Annual Report

01.10.2019 - 30.09.2020

AART

AART architects A/S
Mariane Thomsens Gade 1C, 9.
8000 Aarhus C
CVR. no. 25686705

The Annual General Meeting
adopted the annual report on 02.12.2020

Chairman of the General Meeting
Rune Haack Quist Hove

Contents

Entity details

Entity

Aart Architects A/S

Mariane Thomsens Gade 1 C, 9.

8000 Aarhus C

Business Registration No.: 25686705

Registered office: Aarhus

Financial year: 01.10.2019 - 30.09.2020

Board of Directors

Torben Skovbjerg Larsen
Anders Tyrrestrup
Morten Nødgaard Albæk
Anders Strange
Lars Dige Knudsen

Executive Board

Rune Haack Quist Hove
Torben Skovbjerg Larsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Aart Architects A/S for the financial year 01.10.2019 - 30.09.2020

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2019 - 30.09.2020.

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.

Aarhus, 02.12.2020

Executive Board

Rune Haack Quist Hove

Torben Skovbjerg Larsen

Board of Directors

Torben Skovbjerg Larsen

Anders Tyrrestrup

Morten Nødgaard Albæk

Anders Strange

Lars Dige Knudsen

Independent auditor's report

To the shareholders of Aart Architects A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Aart Architects A/S for the financial year 01.10.2019 - 30.09.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2019 - 30.09.2020 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 consolidated financial statements and the parent financial statements" section of this auditor’s report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in

Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the 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 consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management 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 consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 02.12.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Lars Andersen
State Authorised Public Accountant
Identification No (MNE) mne34506

Kasper Vestergaard Jessen
State Authorised Public Accountant
Identification No (MNE) mne42784

Management commentary

Financial highlights

	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000
Key figures				
Revenue	121,808	148,310	147,179	105,544
Gross profit/loss	88,453	92,611	88,206	59,786
Operating profit/loss	4,867	5,193	10,449	7,563
Net financials	(494)	(1,091)	(302)	(460)
Profit/loss for the year	3,525	2,841	7,296	5,427
Profit for the year excl. minority interests	3,439	2,841	7,296	5,427
Balance sheet total	63,144	85,122	84,266	62,476
Investments in property, plant and equipment	606	3,254	2,262	0
Equity	21,863	20,218	20,074	14,767
Equity excl. minority interests	21,443	20,218	20,074	14,767
Ratios				
Gross margin (%)	72.62	62.44	59.93	56.65
Net margin (%)	2.89	1.92	4.96	5.14
Equity ratio (%)	33.96	23.75	23.82	23.64

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

Gross margin (%):
Gross profit/loss * 100
Revenue

Net margin (%):
Profit/loss for the year * 100
Revenue

Equity ratio (%):
Equity excl. minority interests * 100
Balance sheet total

Primary activities

AART has been through an unusual financial year, which has been marked by the challenges of the COVID-19 pandemic for better or worse. In adversity, opportunities arise, and the entire AART group has emerged stronger from the crisis.

In the last year we have further broadened our new strategy, 'A World of Opportunities', where we set out to achieve new and even more ambitious goals over the next four years. It is founded on the 'Better Roads' strategy that was launched in 2014 and had the vision of positioning AART as a well-established architecture firm with Scandinavia as our main market.

In 'A World of Opportunities', we focus on our mission of 'Redefining Architecture' with the aim of redefining what architecture is and, more importantly, what it does – the effect of architecture. We do this by challenging the traditional notion of architecture, changing the focus from architecture as an art form to a catalysing power. By doing this, we strive to open people's eyes to the importance of architecture in developing organisations and societies. Our vision is to position ourselves as thought leaders in Scandinavia in creating opportunities through architecture, and documenting the effects that opportunities create for our clients and for society in a broader perspective. By becoming the first architectural firm in Scandinavia to establish a documentation team, we have taken the first step towards fulfilling our vision. Having offices in Aarhus, Copenhagen, Oslo and now in Stockholm as well, with more than one and a half million square metres under development and a full range of architectural disciplines from initial idea to realised construction, we have a solid foundation to realise our vision.

As part of our strategy, we have expanded our activities to include transformation, space planning, master planning and landscape design. We are also taking selected and clearly defined business areas outside our base in Scandinavia and into the rest of the world.

Development in activities and finances

All three main markets, Norway, Sweden and Denmark, have been affected by postponed or cancelled projects in the spring, and we have experienced increased uncertainty among several customers. Activity in late summer and up to now has been very high, especially in Sweden and Denmark, and we have hired many new employees, so the level both in terms of activity and staff at the end of the financial year is higher than before the COVID-19 pandemic. Our employees have made a great joint effort across national borders to accomplish the tasks together – all have at times worked from home and have shown great flexibility.

This year we have established an office in Stockholm, which has come off with flying colours from the start and winning many competitions and assignments. Similarly, the year in both Norway and Sweden has been lucrative on the competition front with several major competition victories, and we are really starting to see our mission 'Redefining Architecture' bear fruit. Again this year, the company has been nominated for EY Entrepreneur of the Year in recognition of our financial results and strategic goals.

In the financial year, we experienced a decrease in revenue of DKK 26.5 million but only a decrease in gross profit of DKK 4.2 million, which is mainly due to a lower share of projects where AART is the total consultant. At the same time, revenue is affected by the reduction in market activity in Norway as a result of COVID-19. With an increase in the result after tax despite the decline in revenue, this is due to the fact that with a number of initiatives this year, we have become a significantly more efficient business per revenue krone. During the year, there has been a high focus on reducing working capital, which has contributed greatly to the 18,9 mDKK in free cash flow and resulted in a significantly more solvent and solid company.

Knowledge resources

With our strategy, we centre around our 'license to exist'. With our strategy formulated, activated and implemented across our four offices, we have raised our intellectual capital resources so that we stand strong in creating opportunities for our clients and societies and, equally important, documenting the impact of those opportunities. In other words, we have worked purposefully to translate our strategy into intellectual capital resources with the aim of solidifying our Scandinavian foothold and taking our work further into the world.

Research and development activities

In the last year, we strengthened our research and development activities. As the first architecture firm in Scandinavia, we have established an impact team last year, which we have now expanded. We collaborate with external partners and the universities in Aalborg, Aarhus and Copenhagen to collect the latest knowledge about how architecture makes a difference in practice.

In February 2020, we started the business PhD project 'Catalyst', focusing on architecture as a catalyst for social and socio-economic value creation. The project is a collaboration with AAU, Design and Media Technology and UCPH, Department of Food and Resource Economics. In July 2020, we had a second business PhD project approved, in the special call by the Innovation Fund Denmark and Realdania on 'Circular Construction'. Through the project 'Social Commissioning', we will explore ways of strengthening the social lifecycle of buildings by focusing on the continuous interaction between people and building. This project will be carried out in collaboration with AU ENG and BUILD. There are strong synergies between the two projects, and both projects will play a central role in further developing AART as a key player in creating and documenting architectural value.

Particular risks

Developments in our main markets in Norway, Sweden and Denmark have been difficult to predict during the year. While the coronavirus crisis, which started in early spring, set new standards in terms of unpredictability and the demands for managerial and organisational agility, a new normal has nevertheless emerged in the autumn: Very high activity and very high influx of new tasks – and in fact despite the adversity of the times – a certain calm. However, the development in the situation concerning COVID and the market consequences thereof are still considered to be a significant risk in the coming financial year, as we have seen how quickly the market reacts to both negative and positive news. We regularly carry out thorough risk assessments to be best possibly prepared.

Outlook

Especially in Denmark and Sweden, we are now experiencing a general optimism among our customers, who have been encouraged recently by the prospect of a coming vaccine against COVID-19. We are embarking into the next financial year with high expectations.

We will continuously execute our strategy through an ambitious growth process aimed at achieving stronger growth than the market average. We will concentrate on executing the strategy with the aim of positioning ourselves as market leader in documenting the impact of architecture from the social, economic, and environmental perspectives as well as being perceived as the most desirable architectural workplace in Scandinavia. Our strategic execution is supported by a positive pipeline forecast of building projects across segments and countries for the coming financial year, and adding to this, the changing state of the market with fewer comparable competitors as many architecture companies have been taken over by large engineering companies.

Together with our strategy, this indeed presents us with 'a world of opportunities.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2019/20

	Notes	2019/20 DKK	2018/19 DKK
Revenue		121,808,384	148,310,353
Other external expenses		(33,355,085)	(55,698,974)
Gross profit/loss		**88,453,299**	**92,611,379**
Staff costs	1	(80,761,792)	(84,049,350)
Depreciation, amortisation and impairment losses	2	(2,824,038)	(3,369,371)
Operating profit/loss		**4,867,469**	**5,192,658**
Other financial income		79,344	56,418
Other financial expenses		(573,756)	(1,147,557)
Profit/loss before tax		**4,373,057**	**4,101,519**
Tax on profit/loss for the year	3	(848,235)	(1,260,196)
Profit/loss for the year	4	**3,524,822**	**2,841,323**

Consolidated balance sheet at 30.09.2020

Assets

	Notes	2019/20 DKK	2018/19 DKK
Goodwill		8,274,146	5,561,322
Intangible assets	5	**8,274,146**	**5,561,322**
Other fixtures and fittings, tools and equipment		2,490,742	3,403,102
Leasehold improvements		377,239	557,223
Property, plant and equipment	6	**2,867,981**	**3,960,325**
Other investments		1,345,708	1,265,138
Deposits		1,052,374	1,035,491
Fixed asset investments	7	**2,398,082**	**2,300,629**
Fixed assets		**13,540,209**	**11,822,276**
Trade receivables		34,831,352	52,256,732
Contract work in progress	8	5,655,877	15,353,781
Other receivables		473,573	774,330
Prepayments	9	2,874,006	1,812,641
Receivables		**43,834,808**	**70,197,484**
Cash		**5,768,528**	**3,102,584**
Current assets		**49,603,336**	**73,300,068**
Assets		**63,143,545**	**85,122,344**

Equity and liabilities

	Notes	2019/20 DKK	2018/19 DKK
Contributed capital		500,000	500,000
Retained earnings		19,142,738	18,217,966
Proposed dividend for the financial year		1,800,000	1,500,000
Equity belonging to Parent's shareholders		**21,442,738**	**20,217,966**
Equity belonging to minority interests		**420,668**	**0**
Equity		**21,863,406**	**20,217,966**
Deferred tax	10	5,777,354	6,516,013
Provisions		**5,777,354**	**6,516,013**
Bank loans		0	4,875,000
Finance lease liabilities		0	57,257
Other payables		2,980,514	382,629
Non-current liabilities other than provisions	11	**2,980,514**	**5,314,886**
Current portion of non-current liabilities other than provisions	11	57,108	2,376,711
Bank loans		94,491	7,883,368
Trade payables		7,898,180	11,437,743
Income tax payable		3,445,274	4,222,132
Other payables		21,027,218	27,153,525
Current liabilities other than provisions		**32,522,271**	**53,073,479**
Liabilities other than provisions		**35,502,785**	**58,388,365**
Equity and liabilities		**63,143,545**	**85,122,344**
Unrecognised rental and lease commitments	13		
Assets charged and collateral	14		
Transactions with related parties	15		
Subsidiaries	16		

Consolidated statement of changes in equity for 2019/20

	Contributed capital DKK	Retained earnings DKK	Proposed dividend for the financial year DKK	Equity belonging to Parent's shareholders DKK	Equity belonging to minority interests DKK
Equity beginning of year	500,000	18,218,274	1,500,000	20,218,274	0
Transferred from share premium	0	0	0	0	321,678
Ordinary dividend paid	0	0	(1,500,000)	(1,500,000)	0
Exchange rate adjustments	0	(714,269)	0	(714,269)	12,901
Profit/loss for the year	0	1,638,733	1,800,000	3,438,733	86,089
Equity end of year	**500,000**	**19,142,738**	**1,800,000**	**21,442,738**	**420,668**

	Total DKK
Equity beginning of year	20,218,274
Transferred from share premium	321,678
Ordinary dividend paid	(1,500,000)
Exchange rate adjustments	(701,368)
Profit/loss for the year	3,524,822
Equity end of year	**21,863,406**

Consolidated cash flow statement for 2019/20

	Notes	2019/20 DKK	2018/19 DKK
Operating profit/loss		4,867,469	5,192,658
Amortisation, depreciation and impairment losses		2,824,038	3,366,000
Working capital changes	12	18,578,645	(1,506,000)
Cash flow from ordinary operating activities		**26,270,152**	**7,052,658**
Financial income received		79,344	56,000
Financial expenses paid		(654,326)	(726,000)
Income taxes refunded/(paid)		(2,363,750)	(986,000)
Cash flows from operating activities		**23,331,420**	**5,396,658**
Acquisition etc. of intangible assets		(3,842,117)	(747,000)
Acquisition etc. of property, plant and equipment		(606,273)	(1,726,000)
Sale of property, plant and equipment		1,974	490,000
Cash flows from investing activities		**(4,446,416)**	**(1,983,000)**
Free cash flows generated from operations and investments before financing		**18,885,004**	**3,413,658**
Loans raised		0	383,000
Repayments of loans etc.		(7,251,860)	(2,346,000)
Dividend paid		(1,500,000)	(2,400,000)
Deposits on sale of minorities		321,678	0
Cash flows from financing activities		**(8,430,182)**	**(4,363,000)**
Increase/decrease in cash and cash equivalents		**10,454,822**	**(949,342)**

Cash and cash equivalents beginning of year	(4,780,784)	(3,831,442)
Cash and cash equivalents end of year	**5,674,038**	**(4,780,784)**

Cash and cash equivalents at year-end are composed of:		
Cash	5,768,528	3,102,584
Short-term bank loans	(94,490)	(7,883,368)
Cash and cash equivalents end of year	**5,674,038**	**(4,780,784)**

Notes to consolidated financial statements

1 Staff costs

	2019/20 DKK	2018/19 DKK
Wages and salaries	66,742,924	68,645,015
Pension costs	7,910,904	8,531,002
Other social security costs	4,583,690	3,153,223
Other staff costs	1,524,274	3,720,110
	80,761,792	**84,049,350**

Average number of full-time employees	**118**	**128**

2 Depreciation, amortisation and impairment losses

	2019/20 DKK	2018/19 DKK
Amortisation of intangible assets	1,128,293	1,622,342
Depreciation on property, plant and equipment	1,695,745	1,747,029
	2,824,038	**3,369,371**

3 Tax on profit/loss for the year

	2019/20 DKK	2018/19 DKK
Current tax	1,587,181	2,382,779
Change in deferred tax	(738,946)	(1,122,583)
	848,235	**1,260,196**

4 Proposed distribution of profit/loss

	2019/20 DKK	2018/19 DKK
Ordinary dividend for the financial year	1,800,000	1,500,000
Retained earnings	1,638,733	1,341,323
Minority interests' share of profit/loss	86,089	0
	3,524,822	**2,841,323**

5 Intangible assets

	Goodwill DKK
Cost beginning of year	8,172,717
Additions	3,842,117
Cost end of year	**12,014,834**
Amortisation and impairment losses beginning of year	(2,612,395)
Amortisation for the year	(1,128,293)
Amortisation and impairment losses end of year	**(3,740,688)**
Carrying amount end of year	**8,274,146**

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	5,982,530	899,921
Additions	606,273	0
Disposals	(211,398)	0
Cost end of year	**6,377,405**	**899,921**
Depreciation and impairment losses beginning of year	(2,579,328)	(342,698)
Depreciation for the year	(1,516,759)	(179,984)
Reversal regarding disposals	209,424	0
Depreciation and impairment losses end of year	**(3,886,663)**	**(522,682)**
Carrying amount end of year	**2,490,742**	**377,239**
Recognised assets not owned by Entity	46,663	0

7 Fixed asset investments

	Other investments DKK	Deposits DKK
Cost beginning of year	170,000	1,035,491
Additions	0	16,883
Cost end of year	**170,000**	**1,052,374**
Revaluations beginning of year	1,095,138	0
Revaluations for the year	80,570	0
Revaluations end of year	**1,175,708**	**0**
Carrying amount end of year	**1,345,708**	**1,052,374**

8 Contract work in progress

	2019/20 DKK	2018/19 DKK
Contract work in progress	126,053,711	177,137,581
Progress billings	(120,397,834)	(161,783,800)
	5,655,877	**15,353,781**

9 Prepayments

Costs incurred relating to the subsequent financial year.

10 Deferred tax

	2019/20 DKK	2018/19 DKK
Property, plant and equipment	(242,000)	(34,500)
Receivables	10,250,354	14,117,800
Liabilities other than provisions	(1,000)	(59,287)
Tax losses carried forward	(4,230,000)	(7,508,000)
Deferred tax	**5,777,354**	**6,516,013**

Changes during the year	2019/20 DKK	2018/19 DKK
Beginning of year	6,516,013	8,934,000
Recognised in the income statement	(738,659)	(1,123,000)
Other adjustments	0	(1,294,987)
End of year	**5,777,354**	**6,516,013**

11 Non-current liabilities other than provisions

	Due within 12 months 2019/20 DKK	Due within 12 months 2018/19 DKK	Due after more than 12 months 2019/20 DKK
Bank loans	0	2,300,000	0
Finance lease liabilities	57,108	76,711	0
Other payables	0	0	2,980,514
	57,108	**2,376,711**	**2,980,514**

12 Changes in working capital

	2019/20 DKK	2018/19 DKK
Increase/decrease in receivables	25,644,472	(5,611,000)
Increase/decrease in trade payables etc.	(7,065,827)	4,105,000
	18,578,645	**(1,506,000)**

13 Unrecognised rental and lease commitments

	2019/20 DKK	2018/19 DKK
Total liabilities under rental or lease agreements until maturity	**6,515,362**	**8,960,984**

14 Assets charged and collateral

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK 10,000k nominal (2019: DKK 5,000k)

The carrying amount of mortgaged properties is DKK 23,568k (2019: 41,796k).

15 Non-arm's length related party transactions

Transactions with related parties are only disclosed in the annual report if they are not on arm's length terms. Transactions between AART Architects A/S and related parties are on arm's length terms.

16 Subsidiaries

	Registered in	Corporate form	Ownership %
AART Architects DK A/S	Aarhus	A/S	100
AART Architects AB	Sweden	AB	76
AART Architects NO AS	Norway	AS	100

Parent income statement for 2019/20

	Notes	2019/20 DKK	2018/19 DKK
Other external expenses		(161,594)	(29,582)
Gross profit/loss		**(161,594)**	**(29,582)**
Staff costs	1	(332,500)	(391,148)
Operating profit/loss		**(494,094)**	**(420,730)**
Income from investments in group enterprises		4,236,189	3,550,708
Other financial expenses	2	(508,843)	(488,655)
Profit/loss before tax		**3,233,252**	**2,641,323**
Tax on profit/loss for the year	3	205,480	200,000
Profit/loss for the year	4	**3,438,732**	**2,841,323**

Parent balance sheet at 30.09.2020

Assets

	Notes	2019/20 DKK	2018/19 DKK
Investments in group enterprises		36,788,742	35,057,800
Fixed asset investments	5	**36,788,742**	**35,057,800**
Fixed assets		**36,788,742**	**35,057,800**
Deferred tax	6	387,000	391,000
Joint taxation contribution receivable		989,414	1,670,000
Receivables		**1,376,414**	**2,061,000**
Cash		**42,842**	**0**
Current assets		**1,419,256**	**2,061,000**
Assets		**38,207,998**	**37,118,800**

Equity and liabilities

	Notes	2019/20 DKK	2018/19 DKK
Contributed capital		500,000	500,000
Reserve for net revaluation according to the equity method		12,486,633	14,498,691
Retained earnings		6,656,104	3,719,274
Proposed dividend for the financial year		1,800,000	1,500,000
Equity		**21,442,737**	**20,217,965**
Bank loans		0	4,500,000
Non-current liabilities other than provisions	7	**0**	**4,500,000**
Current portion of non-current liabilities other than provisions	7	0	1,800,000
Trade payables		33,750	15,000
Payables to group enterprises		14,329,940	9,074,334
Income tax payable		2,323,835	1,470,000
Other payables		77,736	41,501
Current liabilities other than provisions		**16,765,261**	**12,400,835**
Liabilities other than provisions		**16,765,261**	**16,900,835**
Equity and liabilities		**38,207,998**	**37,118,800**
Contingent liabilities	8		
Assets charged and collateral	9		
Transactions with related parties	10		

Parent statement of changes in equity for 2019/20

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend for the year DKK	Total DKK
Equity beginning of year	500,000	14,499,000	3,719,274	1,500,000	20,218,274
Ordinary dividend paid	0	0	0	(1,500,000)	(1,500,000)
Exchange rate adjustments	0	(714,269)	0	0	(714,269)
Profit/loss for the year	0	(1,298,098)	2,936,830	1,800,000	3,438,732
Equity end of year	**500,000**	**12,486,633**	**6,656,104**	**1,800,000**	**21,442,737**

Notes to parent financial statements

1 Staff costs

	2019/20 DKK	2018/19 DKK
Wages and salaries	332,500	391,148
	332,500	**391,148**

Average number of full-time employees	**0**	**0**

2 Other financial expenses

	2019/20 DKK	2018/19 DKK
Financial expenses from group enterprises	317,193	279,953
Other interest expenses	191,650	208,702
	508,843	**488,655**

3 Tax on profit/loss for the year

	2019/20 DKK	2018/19 DKK
Current tax	(209,480)	(200,000)
Change in deferred tax	4,000	0
	(205,480)	**(200,000)**

4 Proposed distribution of profit and loss

	2019/20 DKK	2018/19 DKK
Ordinary dividend for the financial year	1,800,000	1,500,000
Retained earnings	1,638,732	1,341,323
	3,438,732	**2,841,323**

5 Fixed asset investments

	Investments in group enterprises DKK
Cost beginning of year	20,560,108
Additions	3,842,117
Disposals	(100,116)
Cost end of year	**24,302,109**
Revaluations beginning of year	14,498,692
Disposals on divestments etc.	(221,562)
Exchange rate adjustments	(713,961)
Amortisation of goodwill	(1,128,293)
Share of profit/loss for the year	5,364,482
Dividend	(5,312,725)
Revaluations end of year	**12,486,633**
Carrying amount end of year	**36,788,742**

The carrying amount of the group goodwill is DKK 8,274k (2019: DKK 5,560k).

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

6 Deferred tax

Changes during the year	**2019/20 DKK**	**2018/19 DKK**
Beginning of year	391,000	391,000
Recognised in the income statement	(4,000)	0
End of year	**387,000**	**391,000**

Deferred tax relates to liabilities other than provisions and tax losses carried forward.

7 Non-current liabilities other than provisions

	Due within 12 months 2018/19 DKK
Bank loans	1,800,000
	1,800,000

8 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement with AART Architects A/S serving as the administration company and therefore jointly and severally liable with its jointly taxed companies for the total income tax from the finansial year 2012 and from 1 July 2012 also for obligations, if any, to with-hold tax in interest, royalities and dividends for the jointly taxed companies. The total net liability to SKAT appears from the finansiel statements of AART Architects A/S.

9 Assets charged and collateral

Investments in the one group enterprise is provided as security for the Parent's bank debt.

The carrying amount of investments in group enterprise is DKK 16,647k (2019: DKK 10,343k)

AART Architechts A/S has provided a payment guarantee to a client in the subsidiary at DKK 4,550k.

10 Non-arm's length related party transactions

Transactions with related parties are only disclosed in the annual report if they are not on arm's length terms. Transactions between AART Architects A/S and related parties are on arm's length terms.

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

During the financial year, the management has changed the estimated useful live of goodwill arising from investments in the subsidiary in Norway, so that goodwill arising from this acquisition is amortized over 10 years, contrary to the previously determined depreciation period of 5 years. The change was made as a result of a re-evaluation of the period during which the investment is expected to contribute to the company's earnings related to the original investment in Norway. This change has a positive impact on the result for 2019/20 in both the consolidated and parent companies' accounts at DKK 1,692k.

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

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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. 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 transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. 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).

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

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 internal profits or losses.

Other financial income
Other financial income comprises interest income on receivables from group enterprises, exchange gains on securities, payables and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses on payables to group enterprises, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Parent is jointly taxed with all of its Danish subsidiaries. Current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

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.

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:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 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
In the parent financial statements, 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 plus unamortised goodwill and plus or minus unrealised intra-group profits and losses.
Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

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

Other investments
Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted investments measured at the lower of cost and net realisable value.

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.

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 under 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 as well as financecosts are recognised in the income statement as incurred.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

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

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Finance lease liabilities
Lease commitments 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 commitments 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.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as 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 income taxes paid.

Cash flows from investing activities comprise purchase, development and sale etc of property, plant and equipment.

Cash flows from financing activities comprise changes in the related costs as well as the instalments on interest-bearing debt, deposits on sales of minorities, and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.

Forside
Nye, Aarhus

Foto
Helene Høyer Mikkelsen

Byer og bygninger er kraftfulde katalysatorer. Det er her nøglen til at forandre og forbedre de mest fundamentale omgivelser for vores liv ligger – hvordan vi bor, lærer, arbejder og, ja, lever og ånder. Derfor tænker vi effekt før form i alle projekter. Det er det, vi mener, når vi siger **Redefining architecture™**.

AART

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architecture™