



Schmidt Hammer Lassen Architects K/S

Njalsgade 17
2300 Copenhagen
CVR No. 20728132

Annual report 2022

The Annual General Meeting adopted the
annual report on 16.06.2023

Søren Hyllekvist

Chairman of the General Meeting

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Entity details

Entity

Schmidt Hammer Lassen Architects K/S
Njalsgade 17
2300 Copenhagen

Business Registration No.: 20728132
Registered office: Copenhagen
Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Søren Hyllekvist, Chairman
Philip Leonard Harrison
Kristian Lars Ahlmark

Executive Board

Sanne Wall-Gremstrup, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Schmidt Hammer Lassen Architects K/S for the financial year 01.01.2022 - 31.12.2022.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 16.06.2023

Executive Board

Sanne Wall-Gremstrup
CEO

Board of Directors

Søren Hyllekvist
Chairman

Philip Leonard Harrison

Kristian Lars Ahlmark

Independent auditor's report

To the shareholders of Schmidt Hammer Lassen Architects K/S

Opinion

We have audited the financial statements of Schmidt Hammer Lassen Architects K/S for the financial year 01.01.2022 - 31.12.2022, 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 the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022 in accordance with 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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.

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.

Copenhagen, 16.06.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Tim Kjær-Hansen

State Authorised Public Accountant
Identification No (MNE) mne23295

Frederik Juhl Hestbæk

State Authorised Public Accountant
Identification No (MNE) mne47807

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Revenue	132,977	136,265	116,632	138,749	177,222
Gross profit/loss	36,306	13,475	19,749	39,189	72,512
Operating profit/loss	3,087	(349)	(29,397)	(31,951)	10,553
Net financials	(378)	1,530	344	908	789
Profit/loss for the year	2,709	1,154	(29,086)	(31,193)	11,602
Total assets	128,421	107,018	90,786	100,992	111,200
Equity	25,475	22,766	21,612	10,699	41,892
Average number of employees	94	74	85	137	154
Ratios					
EBIT margin (%)	2.32	(0.26)	(25.20)	(23.03)	5.95
Equity ratio (%)	19.84	21.27	23.81	10.59	37.67

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

EBIT margin (%):

Operating profit/loss * 100

Revenue

Equity ratio (%):

Equity * 100

Total assets

Primary activities

Schmidt Hammer Lassen Architects k/s (SHL) is an architecture firm providing services within architecture, workplace strategy, master planning, and client advisory. The Company operates both in Denmark and internationally, and its primary markets are Scandinavia, Northern Europe, Asia, and North America. The portfolio consists of projects within cultural, educational, healthcare, office, commercial, and residential sectors, including many years of experience with adaptive transformation and timber construction.

Development in activities and finances

New business activities:

During 2022 Schmidt Hammer Lassen expanded their portfolio of ongoing work by winning several prestigious projects in Scandinavia and around the world. These projects continue to strengthen the firm as market leaders within libraries and higher education, as well as its expertise and capability in designing for, and managing complex typologies and hybrid buildings.

Several new projects acquired during 2022 feature reuse of existing buildings. This adds to the firm's years of experience with adaptive reuse and transformation. New projects include the transformation of a university library in Manchester, UK and the repurpose of two office buildings to new NIO Houses in Germany. The firm also won new projects within science and technology in Stockholm, and in the US for a leading American research university. The firm also began work on several urban planning developments in North America.

Several projects completed during 2022, including the 115,000 m² new civic landmark and cultural destination, the Shanghai Library East where more than 80% of the building's spaces are dedicated to community activities.

The latest extension to the evolving ARoS Aarhus Art Museum – ARoS Next Level, broke ground in 2022. The expansion includes additional gallery spaces and 'The Dome' – a 40 meter in diameter dome, designed in collaboration with World-famous American artist, James Turrell.

In efforts to positively impact and strengthen the sustainability ambitions for the projects, cities and ecosystems touched by the firms work, Schmidt Hammer Lassen continued its investments in advancing the firms sustainability assessment and framework. The firm has developed a unique, holistic design process management system that translates UN Sustainable Development Goals into AEC industry targets and has implemented this system in each of its new projects. This includes establishing a cloud-based design data platform to capture distributed knowledge across the firm, capture insights from past projects, and increase the environmental analysis capacity by leveraging a new stack of tools related explicitly to early-stage design. The firm also took on several consulting engagements with private and public clients to map project opportunities available to the client according to local conditions, ecology, and social capital.

Changes in accounting policies

The Entity has changed its accounting policies for presentation of the income statement as management assess this will give a better true and fair view of the company's activities. The presentation has previously been based upon an income statement presented by type, where this year the income statement is presented by function. This presentation allows the company to present its cost of sales that arises from use of external labour and project outlays, whereas production costs relates to the company's own project costs, which primarily consists of salaries.

The change in accounting policies has led to an increase in gross profit of tDKK 17,247 in 2022 and tDKK 17,217 in 2021. The change in accounting policies have no effect on Operating profit/loss, profit/loss for the year, or equity. The change has no tax affect.

The comparative figures have been restated following the change in accounting policies, including the financial highlights in the management commentary.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with last year.

Profit/loss for the year in relation to expected developments

The result for 2022 shows a gross profit of DKK 36.3 mio. (2021: DKK 30.7 mio.) and a net result of DKK 2.7 million. (2021: DKK 1.2 million). The 2022 result is impacted positively by a change in the split of corporate fees among the entities in the Danish Group.

The positive financial development from 2020 to 2022 is a result of the combined consolidation, and the strategy initiated in 2019 that is showing results.

During 2022 SHL continued to improve its business through an increase in the project portfolio both nationally and abroad.

The management foresees a continued improvement in the financial performance, leveraging on the long-term strategic plan implemented during the past years. Balancing the financial health of the firm with ambitions investments in sustainability and digital practice.

Uncertainty relating to recognition and measurement

The main accounting areas where the recognition and measurement can be affected by estimates and subject to uncertainty are:

Revenue related to contract work in progress (projects), which are measured at the selling price of work performed, are recognized based on the stage of completion of work performed. Provision for disputes are measured at best estimate of the related cost to settle liabilities at the balance sheet date.

The stage of completion, provision for disputes and expected earnings is based on estimates as well as expected future events and is thus subject to uncertainty.

Outlook

It is SHL's continued ambition, strategic objective, and expectation that both activity level and profit should improve over the coming years.

A key element of the 5-year strategic plan implemented in 2019 is to strengthen SHL's presence as a Danish architecture firm in Denmark, and the rest of Scandinavia. In the coming years SHL is expected to yield a significant development of the Company and growth in the project portfolio in the Nordic markets.

Management expects a positive profit for 2023, in level of DKK 2-4 million.

Use of financial instruments

SHL's revenue from international projects is relatively high. The need for currency hedging is specifically assessed for each project, and forward exchange contracts might be concluded, if necessary, to cover any risks.

Statutory report on corporate social responsibility

SHL works determinedly and strategically with CSR in the sense of social, environmental, and economic

sustainability. SHL has acceded to UN's Global Compact for many years and is thus under an obligation to have a targeted focus on initiatives supporting four central areas: human rights, labor rights, environment, and anti-corruption.

Events after the balance sheet date

No events have happened after the balance sheet date that would significantly impact the financials in this annual report.

Income statement for 2022

	Notes	2022 DKK	2021 DKK
Revenue		132,977,308	136,265,474
Cost of sales		(43,610,409)	(54,500,184)
Production costs		(53,060,817)	(51,073,276)
Gross profit/loss		36,306,082	30,692,014
Administrative expenses		(33,219,513)	(31,041,250)
Operating profit/loss		3,086,569	(349,236)
Income from investments in group enterprises		0	(27,405)
Other financial income	4	552	1,749,343
Other financial expenses	5	(378,123)	(219,041)
Profit/loss for the year	6	2,708,998	1,153,661

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Other fixtures and fittings, tools and equipment		188,602	390,093
Leasehold improvements		32,875	31,134
Property, plant and equipment	7	221,477	421,227
Investments in group enterprises		0	0
Deposits		624,570	613,663
Financial assets	8	624,570	613,663
Fixed assets		846,047	1,034,890
Trade receivables		38,533,690	22,423,009
Contract work in progress	9	59,733,051	40,325,318
Receivables from group enterprises		12,538,750	9,051,953
Other receivables		2,571,894	642,186
Prepayments	10	1,415,693	389,800
Receivables		114,793,078	72,832,266
Cash		12,781,486	33,150,853
Current assets		127,574,564	105,983,119
Assets		128,420,611	107,018,009

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		4,004,000	4,004,000
Retained earnings		21,470,795	18,761,797
Equity		25,474,795	22,765,797
Other payables	11	4,120,850	4,248,337
Non-current liabilities other than provisions	12	4,120,850	4,248,337
Current portion of non-current liabilities other than provisions	12	0	110,602
Contract work in progress	9	58,326,651	48,321,094
Trade payables		9,915,119	6,344,988
Payables to group enterprises		17,625,336	10,116,085
Other payables		12,957,860	15,111,106
Current liabilities other than provisions		98,824,966	80,003,875
Liabilities other than provisions		102,945,816	84,252,212
Equity and liabilities		128,420,611	107,018,009
Events after the balance sheet date	1		
Staff costs	2		
Amortisation, depreciation and impairment losses	3		
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Related parties with controlling interest	16		
Transactions with related parties	17		
Group relations	18		

Statement of changes in equity for 2022

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	4,004,000	18,761,797	22,765,797
Profit/loss for the year	0	2,708,998	2,708,998
Equity end of year	4,004,000	21,470,795	25,474,795

Cash flow statement for 2022

	Notes	2022 DKK	2021 DKK
Operating profit/loss		3,086,569	(349,236)
Amortisation, depreciation and impairment losses		235,075	309,744
Working capital changes	13	(23,278,115)	21,960
Other adjustments		0	(1,760,978)
Cash flow from ordinary operating activities		(19,956,471)	(1,778,510)
Financial income received		552	1,749,343
Financial expenses paid		(378,123)	(219,041)
Cash flows from operating activities		(20,334,042)	(248,208)
Acquisition of fixed asset investments		(35,325)	(59,646)
Cash flows from investing activities		(35,325)	(59,646)
Free cash flows generated from operations and investments before financing		(20,369,367)	(307,854)
Increase/decrease in cash and cash equivalents		(20,369,367)	(307,854)
Cash and cash equivalents beginning of year		33,150,853	33,458,707
Cash and cash equivalents end of year		12,781,486	33,150,853
Cash and cash equivalents at year-end are composed of:			
Cash		12,781,486	33,150,853
Cash and cash equivalents end of year		12,781,486	33,150,853

Notes

1 Events after the balance sheet date

No events have happened after the balance sheet date that would significantly impact the financials in this annual report.

2 Staff costs

	2022	2021
	DKK	DKK
Wages and salaries	59,497,740	46,730,722
Pension costs	4,403,090	3,647,259
Other social security costs	466,790	398,382
	64,367,620	50,776,363
Average number of full-time employees	94	74

Referring to Danish Financial Statements act §98b, 2 the remuneration for management is not shown.

3 Depreciation, amortisation and impairment losses

	2022	2021
	DKK	DKK
Amortisation of intangible assets	0	20,489
Depreciation of property, plant and equipment	235,075	364,083
Profit/loss from sale of intangible assets and property, plant and equipment	0	(74,828)
	235,075	309,744

4 Other financial income

	2022	2021
	DKK	DKK
Other interest income	552	0
Exchange rate adjustments	0	1,749,343
	552	1,749,343

5 Other financial expenses

	2022	2021
	DKK	DKK
Other interest expenses	21,675	219,041
Exchange rate adjustments	356,448	0
	378,123	219,041

6 Proposed distribution of profit and loss

	2022 DKK	2021 DKK
Retained earnings	2,708,998	1,153,661
	2,708,998	1,153,661

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	11,436,009	1,263,397
Additions	0	35,325
Cost end of year	11,436,009	1,298,722
Depreciation and impairment losses beginning of year	(11,045,916)	(1,232,263)
Depreciation for the year	(201,491)	(33,584)
Depreciation and impairment losses end of year	(11,247,407)	(1,265,847)
Carrying amount end of year	188,602	32,875

8 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	255,036	613,663
Additions	0	10,907
Disposals	(215,216)	0
Cost end of year	39,820	624,570
Revaluations beginning of year	(255,036)	0
Reversal regarding disposals	215,216	0
Revaluations end of year	(39,820)	0
Carrying amount end of year	0	624,570

Investments in subsidiaries	Registered in	Corporate form	Equity interest %	Equity DKK
Schmidt Hammer Lassen Architects BV	The Netherlands	BV	100.00	39,820

9 Contract work in progress

	2022 DKK	2021 DKK
Contract work in progress	637,369,231	604,698,884
Progress billings regarding contract work in progress	(635,962,831)	(612,694,660)
Transferred to liabilities other than provisions	58,326,651	48,321,094
	59,733,051	40,325,318

10 Prepayments

Prepayments consists of prepaid costs for 2022.

11 Other payables

	2022 DKK	2021 DKK
Holiday pay obligation	4,120,850	4,248,337
	4,120,850	4,248,337

12 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK	Due after more than 12 months 2022 DKK	Outstanding after 5 years 2022 DKK
Lease liabilities	110,602	0	0
Other payables	0	4,120,850	4,120,850
	110,602	4,120,850	4,120,850

13 Changes in working capital

	2022 DKK	2021 DKK
Increase/decrease in receivables	(38,319,172)	(18,905,309)
Increase/decrease in trade payables etc	15,041,057	18,927,269
	(23,278,115)	21,960

14 Unrecognised rental and lease commitments

	2022 DKK	2021 DKK
Liabilities under rental or lease agreements until maturity in total	766,657	744,328

15 Contingent liabilities

A chattel mortgage registered to the mortgager of DKK 10,000 thousand has been provided as collateral for bank debt secured upon fixtures and fittings, operating equipment and goodwill. The carrying amount of the assets provided as collateral amounting to DKK 221 thousand at 31 December 2022. A charge has been provided as collateral for bank debt secured upon unsecured claims of DKK 13,000 thousand. The carrying amount of the assets provided as collateral amounting to DKK 38,534 thousand at 31 December 2022.

The Company is a party to cases typical for the construction business and participates in construction projects and tenders. These can result in material claims on the project as a whole, where the company might be held liable. The Company tries to address these risks by means of insurance. If the Company should be held financially responsible, a provision will be made in this respect.

A claim typically runs over a long period of time, causing high uncertainty of the outcome, and costs related to the claim.

The company is involved in 3 contracts where public entities are project owners, of which 1 contract has resulted in arbitration claim, and the 2 other contracts are under dispute and ongoing. For all 3 contracts the outcome of the disputes are uncertain and thus provisions, if any, are based on management best estimates.

The Company participates in two consortium agreements in which the participants are jointly and severally liable.

16 Related parties with controlling interest

P+W Denmark ApS, Copenhagen, Denmark & Komplementarselskabet SHL ApS, Copenhagen, Denmark have a participating interest.

17 Transactions with related parties

	Parent	Subsidiaries	Other related parties
	DKK	DKK	DKK
IT allocations (expense)	7,094,168	0	0
Revenue from IC-projects administered by IC companies	13,693,950	0	0
Receivables	0	0	8,935,181
Liabilities other than provisions	(13,954,525)	(67,242)	0

18 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Perkins & Will Inc, Chicago, USA.

Copies of the consolidated financial statements of Perkins & Will Inc may be ordered at the following address: Perkins & Will Inc, Chicago, USA.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

Changes in accounting policies

The Entity has changed its accounting policies for presentation of the income statement as management assess this will give a better true and fair view of the company's activities. The presentation has previously been based upon an income statement presented by type, where this year the income statement is presented by function. This presentation allows the company to present its cost of sales that arises from use of external labour and project outlays, whereas production costs relates to the company's own project costs, which primarily consists of salaries.

The change in accounting policies has led to an increase in gross profit of tDKK 17,247 in 2022 and tDKK 17,217 in 2021. The change in accounting policies have no effect on Operating profit/loss, profit/loss for the year, or equity. The change has no tax effect.

The comparative figures have been restated following the change in accounting policies, including the financial highlights in the management commentary.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with last year.

Material uncertainty related to recognition and measurement

The main accounting areas where the recognition and measurement can be affected by estimates and subject to uncertainty are:

Revenue related to contract work in progress (projects), which are measured at the selling price of work performed, are recognized based on the stage of completion of work performed. Provision for disputes are measured at best estimate of the related cost to settle liabilities at the balance sheet date.

The stage of completion, provision for disputes and expected earnings is based on estimates as well as expected future events and is thus subject to uncertainty.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Revenue

Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs

Productions costs include salaries and fees for architects, construction designers and draughtsmen as well as direct costs, e.g. insurance and travelling expenses, etc.

Cost of sales

Cost of sales comprise of fees for architects, construction designers and draughtsmen as well as direct cost, e.g. insurance and travelling expenses, etc. paid to subcontractors.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Balance sheet

Property, plant and equipment

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. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years
Software	3 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources. Provision for disputes are measured at best estimate of the related cost to settle liabilities at the balance sheet date.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet in receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises of bank deposits.

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.