as to the Online business that remained under 100% Lauritz.com ownership. It has shown that the split ownership is not the optimal solution in relation to the daily operations of Stockholms Auktionsverk's Fine Art business, resulting in the decision to buy back the shares from our partner in March 2019.

	DKK'000
Fixed assets	966
Right-of-use assets, leased space	13,620
Other receivables	1,210
Cash and cash equivalents	3,638
Lease liabilities	- 13,620
Trade payables	- 800
Other payables	- 5,167
Net assets acquired	**- 153**
Brand value	14,587
Goodwill	11,349
Total consideration	**25,783**

No part of the total consideration is recognized as contingent consideration. The Group has acquired net assets totalling DKK -153k including cash acquired of DKK 3,638k. Net assets acquired are based on received balance sheets and has been adjusted afterwards. The Group has incurred transaction costs of DKK 0k.

For this acquisition, the Group paid a purchase price that exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired. This positive difference is primarily attributable to expected synergies between the activities of the acquired enterprises and the Group's existing activities, future growth potential and the enterprises' staff. The synergies have not been recognised separately from goodwill as they are not separately identifiable.

Value of associated company 31 December 2018, 49%	11,001
Currency rate adjustment	- 295
Share of result for the period 1 January – 5 March 2019, 49%	- 380
Value of associated company 5 March 2019, 49%	10,326
Settlement of receivable	11,921
Cash payment for 51% shares	3,536
Total cost of acquisition	**25,783**

23. Acquisitions and divestments (continued)

Of the Group's revenue DKK 16,045k and DKK -4,446k of the Group's profit/loss before tax is attributable to the acquired Swedish activities.

Acquisitions in 2019, Danish activities

In March and May 2019, the Group acquired the activities of 2 auction houses in Herning and Aarhus from previous partners, to operate these auction houses ourselves.

	DKK'000
Fixed assets	150
Right-of-use assets, leased space	4,952
Deposits	289
Other receivables	40
Lease liabilities	- 4,952
Other payables	- 412
Net assets acquired	**67**
Goodwill	7,442
Total consideration	**7,509**

No part of the total consideration is recognized as contingent consideration. The Group has acquired net assets totalling DKK 67k including cash acquired of DKK 0k. The Group has incurred transaction costs of DKK 0k.

The Group acquired the business at a total cost that exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired. This positive difference is primarily attributable to expected future growth potential and earnings. The synergies have not been recognised separately from goodwill as they are not separately identifiable.

Cash payment	67
Non-cash settlement	7,442
Total cost of acquisition	**7,509**

Of the Group's revenue DKK 4,376k and DKK -2,277k of the Group's profit/loss before tax is attributable to the acquired Danish activities.

Had the 2019 acquisitions been made at the beginning of the year the revenue for the group would be the same as reported, and the profit/loss before tax of the group for the period would be impacted negatively by approximately DKK 0.4 to 0.5m compared to the reported profit/loss before tax for the group.

23. Acquisitions and divestments (continued)

Divestments in 2018

In March 2018, the Group disposed of Stockholms Auktionsverks Fine Art business. As a result of the performance in 2018, and the expected development, the value of the assets received in connection with the sale of the Fine Art business has been reassessed.

The reassessment of the expected value of the Earn Out and shares received in the sale of the Fine Art business has resulted in a reduction of the gain from the Fine Art sale from DKK 40.4m to DKK 11.0m.

	DKK'000
Consideration received in cash and cash equivalents	7,416
Shares in Gelba Partners AB	14,180
Contingent consideration	12,758
Total consideration received	**34,354**
Consideration received	34,354
Goodwill disposal of	- 6,356
Other net assets disposal of	- 17,020
Gain on disposal	**10,978**

The gain on disposal is classified as other income in the statement of comprehensive income for 2018.

24. Contingencies etc.

Contingent liabilities, consolidated financial statements

The Group has issued a letter of support to the subsidiaries LC Globen AB; QXL Denmark A/S and LC Deutschland GmbH. This is not expected to have any impact on comprehensive income or equity.

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

The Group participates in an international 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 Group 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.

25. 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**
Lauritz.com Sverige AB	Stockholm, Sweden	100 %
LC Danmark ApS	Søborg, Denmark	100 %
AB Stockholms Auktionsverk	Stockholm, Sweden	100 %
Lauritz.com Finland OY	Helsinki, Finland	100 %
LC II ApS	Søborg, Denmark	100 %
Helsingborgs Auktionsverk AB *	Helsingborg, Sweden	100 %
Karlstad-Hammarö Auktionsverk AB *	Skoghall, Sweden	100 %
Lauritz.com Globen AB	Stockholm, Sweden	100 %
Internetauktioner i Helsingborg AB *	Helsingborg, Sweden	100 %
Lauritz.com Deutschland GmbH *	Hamburg, Germany	100 %
QXL Denmark A/S	Søborg, Denmark	100 %
QXL.no AS *	Oslo, Norway	100 %

Associated companies	**Registered office**	**Ownership interest**
AB Stockholms Auktionsverk (From March 2018 to March 2019)	Stockholm, Sweden	49 %

*The company is not audited by Deloitte.

Related individuals

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

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

Carsten Rysgaard, CEO (since 2019)

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

25. 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.

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 Group at DKK 1.4m (DKK 0 m). The Group has an interest-bearing long-term receivable from parent company Blixtz Holding A/S at DKK 9.3m (DKK 9,2m) related to the purchase of a property and related to the joint taxation.

26. Events after the balance sheet date

In March 2020, the spread of the Corona virus is impacting the outlook for the business. A number of initiatives have been taken to minimize the financial impact. We monitor the situation closely, contingency plans are in place and all relevant precautions are taken for the business, customers visiting our auction houses and for the employees.

The impact of the Corona crisis so far has been a drop in Auction Turnover of 31 percent in the period from March 10 to March 31, and a 10 percent drop in Auction Turnover in April in our main markets. The negative impact on earnings in Q1 2020 from the Corona crisis is approximately DKK 4-5m.

Based on the development seen in April we are expecting that the Corona crisis will continue to impact our Auction Turnover in Q2, however on a manageable level. Revenue and result are very difficult to forecast since numerous factors are unknown at this time.

In April, and in agreement with a group of large bondholders owning 47% of the bond, the group has appointed an M&A consultant to actively pursue the strategic possibilities for strengthening the capital base of Lauritz.com and redeem the bond debt.

Until the end of 2020 the above mentioned group of bondholders has agreed not to propose or support any proposal to initiate an enforcement of the security provided in favour of bondholders, provided that the process with the M&A consultant proceeds according to plan.

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

27. Approval of annual report for publication

At the Board of Directors' meeting on 7 May 2020, the Board of Directors has approved the present annual report for publication.

The annual report will be presented to the shareholders of Lauritz.com A/S for their approval at the annual general meeting on 27 May 2020.

28. Accounting policies

The Annual Report of Lauritz.com Group A/S for the financial year 2019 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.

The Group has one reporting segment (auctioning), however, as the Group's activities expand, Management regularly assesses internal financial management reporting and whether it would be relevant to report additional segments. The Annual Report is presented in Danish kroner (DKK), which is the presentation currency of the Group’s activities and the functional currency of the Parent.

Net impairment losses on current account receivables is re-classified from external expenses to financial expenses for 2019 and 2018.

The accounting policies applied are consistent with those applied for 2018.

Changes in accounting policies

No new relevant accounting standards has been identified for Lauritz.com Group A/S for the years commencing from 1 January 2020.

Critical accounting judgements and key sources of estimation uncertainty

When applying the Group’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 Group 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 Group (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.

Accounting policies (continued)

Consolidated financial statements

The consolidated financial statements include the Parent, Lauritz.com A/S, and the subsidiaries that are controlled by the Parent. The Parent is deemed to have control when it has power over the relevant activities of the entity in question and when it has exposure, or rights, to variable returns from its involvement with the investee and has ability to assert power over the investee to affect the amount of variable returns.

Entities in which the group exercises a significant but non-controlling influence are considered associated companies. A significant influence is usually achieved by directly or indirectly owning or controlling 20-50 percent of the voting rights. Agreements and other circumstances are considered when assessing the degree of influence.

The consolidated financial statements are prepared on the basis of the financial statements of Lauritz.com Group A/S and its subsidiaries. The consolidated financial statements are prepared by combining financial statement items of a uniform nature. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. Subsidiaries' financial statement items are recognized in full in the consolidated financial statements.

Business combinations

Newly acquired or newly established enterprises are recognized in the consolidated 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 Group 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. 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.

Accounting policies (continued)

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.

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 are 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 and 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 Group's 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.

Share-based payment transactions

Equity-settled share-based payment transactions with employees are measured by reference to the fair value at the grant date. The cost of equity-settled transactions is recognized as staff costs together with a corresponding increase in equity over the period in which the performance and/or the service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and Management's best estimate of the number of equity instruments that will ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate at the beginning and end of that period.

Accounting policies (continued)

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 (Parent)

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 Group 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.

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.

Accounting policies (continued)

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:

Buildings	50 years
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.

Accounting policies (continued)

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

Parent

Investments in subsidiaries are recognised and measured at cost in the parent's 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.

Investments in associated companies

Investments in associated companies are recognised as the group's share of the equity value inclusive of goodwill less any impairment losses. Goodwill is an integral part of the value of associated companies and is therefore subject to an impairment test together with the investment as-a-whole. Impairment losses are reversed to the extent the original value is considered recoverable.

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.

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.

Accounting policies (continued)

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.

Financial assets and liabilities

The Group and the Parent classify their 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”.

Statement of comprehensive income 1 January - 31 December

Notes		Parent Company 2019 DKK'000	Parent Company 2018 DKK'000
1	Revenue	136,772	148,235
	Direct costs	- 87,797	- 95,304
	Gross profit	**48,975**	**52,931**
2	Other operating income	-	1,749
3	Other external expenses	- 21,764	- 46,149
4	Staff costs	- 24,291	- 21,217
	Operating profit/loss before depreciation, amortisation and impairment (EBITDA)	**2,920**	- **12,686**
5	Depreciation amortisation and impairment losses	- 8,607	- 9,399
	Operating profit/loss (EBIT)	**- 5,687**	**- 22,085**
6	Financial income	85,748	19,429
7	Financial expenses	- 35,403	- 70,263
	Profit/Loss before tax (EBT)	**44,658**	- **72,919**
8	Tax on profit/loss for the year	6,203	7,228
	Profit/Loss for the year	**50,861**	**- 65,691**
	Other comprehensive income	-	-
	Total comprehensive income	**50,861**	**- 65,691**

Balance sheet

Assets

Notes		Parent Company 31.12.2019 DKK'000	Parent Company 31.12.2018 DKK'000
	Non-current assets		
9	Software in process of development	-	3,741
9	Developed software	12,251	11,127
9	Goodwill	15,716	8,274
9	Rights acquired	-	42
	Total intangible assets	27,967	23,184
10	Right-of-use assets	1,790	1,483
10	Other fixtures and fittings, tools and equipment	3,602	4,332
	Total property, plant and equipment	5,392	5,815
11	Equity interest in subsidiaries	134,191	147,956
15	Deferred tax	6,699	8,970
12	Deposits	2,115	1,715
	Total financial assets	143,005	158,641
	Total non-current assets	**176,364**	**187,640**
	Current assets		
	Inventories	90	768
13	Trade receivables	1,439	1,031
13	Contractual receivables	31,866	40,095
	Receivables from group enterprises	11,483	13,615
	Receivables from Parent Company	18,317	8,264
13	Other current receivables	3,577	8,172
	Total receivables	66,682	71,177
	Cash and cash equivalents	7,644	10,414
	Total current assets	**74,416**	**82,359**
	Total assets	**250,780**	**269,999**

Balance sheet

Equity and liabilities

Notes		Parent Company 31.12.2019 DKK'000	Parent Company 31.12.2018 DKK'000
	Equity		
14	Share capital	53,090	53,090
	Reserve for development projects	9,556	7,279
	Retained earnings	-37,234	-85,818
	Total equity	**25,412**	**-25,449**
	Liabilities		
	Lease liabilities	1,312	935
	Total non-current liabilities	1,312	935
17	Bond debt	143,100	229,673
17	Senior loan	13,006	-
	Lease liabilities	558	585
	Trade payables	37,929	47,012
	Payables to group enterprises	20,117	10,064
18	Other payables	9,346	7,179
	Corporate taxes payable	-	-
	Total current liabilities	224,056	294,513
	Total liabilities	**225,368**	**295,448**
	Total equity and liabilities	**250,780**	**269,999**

16 Financial liabilities and financial activities

Statement of changes in equity

	Share capital DKK'000	Reserve for development projects DKK'000	Retained earnings DKK'000	Total Equity DKK'000
Parent company				
Equity at 1 January 2019	**53,090**	**7,279**	**-85,818**	**-25,449**
Profit/Loss for the year	-	2,277	48,584	50,861
Equity at 31 December 2019	**53,090**	**9,556**	**-37,234**	**25,412**
Equity at 1 January 2018	**53,090**	**5,977**	**-18,825**	**40,242**
Profit/Loss for the year	-	1,302	-66,993	-65,691
Equity at 31 December 2018	**53,090**	**7,279**	**-85,818**	**-25,449**

Note		Parent Company 2019 DKK'000	Parent Company 2018 DKK'000
	Operating profit/loss (EBIT)	**- 5,687**	**- 22,085**
	Depreciation amortisation and impairments of assets	8,396	8,961
	Impairment receivables	3,721	19,965
	Increase/decrease in inventories	677	250
	Increase/decrease in receivables	- 11,761	- 7,052
	Increase/decrease in trade payables and other payables	- 1,619	- 15,644
	Other adjustments	- 7,692	- 7,057
	Cash flows from ordinary operating activities	- 13,965	- 22,662
	Interest and financial income received	1,963	2,303
	Interest and financial expenses paid	- 9,205	- 18,504
	Income tax settled including joint taxation	8,474	- 2,280
	Cash flows from operating activities	**- 12,733**	**- 41,143**
	Purchase of property, plant and equipment	- 683	- 209
	Sale of property, plant and equipment	297	1,280
	Sale of held-for-sale assets	-	35,000
	Purchase of intangible assets	- 4,019	- 4,531
	Contribution of share capital to subsidiaries	- 2,085	-
	Dividends received from subsidiaries	4,323	6,783
	Cash flows from investing activities	**- 2,167**	**38,323**
17	Payments, lease liabilities	- 558	- 605
	Drawdown, senior loan	15,000	-
	Repayment, senior loan	- 2,312	-
	Cash flows from financing activities	**12,130**	**- 605**
	Net cash flow for the year	- 2,770	- 3,425
	Net capital resources, beginning of year	10,414	13,839
	Net capital resources, end of year	**7,644**	**10,414**
	Net capital resources, end of year, are composed as follows:		
	Cash and cash equivalents	7,644	10,414
	Net capital resources, end of year	**7,644**	**10,414**

	Parent Company 2019 DKK'000	Parent Company 2018 DKK'000
1. Revenue		
Auction commissions, fees etc.	129,490	140,437
Other revenue - marketing contribution etc.	7,282	7,798
Fees from sales of partnership agreements	-	-
	136,772	**148,235**
2. Other operating income		
Rental income	-	93
Other income	-	1,656
	-	**1,749**
3. Other external expenses		
Fees to auditors appointed at the annual general meeting		
Audit services	536	515
Tax services	20	20
Other services	820	428
	1,376	**963**

Other external expenses include impairment losses on receivables of DKK -958k (15,930k).

4. Staff costs		
Remuneration of the Board of Directors	270	289
Wages and salaries	21,508	18,001
Defined contribution pension plans, cf. below	741	913
Other social security cost	232	261
Other staff cost	1,540	1,753
	24,291	**21,217**
Average number of full-time employees	33	39

The Parent Company has concluded defined contribution pension plans. According to the concluded agreement, the Parent 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		
Remuneration of the Board of Directors	270	289
	270	**289**

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

	Parent Company 2019 DKK'000	Parent Company 2018 DKK'000
5. Depreciation amortisation and impairment losses		
Depreciation, other fixtures, tools and equipment	1,116	1,404
Depreciation, right-of-use assets	601	642
Amortisation, rights acquired	42	57
Amortisation, developed software	6,636	6,859
Depreciation amortisation and impairment losses	**8,395**	**8,962**
Gains/losses arising from disposal	212	437
	8,607	**9,399**

	Parent Company 2019 DKK'000	Parent Company 2018 DKK'000
6. Financial income		
Interest income	1,641	1,943
Interest income from group enterprises	322	360
Interest income from financial assets	**1,963**	**2,303**
Dividend from subsidiaries	4,323	6,783
Income from debt restructure, net	75,272	-
Exchange rate gains	4,190	10,343
	85,748	**19,429**

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

	Parent Company 2019 DKK'000	Parent Company 2018 DKK'000
7. Financial expenses		
Interest expenses	794	225
Interest expenses, lease	91	92
Bank charges etc.	703	776
Guarantee commission	1,406	0
Financial expenses, bond debt	10,967	17,411
Interest expenses from financial liabilities	**13,961**	**18,504**
Amortisation of borrowing costs, bond debt	899	1,985
Impairment losses, current accounts	4,693	4,035
Impairment losses, receivables group enterprises	-	7,765
Impairment losses, investments in subsidiaries	15,850	37,974
	35,403	**70,263**

8. Tax on profit/loss for the year

	Parent Company 2019 DKK'000	Parent Company 2018 DKK'000
Current tax for the year	-	-
Adjustment to deferred tax	- 1,108	- 7,661
Adjustment to deferred tax, prior years	3,379	462
Adjustment to taxes, prior years	- 8,474	- 29
Tax on profit/loss for the year	**- 6,203**	**- 7,228**

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 (2018: 22.0 %)	9,825	- 16,042
Adjustment to taxes, prior years	- 8,474	- 29
Adjustment to deferred tax, prior years	3,379	462
Tax effect of:		
Non-deductible expenses/non-taxable income	- 9,982	9,873
Dividend received from subsidiaries	- 951	- 1,492
	- 6,203	**- 7,228**
Effective tax rate	Negative	Negative

9. Intangible assets (DKK'000)

	Software in process of development	Developed software	Acquired rights	Goodwill
Cost at 1 January 2019	3,741	50,900	5,182	8,274
Additions from acquisitions	-	-	-	7,442
Additions	4,019	-	-	-
Transferred	- 7,760	7,760	-	-
Cost at 31 December 2019	**-**	**58,660**	**5,182**	**15,716**
Amortisation at 1 January 2019	-	39,773	5,140	-
Amortisation for the period	-	6,636	42	-
Amortisation and impairment losses at 31 December 2019	**-**	**46,409**	**5,182**	**-**
Carrying amount at 31 December 2019	**-**	**12,251**	**-**	**15,716**
Cost at 1 January 2018	17,689	39,423	5,182	8,274
Additions	4,532	-	-	-
Disposals	- 6,483	- 520	-	-
Transferred	- 11,997	11,997	-	-
Cost at 31 December 2018	**3,741**	**50,900**	**5,182**	**8,274**
Amortisation at 1 January 2018	-	33,431	5,083	-
Impairment losses at 1 January 2018	6,483	-	-	-
Disposals	- 6,483	- 517	-	-
Amortisation for the period	-	6,859	57	-
Amortisation and impairment losses at 31 December 2018	**0**	**39,773**	**5,140**	**-**
Carrying amount at 31 December 2018	**3,741**	**11,127**	**42**	**8,274**

For further information, we refer to note 11 in the consolidated financial statement.

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

	Right-of-use assets	Other fixtures etc.
Cost at 1 January 2019	2,125	20,519
Additions	-	683
Re-measuring of lease liabilities	908	
Disposal	-	- 2,512
Cost at 31 December 2019	**3,033**	**18,690**
Depreciation at 1 January 2019	642	16,187
Depreciation for the period	601	1,116
Depreciation related to disposals	-	- 2,215
Depreciation at 31 December 2019	**1,243**	**15,088**
Carrying amount at 31 December 2019	**1,790**	**3,602**
Cost at 1 January 2018	-	22,300
Additions due to change in accounting policies	2,125	-
Additions	-	209
Disposal	-	- 1,990
Cost at 31 December 2018	**2,125**	**20,519**
Depreciation at 1 January 2018	-	15,493
Depreciation for the period	642	1,404
Depreciation related to disposals	-	- 710
Depreciation at 31 December 2018	**642**	**16,187**
Carrying amount at 31 December 2018	**1,483**	**4,332**

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 2-3 years.

11. Equity interest in subsidiaries	Parent Company 2019 DKK'000	Parent Company 2018 DKK'000
Cost at 1 January	210,247	210,247
Additional amount recognized during the year	2,085	-
Cost at 31 December	**212,332**	**210,247**
Value adjustment at 1 January	- 62,291	- 24,317
Impairment losses	- 15,850	- 37,974
Value adjustment at 31 December	**- 78,141**	**- 62,291**
Carrying amount at 31 December	**134,191**	**147,956**

Impairment losses in 2019 and 2018 due to lower recoverable amount relates to investments in Lauritz.com Sverige AB, Lauritz.com Globen AB, Internetauktioner i Helsingborg AB, and Helsingborgs Auktionsverk AB.

Group enterprises are specified in note 25 to the consolidated financial statements.

12. Financial assets

	Deposits DKK'000
Cost at 1 January 2019	1.715
Addition	400
Cost at 31 December 2019	**2,115**
Carrying amount at 31 December 2019	**2,215**
Cost at 1 January 2018	1.306
Addition	409
Cost at 31 December 2018	**1,715**
Carrying amount at 31 December 2018	**1,715**

13. Receivables

	Parent Company 31.12.2019 DKK'000	Parent Company 31.12.2018 DKK'000
Trade receivables	1,439	1,031
Contractual receivables	31,866	40,095
Other current receivables	3,577	8,172
	36,882	**49,298**

Contractual receivables relate to the sale of 7 partnership agreements. The contractual receivables from sale of partnerships agreements are in the range of DKK 1.0m to DKK 11.0m. 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.

Of the contractual receivables DKK 29.4m (36.2m) is expected to mature after 12 months. Impairment of trade receivables and other receivables is made based on expected credit loss. In 2019 impairment losses of DKK 5.3m (20.0m) has been recognized and previously recognised impairments of DKK 1.5m (0m) has been released. The net impairment losses DKK 3.8m (20.0m) is recognised as DKK -0.9m (15.9m) on external expenses and DKK 4.7m (4.1m) 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. A large part of the receivables is related to partners buying their auction house in recent years, with expected strong improvements in the first years of their ownership. Improvements are coming slower than previously expected, resulting in the impairment recognised in 2018 and 2019.

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

Lifetime Expected Credit Loss:

Impairment losses at 1 January	19,965	5,169
Realised impairment losses	- 9,793	- 5,169
Impairment losses for the period	5,344	19,965
Reversed impairments for the period	- 1,565	-
Impairment losses end of period	**13,951**	**19,965**

The parent 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. 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 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.

The share capital is be made up as follows:	Parent Company 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 2019	**53,090**

15. Deferred tax

	Parent Company 31.12.2019 DKK'000	Parent Company 31.12.2018 DKK'000
Deferred tax at 1 January	8,970	1,771
Adjustment to deferred tax, prior years	- 3,379	- 462
Deferred tax on profit/loss for the year	1,108	7,661
Deferred tax at 31 December	**6,699**	**8,970**
Specification of deferred tax:		
Tax loss carry forwards	-	1,230
Right-if-use assets	18	8
Other fixtures and fittings	3,855	3,393
Leasehold improvements	- 1	- 2
Rights acquired	576	566
Software	- 1,337	- 1,373
Goodwill	- 586	- 586
Receivables	2,491	4,392
Other provisions	1,683	1,342
	6,699	**8,970**
Deferred tax is recognized as follows in the balance sheet:		
Deferred tax (asset)	6,699	8,970
Deferred tax at 31 December, net (asset)	**6,699**	**8,970**

16. Financial liabilities and financial activities

	Bond/Senior loan debt DKK'000	Lease liabilities DKK'000
Parent company:		
Financial liabilities 1 January 2019	229,673	1,520
Cash flow from drawdowns	15,000	-
Cash flow from settlements	- 2,312	558
Non-cash changes:		
Remeasure of lease liabilities	-	- 908
Exchange rate adjustments	- 4,232	-
Amortization of borrowing cost	899	-
Debt restructuring	- 82,922	-
Financial liabilities 31 December 2019	**156,106**	**1,870**
Financial liabilities 1 January 2018	237,020	-
Cash flow	-	- 606
Non-cash changes:		
Addition from change in accounting policies	-	2,126
Foreign exchange change	- 7,347	-
Financial liabilities 31 December 2018	**229,673**	**1,520**

17. Bond debt and Senior loan debt

For information on Bond debt and Senior Loan debt, we refer to note 18 in the consolidated financial statements.

18. Other payables

Other payables include payroll taxes, holiday pay, payable VAT, severance pay and other costs payable.

19. Financial risks

Currency risks

The parent company's currency risks are primarily hedged by matching payments received and made in the same currency. The difference between ingoing and outgoing payments denominated in the same currency is a measure of currency risk. The parent company's currency exposure at 31 December 2019 is specified below.

(DKK'000)	Cash and cash equivalents	Receivables	Group enter-prises, net	Bond debt and senior loan	Other liabilities	Net position
NOK	13	-	-	-	-2	11
EUR	630	14,424	2,615	-	-1,188	16,481
SEK	135	1,482	-13,370	-156,106	-7,155	-175,014
31 December 2019	**778**	**15,906**	**-10,755**	**-156,106**	**-8,345**	**-158,522**
NOK	15	-	-	-	-58	-43
EUR	911	11,082	-	-	-2,322	9,671
SEK	457	1,714	-7,519	-229,673	-	-235,021
31 December 2018	**1,383**	**12,796**	**-7,519**	**-229,673**	**-2,380**	**-225,393**

The bonds and senior loan issued are in SEK and so 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 2019 would affect comprehensive income and equity by approx. DKK 2m (31.12.2018: DKK 4m). The above table shows the difference between the 31 December 2019 fair value calculated for the Group's assets and liabilities denominated in foreign currencies.

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 groups comprehensive income and equity has diminished significantly. An increase in the interest rate level of 1 percentage point per annum compared to the interest rate level at the balance sheet date would have had a negative impact of approx. DKK 0m (31.12.2018: DKK 2m) on comprehensive income and equity. A similar decline in the interest rate level would have resulted in an equivalent positive effect on comprehensive income and equity. We refer to the new conditions of the bond debt interest in note 18 of the consolidated financial statement.

19. Financial risks (continued)

Liquidity risk

The following table detail the parent 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.

2019 (DKK'000)	0-1 year	1-5 years	5+ years	Total
Bond debt and senior loan	156,106	-	-	156,106
Lease liabilities	580	1,290	-	1,870
Other liabilities	47,275	-	-	47,275
31 December 2019	**203,961**	**1,290**	**-**	**205,251**

2018 (DKK'000)	0-1 year	1-5 years	5+ years	Total
Bond debt	229,673	-	-	229,673
Lease liabilities	595	935	-	1,530
Other liabilities	59,289	-	-	59,289
31 December 2018	**289,557**	**935**	**-**	**290,492**

For further information on liquidity and financial risks, we refer to note 20 in the consolidated financial statements including management's current activities regarding refinancing of the company and group.

21. Acquisitions and divestments

We refer to note 23 in the consolidated financial statements.

22. Contingencies etc.

Contingent liabilities, Parent Company

The Company has issued a letter of support to the subsidiaries LC Globen AB; QXL Denmark A/S and LC Deutschland GmbH. This is not expected to have any impact on comprehensive income or equity.

The Group participates in an international 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 Group is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies.

23. Related parties

The company has entered into a management agreement with the Parent Company Lauritz.com Group A/S. In 2019, the agreement amounted to DKK 6,000k (10,332k).

In 2019, a service fee of DKK 0k has been paid to Lauritz.com A/S (35k) from Blixtz Holding A/S
In 2019, marketing contributions has been assigned to some of the Company's subsidiaries.

We refer to note 25 in the consolidated financial statements for a list of Group Enterprises.

24. Events after the balance sheet date

We refer to note 26 in the consolidated financial statements.

25. Approval of annual report for publication

We refer to note 27 in the consolidated financial statements.