LAURITZ

Lauritz.com A/S

CVR no. 24 99 45 70

Annual Report

January – December 2020

Content

Page

MANAGEMENT REVIEW

STATEMENTS

FINANCIAL STATEMENTS

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 Sundström, Chairman
Claus Due Pedersen
Preben Vinkler Lindgaard

Executive Management

Mette Margrethe Rode Sundstrøm, CEO
Preben Vinkler Lindgaard CFO

Independent Auditor

Deloitte
Statsautoriseret Revisionspartnerselskab

M&A process

The M&A process initiated in April 2020 has been finalised in May 2021 with a sale of Stockholms Auktionsverk, Karlstad Hammarö Auktionsverk and 3 auction houses in Germany (the “Carve-out”). Following the sale, the group is now fully focussed on the development of the Lauritz brand internationally.

Return to growth

The business has returned to growth from July 2020. The growth is driven by all parts of the business, with the steady growth momentum continuing in 2021. This development is driven by increase in Auction Turnover impacting revenue and EBITDA positively. The turnaround has consisted of multiple optimisations implemented throughout all business activities of the sold activities as well as the continuing Lauritz.com business in order to manifest and further develop Lauritz.com’s unique position in an increasingly competitive market. In 2020 the business of Lauritz.com group showed its strong resilience navigating through challenging times and delivering considerable growth despite the Covid-19 crisis.

Auction Turnover and revenue development

For the full year auction turnover amounted to DKK 442m (427m). This corresponds to an increase of 3.4 percent.

Revenue amounted to DKK 131m (137m), a decrease of 4.1 percent. The main driver of the decrease in revenue is the initial period of Covid-19 in the spring and incentives towards sellers. For the second half of the year the Revenue showed a growth of 11 percent driven by increase in Auction Turnover.

Development in EBITDA

In 2020 we have realised an EBITDA DKK -25.0m (2.9m). The decrease is due to group internal one-off management fee from the parent company and marketing contribution to a subsidiary in total DKK 20m in 2021. The year is divided with its first half impacted negatively by the initial phase of the Covid-19 outbreak, and the second half of the year with growth in Revenue and EBITDA driven by the growth in Auction Turnover of 16 percent compared to 2019.

Development in financials

For the Lauritz.com Group we achieved the guidance on 2 of 3 parameters. Auction turnover increased as expected EBITDA for the year was within the latest communicated expectations and Revenue growth was slightly below the latest published expectations. The company constitute a large part of the Lauritz.com Group’s consolidated result, and the company’s developments are in line with the development for the group.

In the annual test of the carrying amount of goodwill, software in process of development and other intangible assets at 31.12.2020 no need for impairment has been identified.

The 2019 restructuring of the bond debt completed in June 2019 resulted in a gain of DKK 75.3m impacting the 2019 financial items positively. The sale of the Carve-out business has resulted in an impairment loss of DKK 36m, impacting the 2020 result.

Financing

Towards the end of 2019 a review of the capital structure of the Lauritz group has been carried out, resulting in the M&A process that commenced in April 2020 and was finalised in May 2021.

The outcome of the process is that Stockholms Auktionsverk, Karlstad Hammarö Auktionsverk and 3 auction houses in Germany have been sold. Most of the proceeds from the sale will be used to reduce the debt of the company by approximately DKK 60m (bond debt SEK 45m, accrued interest on bond SEK 16m and Senior loan SEK 21m) in June 2021 and a further DKK 11m (SEK 15m) in May 2022, after which the remaining bond debt will be DKK 102m (SEK 140m). Further, the terms of the remaining bond debt have been adjusted, lowering the interest rate, and changing the amortization making the bond debt a standing loan until the maturity date in December 2024.

Impact on 2020 financial result due to the sale of activities

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

Equity

The sales price achieved from the sale of the Carve-out subsidiaries is below the book value of the sold assets, resulting in an impairment in connection with the sale of DKK 36m. The impairment is included in the 2020 result and Equity at 31.12.2020, resulting in the Equity of the company being negative by DKK 44.4m.

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

Events after the balance sheet date

In April, an agreement for the Carve-out sale has been signed, and a written procedure amongst the bondholders regarding the sale, and changes to the bond terms and conditions has approved the suggested changes. In May, the Carve-out sale and changes to the bond terms and conditions has been completed.

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

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Auction turnover [1]	**442,243**	**427,619**	**458,861**	**537,690**	**647,243**
Statement of comprehensive income [2]					
Revenue	131,138	136,772	148,235	182,035	182,070
Gross profit	46,511	48,975	52,931	85,502	84,876
EBITDA	- 24,964	2,920	- 16,721	24,296	22,404
Operating profit (EBIT)	- 31,696	- 5,687	- 26,120	- 9,395	13,090
Net financials	- 48,207	50,345	- 46,799	- 11,862	- -11,454
Profit before tax (EBT)	- 79,903	44,658	- 72,919	- 21,257	1,636
Tax on profit for the year	10,042	6,203	7,228	- 1,016	- 2,621
Profit for the year	- 69,861	50,861	- 65,691	- 22,273	- 985
Balance sheet					
Non-current assets	57,158	176,364	187,640	221,385	312,474
Current assets	171,410	74,416	82,359	96,071	84,315
Balance sheet total	228,568	250,780	269,999	359,471	396,789
Share capital	53,090	53,090	53,090	53,090	53,090
Equity	- 44,449	25,412	- 25,449	40,242	62,515
Non-current liabilities	1,290	1,312	935	237,020	242,169
Current liabilities	271,727	224,056	294,513	82,209	92,105
Cash flows					
Operating activities	10,281	- 12,733	- 41,142	- 27,355	- 20,400
Investing activities	- 83	- 2,167	38,322	7,936	90,640
Of this, investments in property, plant, and equipment	-	131	36,071	- 1,425	- 3,303
Financing activities	- 579	12,130	- 605	-	- 51,735
Total cash flows	9,619	- 2,770	- 3,425	- 19,419	18,505
Ratios:					
Gross margin	35.5 %	35.8 %	35.7 %	47.0 %	46.6 %
EBITDA margin	- 19.0 %	2.1 %	- 11.3 %	13.3 %	12.3 %
Profit margin	- 24.2 %	- 4.2 %	- 17.6 %	- 5.2 %	7.2 %
Equity ratio	- 19.4 %	10.1 %	- 9.4 %	11.2 %	15.8 %
Return on equity	- %	- %	- %	- 43.4 %	- 2.5 %
Earnings per share (EPS Basic), DKK	- 131.59	95.80	- 123.74	- 41.95	- 1.86
Dividend per share	0	0	0	0	0
Average number of full-time employees	31	33	39	46	48

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

[2] 2016-2020 includes discontinued operations.

The Board of Directors and the Executive Management have today discussed and approved the Annual Report of Lauritz.com A/S for 2020.

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

In our opinion, the consolidated financial statements and the company's financial statements give a true and fair view of the company's assets, liabilities, and financial position at 31 December 2020 and of the results of the company's operations and cash flows for the financial year 2020.

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

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

Copenhagen, 29 June 2021

Executive Management

Mette Margrethe Rode Sundstrøm
CEO

Preben Vinkler Lindgaard
CFO

Board of Directors

Bengt Sundström
Chairman

Claus Due Pedersen

Preben Vinkler Lindgaard

To the shareholders of Lauritz.com A/S

Opinion

We have audited the financial statements of Lauritz.com A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 – 31.12.2020 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 additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Entity 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 note 1, where Management describe their basis for conclusion for preparing the annual report on a going concern assumption.

The going concern of the company is conditional on an assumption that the company can continue the development in revenue for the remaining part of the year as realized in 1 quarter 2021. The uncertainty related to estimation of future revenue and the consequent impact on cash in-flow in combination with the company's limited cash and financing resources available, results in a situation where material uncertainty related to going concern exists.

Management has presented the financial statements on a going concern basis. We concur with Management's assessment and therefore our opinion has not been modified with respect to this matter.

Statement on the management commentary

Management is responsible for the management commentary.

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

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 commentary provides the information required under the Danish Financial Statements Act.

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity'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 financial statements unless Management either intends to liquidate the Entity or to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Copenhagen, 29 June 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Eskild Nørregaard Jakobsen
State-Authorised Public Accountant
Identification No (MNE) mne11681

Statement of comprehensive income 1 January - 31 December

Notes		2020 DKK'000	2019 DKK'000
2	Revenue	131,138	136,772
	Direct costs	- 84,627	- 87,797
	Gross profit	**46,511**	**48,975**
3	Other external expenses	- 30,059	- 21,764
4	Staff costs	- 41,416	- 24,291
	Operating profit/loss before depreciation, amortisation and impairment (EBITDA)	- **24,964**	**2,920**
5	Depreciation amortisation and impairment losses	- 6,732	- 8,607
	Operating profit/loss (EBIT)	**- 31,696**	**- 5,687**
6	Financial income	9,543	85,748
7	Financial expenses	- 57,750	- 35,403
	Profit/Loss before tax (EBT)	- **79,903**	**44,658**
8	Tax on profit/loss for the year	10,042	6,203
	Profit/Loss for the year	**-69,861**	**50,861**
	Other comprehensive income	-	-
	Total comprehensive income	**- 69,861**	**50,861**

Balance sheet

Assets

Notes		31.12.2020 DKK'000	31.12.2019 DKK'000
	Non-current assets		
9	Software in process of development	622	-
9	Developed software	6,200	12,251
9	Goodwill	21,815	15,716
9	Rights acquired	-	-
	Total intangible assets	28,637	27,967
10	Right-of-use assets	1,768	1,790
10	Other fixtures and fittings, tools, and equipment	3,356	3,602
	Total property, plant, and equipment	5,124	5,392
11,20	Equity interest in subsidiaries	7,475	134,191
15	Deferred tax	14,105	6,699
12	Deposits	1,817	2,115
	Total financial assets	23,397	143,005
	Total non-current assets	**57,158**	**176,364**
	Current assets		
	Inventories	112	90
13	Trade receivables	657	1,439
13	Contractual receivables	22,036	31,866
	Receivables from group enterprises	571	11,483
	Receivables from Parent Company	16,948	18,317
	Tax receivable	2,636	-
13	Other current receivables	2,705	3,577
	Total receivables	45,553	66,682
	Cash and cash equivalents	17,263	7,644
11	Equity interest in subsidiaries, available for sale	108,482	-
	Total current assets	**171,410**	**74,416**
	Total assets	**228,568**	**250,780**

Balance sheet

Equity and liabilities

Notes		31.12.2020 DKK'000	31.12.2019 DKK'000
	Equity		
14	Share capital	53,090	53,090
	Reserve for development projects	4,836	9,556
	Retained earnings	- 102,375	- 37,234
	Total equity	**- 44,449**	**25,412**
	Liabilities		
	Lease liabilities	1,290	1,312
	Total non-current liabilities	1,290	1,312
17	Bond debt	147,940	143,100
17	Senior loan	13,446	13,006
	Lease liabilities	580	558
	Trade payables	44,096	37,929
	Payables to group enterprises	42,787	20,117
18	Other payables	22,878	9,346
	Corporate taxes payable	-	-
	Total current liabilities	271,727	224,056
	Total liabilities	**273,017**	**225,368**
	Total equity and liabilities	**228,568**	**250,780**

16 Financial liabilities and financial activities

19 Financial risks

Statement of changes in equity

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

Statement of cash flows

Note		2020 DKK'000	2019 DKK'000
	Operating profit/loss (EBIT)	**- 31,696**	**- 5,687**
	Depreciation amortisation and impairments of non-current assets	6,897	8,396
	Impairment assets/liabilities	- 3,624	3,721
	Increase/decrease in inventories	- 21	677
	Increase/decrease in receivables	26,880	- 11,761
	Increase/decrease in trade payables and other payables	15,694	- 1,619
	Other adjustments	- 1,553	- 7,692
	Cash flows from ordinary operating activities	12,577	- 13,965
	Interest and financial income received	1,239	1,963
	Interest and financial expenses paid	- 3,535	- 9,205
	Income tax settled including joint taxation	-	8,474
	Cash flows from operating activities	**10,281**	**- 12,733**
	Purchase of property, plant, and equipment	-	- 683
	Sale of property, plant, and equipment	-	297
	Purchase of intangible assets	- 622	- 4,019
	Acquisitions, activities	-	-
	Contribution of share capital to subsidiaries	-	- 2,085
	Dividends received from subsidiaries	539	4,323
	Cash flows from investing activities	**- 83**	**- 2,167**
16	Payments, lease liabilities	- 579	- 558
	Drawdown, senior loan	-	15,000
	Repayment, senior loan	-	- 2,312
	Cash flows from financing activities	**- 579**	**12,130**
	Net cash flow for the year	9,619	- 2,770
	Net capital resources, beginning of year	7,644	10,414
	Net capital resources, end of year	**17,263**	**7,644**
	Net capital resources, end of year, are composed as follows:		
	Cash and cash equivalents	17,263	7,644
	Net capital resources, end of year	**17,263**	**7,644**

1. Management's assessment of the development for the coming year and management's assessment of the going concern assumption

Management of the Lauritz group has throughout 2020 and 2021 been working to secure sufficient financing to secure the growth and operations of the group. The Carve-out sale of the activities in Sweden, Finland and Germany in May 2021 has secured the Group's bond financing until December 2024, securing a significant reduction of the group's debt through cash repayment and a strengthening of the liquidity of the group.

The Carve-out sale results in:

- Repayment of the senior loan.
- Repayment of part of the bond debt, reducing this to DKK 102m (SEK 140m).
- Reduction of the interest on the bond debt to 4 percent, and no payment of interest in 2021.
- Bond debt standing until maturity in December 2024, annual installments removed.
- The group is no longer in breach of the terms and conditions of the bond.
- Surplus cash from the Carve-out sale strengthening the liquidity of the group.

The markets for auctioning and online sale of vintage and luxury items are growing, and the group is working hard to increase its share of the market through strong initiatives in marketing and in new business areas under development. The developments in the market can change due to circumstances beyond the control of the group such as changes in market dynamics and customer behaviour, which can result in growth lower or higher than the current expectation. The impact of exiting the period with Covid-19 restrictions increase the uncertainty as to changes in the market.

The growth in Auction Turnover for the continuing operation seen in the second half of 2020 and the first part of 2021 of approximately 17 percent compared to the same period the year before is expected to reduce to around 10 percent for the rest of 2021 but can be impacted by changes in market dynamics etc. Costs are expected to increase due to commissions paid to partners growing in line with Auction Turnover, whereas other costs are remaining stable. If we see a change in market dynamics etc. that impacts us negatively, measures will be taken to address this quickly. Measures that can be taken, depending on the development, will likely be within the areas of sales, marketing, cost reductions, cash management and possibly equity financing.

The assumptions mentioned above give a growth for the full year in the upper part of the expected growth in Auction Turnover, Revenue and EBITDA included in the guidance for 2021. The uncertainties in relation to reaching the expectations for the year are primarily related to realising the expected growth in Auction Turnover. The liquidity for the Lauritz group is fluctuating during the year, and for 2 shorter periods during the year liquidity reserves are low but sufficient under the assumptions mentioned above. In case of negative developments in the market initiatives can be implemented to increase the liquidity during these short periods.

Based on the above-mentioned re-financing of the bond debt, and the development in Auction Turnover and earnings, management has assessed that the cash resources of the group are sufficient to secure the future operations for at least one year, so that the annual report of the company can be prepared on a going concern basis.

	2020 DKK'000	2019 DKK'000
2. Revenue		
Auction commissions, fees etc.	123,800	129,490
Other revenue - marketing contribution etc.	7,338	7,282
	131,138	**136,772**

3. Other external expenses

	2020 DKK'000	2019 DKK'000
Fees to auditors appointed at the annual general meeting		
Audit services	547	536
Tax services	20	20
Other services	392	820
	939	**1,376**

Other external expenses include impairment losses on receivables of DKK 651k (-958k).

4. Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	18,726	17,021
Management fees, group enterprises	20,616	4,757
Defined contribution pension plans, cf. below	709	741
Other social security cost	168	232
Other staff cost	1,197	1,540
	41,416	**24,291**
Average number of full-time employees	31	33

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

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

Remuneration of the Board of Directors and Executive Management

	2020 DKK'000	2019 DKK'000
Remuneration of the Board of Directors	250	270
	250	**270**

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

	2020 DKK'000	2019 DKK'000
5. Depreciation, amortisation, and impairment losses		
Depreciation, other fixtures, tools, and equipment	245	1,116
Depreciation, right-of-use assets	601	601
Amortisation, rights acquired	-	42
Amortisation, developed software	6,051	6,636
Depreciation amortisation and impairment losses	**6,897**	**8,395**
Losses/(gains) arising from disposal	- 165	212
	6,732	**8,607**
6. Financial income		
Interest income	1,239	1,641
Interest income, group enterprises	-	322
Interest income, financial assets	**1,239**	**1,963**
Dividend from subsidiaries	539	4,323
Impairment gain, receivables group enterprises	7,765	-
Income from debt restructure, net	-	75,272
Exchange rate gains	-	4,190
	9,543	**85,748**
7. Financial expenses		
Interest expenses	528	794
Interest expense, group enterprises	145	-
Interest expenses, lease	93	91
Bank charges etc.	569	703
Guarantee commission	2,869	1,406
Financial expenses, bond debt	9,045	10,967
Interest expenses from financial liabilities	**13,249**	**13,961**
Amortisation of borrowing costs, bond debt	-	899
Impairment losses, current accounts	1,804	4,693
Exchange rate losses	6,833	-
Impairment losses, investments in subsidiaries	35,864	15,850
	57,750	**35,403**

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

	2020 DKK'000	2019 DKK'000
8. Tax on profit/loss for the year		
Current tax for the year incl. contribution from joint taxation	- 2,636	-
Adjustment to deferred tax	- 8,016	- 1,108
Adjustment to deferred tax, prior years	610	3,379
Adjustment to current tax, prior years	-	- 8,474
Tax on profit/loss for the year	**- 10,042**	**- 6,203**

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

	2020	2019
Tax on profit/loss for the year is made up as follows:		
Computed 22.0 % tax on profit for the year before tax (22.0 %)	- 17,578	9,825
Adjustment to prior years	610	- 5,095
Tax effect of:		
Non-deductible expenses/non-taxable income	7,045	- 9,982
Dividend received from subsidiaries	- 119	- 951
	- 10,042	**- 6,203**
Effective tax rate	Negative	Negative

9. Intangible assets (DKK’000)

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

9. Intangible assets (continued)

Software includes development projects for IT systems and processes in progress.

At 31 December 2020, 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.

At 31 December 2020, 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 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 lower growth rate than seen previously and Management assess that the used assumptions are realistic to realize. Impairment recognized for 2020 totals DKK 0m (0m).

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

Impairment test (prepared at CGU level of the Lauritz.com Group) is based on a turnaround where Auction Turnover increases by 5-15 % in 2021 compared to 2020 (no recurrence of the initial impact at the outbreak of Covid-19), and by 5-10% 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 -5.6m in 2020 to a level between DKK 0m and DKK 8m in 2021. This increase in EBITDA is primarily due to growth in Revenue, and further strengthened by a change in business setup with more owned auction houses and a number of cost-cutting initiatives and other initiatives in relation to how the business is operated.

Growth in Auction Turnover is driving value creation in the business. Economies of scale are quite high, resulting in an average yearly growth in EBITDA of 20-30 percent, bringing EBITDA to a level between DKK 20m and 30m at the end of the forecast period.

9. Intangible assets (continued)

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

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

Sensitivity analysis

Following the sale of activities, the headroom in the impairment test has increased.
The assessment of the assumptions applied when preparing the impairment test is by nature subject to material uncertainty.

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

	2020
Average Auction Turnover-growth for 2021 to 2026	3 %
Average EBITDA-growth for 2021 to 2026	8 %
WACC, pre-tax	28 %
Terminal growth	Can not result in impairment on its own

In 2019 the value in use only had a small headroom compared to the book value of the assets, following the impairment made in 2018. Due to this the below sensitivities for 2019 are shown as the additional impairment, that would materialize through a change in the assumptions behind the value in use calculation performed at 31 December 2019.

	Change in Assumption	Additional impairment 2019 (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
WACC, pre-tax	+ 1%	10
Terminal growth	- 0.5%	0

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

	Right-of-use assets	Other fixtures etc.
Cost at 1 January 2020	3,033	18,690
Re-measuring of lease liabilities	579	-
Disposal	-	-1
Cost at 31 December 2020	3,612	18,689
Depreciation at 1 January 2020	1,243	15,088
Depreciation for the period	601	245
Depreciation related to disposals	-	-
Depreciation at 31 December 2020	1,844	15,333
Carrying amount at 31 December 2020	**1,768**	**3,356**
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**

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

	2020 DKK'000	2019 DKK'000
11. Equity interest in subsidiaries		
Cost at 1 January	212,332	210,247
Addition, capital increase	17,730	2,085
Disposal	- 100	-
Transfer to assets available for sale	- 179,116	-
Cost at 31 December	**50,846**	**212,332**
Value adjustment at 1 January	- 78,141	- 62,291
Impairment losses	- 35,864	- 15,850
Transfer to assets available for sale	70,634	-
Value adjustment at 31 December	**- 43,371**	**- 78,141**
Carrying amount at 31 December	**7,475**	**134,191**

Impairment losses in 2020 due to lower recoverable amounts in Lauritz.com Sverige AB, Lauritz.com Globen AB, Internetauktioner i Helsingborg AB, Helsingborgs Auktionsverk AB, Lauritz.com Deutschland GmbH, and QXL No AS. (2019 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 21.

12. Financial assets

	Deposits DKK'000
Cost at 1 January 2020	2,115
Disposal	- 298
Cost at 31 December 2020	**1,817**
Carrying amount at 31 December 2020	**1,817**
Cost at 1 January 2019	1.715
Addition	400
Cost at 31 December 2019	**2,115**
Carrying amount at 31 December 2019	**2,115**

13. Receivables	31.12.2020 DKK'000	31.12.2019 DKK'000
Trade receivables	657	1,439
Contractual receivables	22,036	31,866
Other current receivables	2,705	3,577
	25,398	**36,882**

Contractual receivables relate to the sale of 5 partnership agreements. The contractual receivables from sale of partnerships agreements are in the range of DKK 1.0m to DKK 8.8m. 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 19.6m (29.4m) is expected to mature after 12 months. Impairment of trade receivables and other receivables is made based on expected credit loss. During 2020 impairment losses of DKK 2.1m has been recognized (3.8m), of which DKK 1.8m (4.7m) is recognised as financial expenses.

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

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

Lifetime Expected Credit Loss:		
Impairment losses at 1 January	21,716	27,730
Realised impairment losses	- 5,847	- 9,793
Impairment losses for the period	2,145	5,344
Reversed impairments for the period	- 7,765	- 1,565
Impairment losses end of period	**10,249**	**21,716**

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

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

14. Share capital

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

	DKK'000
Share capital 1 October 1999	3.000
Capital increase, cash 31 May 2000	150
Capital increase, cash 25 October 2000	3.000
Capital decrease, 24 August 2001	- 150
Capital increase, 3 April 2015	2
Capital increase, cash 12 July 2016	47,088
Total share capital at 31 December 2020	**53,090**

15. Deferred tax

	31.12.2020 DKK'000	31.12.2019 DKK'000
Deferred tax at 1 January	6,699	8,970
Adjustment to deferred tax, prior years	- 610	- 3,379
Deferred tax on profit/loss for the year	8,016	1,108
Deferred tax at 31 December	**14,105**	**6,699**
Specification of deferred tax:		
Tax losses carried forward	7,787	-
Right-if-use assets	22	18
Other fixtures and fittings	3,906	3,855
Leasehold improvements	3	- 1
Rights acquired	576	576
Software	- 665	- 1,337
Goodwill	- 586	- 586
Receivables	-	2,491
Other provisions	3,062	1,683
	14,105	**6,699**
Deferred tax is recognized as follows in the balance sheet:		
Deferred tax (asset)	14,105	6,699
Deferred tax at 31 December, net (asset)	**14,105**	**6,699**

16. Financial liabilities and financial activities

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

17. Bond debt and Senior loan debt

The Group has a bond originally issued in 2014.

The main terms of the bonds at 31.12.2020 (the balance sheet date) 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.
- 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 from May 2021 the bond terms are changed to:

- Redemption SEK 45m has been paid in June 2021 reducing the outstanding principal amount to SEK 155m, and further redemption of SEK 15m in May 2022 reducing the outstanding principal to SEK 140m. Redemptions are funded by the sale of activities finalized in May 2021.
- Fixed interest rates of 4 percent on the outstanding principal effective from 17 December 2020.
- Interest for the period 17 December 2020 to 17 December 2021 to be paid at maturity of the bond in December 2024.
- Final redemption date is 17 December 2024, no yearly redemptions.
- Security EUR 10m to secure the bonds, primarily in form of a pledge in the vineyard Chateau Vignelaure, owned by the main shareholder in Lauritz.com Group A/S, Bengt Sundström.

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

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

The senior loan has been repaid in May 2021 in connection with the sale of activities.

18. Other payables

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

19. Financial risks

Currency risks

The 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 company's currency exposure is:

(DKK'000)	Cash and cash equivalents	Receivables	Group enter-prises, net	Bond debt and senior loan	Other liabilities	Net position
NOK	21	-	-	-	-15	6
EUR	2,684	7,836	-13,087	-	-1,805	-4,372
SEK	61	1,599	-28,603	-161,386	-	-188,329
31 December 2020	**2,766**	**9,435**	**-41,690**	**-161,386**	**-1,820**	**-192,695**
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**

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 2020 would affect comprehensive income and equity by approx. DKK 2m (DKK 2m). The above table shows the difference between the 31 December 2020 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 company's 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 (DKK 0m) 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 17.

19. Financial risks (continued)

Liquidity risk

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

(DKK'000)	0-1 year	1-5 years	5+ years	Total
Bond debt and senior loan	161,386	-	-	161,386
Lease liabilities	580	1,290	-	1,870
Other liabilities	66,974	-	-	66,974
31 December 2020	**228,940**	**1,290**	**-**	**230,230**
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**

We refer to the new conditions and installment plan of the bond debt in note 17 coming into effect in 2021. Based on the new conditions for the bond, the maturity profile for the liabilities can be presented as follows:

PRO FORMA (DKK'000)	0-1 year	1-5 years	5+ years	Total
Bond debt and senior loan	46,733	114,653	-	161,386
Lease liabilities	580	1,290	-	1,870
Other liabilities	66,974	-	-	66,974
31 December 2020	**114,287**	**115,943**	**-**	**230,230**

Credit risks

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

Other

The company regularly assesses its capital structure with a view to ensuring adequate equity. Reference is made to note 1 and note 17 and management's recent activities regarding refinancing of the company and of the Group.

20. Contingencies etc.

Contingent liabilities

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

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

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

21. Related parties

Related parties with a controlling interest

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

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

Ownership

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

Subsidiaries	Registered office	Ownership interest
LC Danmark ApS	Søborg, Denmark	100 %
Lauritz SHOP A/S *	Søborg, Denmark	100 %
QXL.no AS *	Oslo, Norway	100 %
Helsingborgs Auktionsverk AB (dormant) *	Helsingborg, Sweden	100 %
Internetauktioner i Helsingborg AB (dormant)*	Helsingborg, Sweden	100 %
Lauritz.com Globen AB (dormant) *	Stockholm, Sweden	100 %
Companies available for sale:		
Lauritz.com Deutschland GmbH *	Hamburg, Germany	100 %
Lauritz.com Sverige AB	Stockholm, Sweden	100 %
AB Stockholms Auktionsverk	Stockholm, Sweden	100 %
Karlstad-Hammarö Auktionsverk AB *	Skoghall, Sweden	100 %
Lauritz.com Finland OY *	Helsinki, Finland	100 %

*The company is not audited by Deloitte.

Related individuals

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

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

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

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

21. Related parties (continued)

Transactions

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

Lauritz.com A/S has entered into a management agreement with the Parent Company Lauritz.com Group A/S. In 2020, the agreement amounted to DKK 24,452k (6,000k).

As part of the debt restructuring in 2019 certain assets has been pledged with EUR 10m by the parent Group Blixtz Holding. This agreement includes guarantee commission paid by the company at DKK 2.9m (DKK 1.4m).

The company has interest-bearing long-term receivables from parent companies (Blixtz Holding A/S, Ejendomsselskabet Blixtz Aps) at DKK 17.7m (DKK 17.0m) related to the purchase of a property and related to the joint taxation. The company has received interest from parent companies of DKK 0,1m (0,1m).

22. Events after the balance sheet date

In April 2021, an agreement for the sale of the Swedish, Finnish, and Germany parts of the business has been signed, and a written procedure amongst the bondholders regarding the potential sale, and changes to the bond terms and conditions has approved the suggested changes. In May 2021, the Carve-out sale and changes to the bond terms and conditions has been completed.

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

23. Dividend

During 2020, DKK 0 in ordinary dividend has been distributed to the shareholders of Lauritz.com A/S, equalling DKK 0 per share (for 2019 DKK 0 per share).

For the financial year 2020, the Board of Directors has proposed dividend of DKK 0k, corresponding to DKK 0 per share.

24. Approval of annual report for publication

At the Board of Directors' meeting on 29 June 2021, the Board of Directors approved the present annual report for publication. The annual report is presented to the shareholders of Lauritz.com A/S for their approval at the annual general meeting on 29 June 2021.

25. Accounting policies

The Annual Report of Lauritz.com A/S for the financial year 2020 has been presented in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of reporting class C under the Danish Financial Statements Act.

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

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

The accounting policies applied are consistent with those applied for 2019.

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

Business combinations

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

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

25. Accounting policies (continued)

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

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

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

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

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

Receivables, payables, and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the balance sheet date and the rate in effect at the time when the payable or the receivable arose are recognized in the statement of comprehensive income as financial income or financial expenses.

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

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

25. Accounting policies (continued)

Statement of comprehensive income

Revenue

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

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

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

Direct costs

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

Other operating income

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

Other external expenses

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

Staff costs

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

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.

Financial income and expenses

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

Profit/loss from investments in subsidiaries

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

25. Accounting policies (continued)

Tax on profit/loss for the year
The company participates in a joint taxation arrangement with both Danish and foreign group enterprises.

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

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

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

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

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

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

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

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

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

25. Accounting policies (continued)

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.

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

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

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

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

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

Investments in associated companies
Investments in associated companies are recognised as the 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.

25. Accounting policies (continued)

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.

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.

25. Accounting policies (continued)

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

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

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

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

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

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

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

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

... ooo …