
DNV Denmark A/S

Tuborg Parkvej 8, 2., DK-2900 Hellerup

Annual Report for 1 January - 31 December 2022

CVR No 89 83 23 14

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
6 /6 2023

Thina Elisabeth Ytterhorn
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of DNV Denmark A/S for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Copenhagen, 6 June 2023

Executive Board

Kim Sandgaard-Mørk
CEO

Board of Directors

Thina Elisabeth Ytterhorn
Chairman

Kim Sandgaard-Mørk

Jesper Jakobsen Schultz

Mads Clausen Andersen
Staff Representative

Bente Vestergaard
Staff Representative

Independent Auditor's Report

To the Shareholder of DNV Denmark A/S

Opinion

We have audited the Financial Statements of DNV Denmark A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity 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 financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 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 the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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.

Independent Auditor's Report

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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, 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 Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Independent Auditor's Report

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

Copenhagen, 6 June 2023

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Kenn Wolff Hansen

statsautoriseret revisor

mne30154

Company Information

The Company

DNV Denmark A/S
Tuborg Parkvej 8, 2.
DK-2900 Hellerup

Telephone: + 45 39 45 48 00
Facsimile: + 45 39 45 48 01
Website: www.dnv.com

CVR No: 89 83 23 14
Financial period: 1 January - 31 December
Incorporated: 20 October 1982
Municipality of reg. office: Gentofte

Board of Directors

Thina Elisabeth Ytterhorn, Chairman
Kim Sandgaard-Mørk
Jesper Jakobsen Schultz
Mads Clausen Andersen
Bente Vestergaard

Executive Board

Kim Sandgaard-Mørk

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Bankers

Danske Bank A/S

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2022 TDKK	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK
Key figures					
Profit/loss					
Revenue	431.125	387.677	361.585	380.127	341.550
Gross profit	225.742	212.941	206.489	219.397	191.224
Profit before financial income and expenses	48.876	42.659	50.505	43.387	20.812
Net financials	-223	-510	-664	-121	311
Net profit for the year	37.252	32.869	38.404	32.129	14.568
Balance sheet					
Balance sheet total	181.594	175.322	212.345	172.761	153.191
Equity	70.205	42.953	77.084	68.680	68.551
Investment in property, plant and equipment	1.294	1.240	2.491	0	0
Number of employees	172	168	175	177	189
Ratios					
Profit margin	11,3%	11,0%	14,0%	11,4%	6,1%
Return on assets	26,9%	24,3%	23,8%	25,1%	13,6%
Solvency ratio	38,7%	24,5%	36,3%	39,8%	44,7%
Return on equity	65,8%	54,8%	52,7%	46,8%	23,8%

Management's Review

Key activities

DNV Denmark A/S is, as a wholly owned subsidiary of DNV AS, one of the world's leading independent assurance companies. The company is committed to ensuring life, property, and environment as a leading supplier of classification, certification, and consulting.

The Company assists companies and organizations with risk management and energy transitions in a range of segments and industries, including the maritime industry and energy system industries, as well as authorities and private organizations.

Development in the year

The income statement of the Company for 2022 shows a profit of TDKK 37,252, and at 31 December 2022 the balance sheet of the Company shows equity of TDKK 70,205.

In 2022 the Company experienced a 11% increase in revenue and 14% increase in EBIT.

Maritime

DNV Maritime Denmark is part of Maritime Region Northern Europe. Services offered include classification of ships and offshore units, certification of material and components as well as advisory services.

The two main services delivered from Maritime Denmark are surveys of ships in operation and certification of materials and components. Activities during 2022 were high within both those segments.

The third service delivered from Maritime Denmark is related to newbuilding. In Denmark the activity has remained rather high during 2022 with a vast majority of the new building both ordered and delivered within the country are related to fishing.

With all three main segments going strong DNV Maritime Denmark saw a modest growth in revenue in 2022 with a corresponding growth in profit and profit margin.

The average age among our Danish staff is rather high and we expect to see an increased manpower turnover in the coming years due to retirements and consequential new recruits.

The focus moving forward is to maintain high quality delivery on our core services, the continuous decarbonization of the shipping industry where DNV has positioned itself as a supporting partner to the whole industry with various white papers and reports on the topic having been released throughout the year and to continue the digitalization of both the company and the industry at large.

Energy Systems

Energy Systems in Denmark consist of a Regional unit named Advisory and Verification and a Global business unit Renewables Certification.

Management's Review

Denmark has a very strong and ambitious strategy on the energy transition that has resulted in growth in renewable energy, including offshore wind, and Power-to-X, carbon storage, gas transmission and decarbonization of offshore oil and gas. Our key customers comprise Vestas, SGRE, Ørsted, CIP, Total Energies, Energinet and TenneT among others.

The Advisory and Verification in Denmark consist of 70 experts with a region with more than 1000 experts in Northern Europe. Renewables Certification in Denmark with more than 70 people (out of 250 people globally) operates internationally and the Danish Legal entity contributes with around 35% of the global Revenue.

2022 was a good year for both units with a 13% growth versus 2021 and results above target on all financial parameters. We expect significant growth also in 2023 due to the strong focus on the energy transition globally and increased numbers of planned offshore wind farms globally requiring certification.

Operating risks

The Company has no exposure beyond normal industry-oriented risks despite the pandemic. There are no significant risks to individual customers or collaborators beyond what is customary for the industry as well as common customer / supplier relationships.

Foreign exchange risks

Main foreign currency risk related to transactions in EUR and NOK. The main costs are in DKK. Historically, currency fluctuations have not created large impacts.

Interest rate risks

The Company has limited interest rate risk since it does not hold loans and has limited use of bank credit.

Credit risks

The Company is continuously following up accounts receivable and work in progress making bad debt provisions for receivables above 180 days to reduce exposure and to account for the risk exposure.

Liquidity risks

The Company has sound liquidity and is a part of the DNV group Cash Pool.

Strategy

It is the Company's goal to Safeguard Life, Property & the Environment. This year, resources have been used to continuously maintain the employees' competence and integrity.

Management's Review

Targets and expectations for the year ahead

Maritime:

For 2023 we expect the revenue to be nearly the same level as 2022.

Energy Systems:

(Merger of BA Energy and BA Oil & Gas)

We expect growth of revenue in 2023 (around 15% for renewables certification and more than 5% for Advisory and Verification due to the growing offshore wind and Power-to-X market.

Research and development

Research and development activities are undertaken to a significant extent by the Parent Company in Norway.

External environment

Focus on climate change, sustainability and safety are fundamental guiding principles in the Company's activities and vision.

The Company is not required to produce green accounts.

Intellectual capital resources

It is the Company's aim to attract, maintain and develop employees. The Company is constantly investing into trainings for employees to develop their competences.

Statement of corporate social responsibility - Statutory CRS report under section 99a of the Danish Financial Statements Act

As part of the DNV group, it is the Company's goal to take the utmost account of human rights, social conditions, minimize our environmental and climate impact, as well as participate in the fight against corruption.

For more detailed information refer to the consolidated financial statements of DNV Group AS, which thus covers disclosure requirements in section 99a of the Danish Financial Statements Act.

The DNV Group AS annual report can be obtained / downloaded at:

<https://annualreport.dnv.com>

Management's Review

Statement on gender composition - Statutory CSR report under section 99b of the Danish Financial Statements Act

DNV Denmark A/S believes that diversity among employees, including gender equality, contributes positively to the working environment and strengthens the Company's performance and competitiveness.

DNV Denmark A/S is working to increase the number of female executives in the Company and, on this basis, has specific targets for the proportion of underrepresented gender and policies to ensure this.

DNV Denmark A/S has been aiming for a balanced distribution of Board members elected by the general meeting with at least 33% women and the same target for the other management positions. Other management positions include executive management and line managers in business areas and administration.

Status on gender equity per December 31, 2022 is that for other management positions 20% are females. This corresponds to the population of females among all employees of 31%. For the board members two are women inclusive the employee elected members, and the Chairman of the Board who is a woman, which makes 40%. The board of directors consists of 3 members of which one is female, not including employee elected members. The board of directors therefore has an equal distribution of both genders according to the requirements of §99b.

In connection with recruitment and recruitment to management positions, the goal is to have both male and female candidates. The Company is also involved in diversity efforts of the Parent Company including, among others, mentoring programs and annual global summits for up-and-coming talent. Further details can be found within the Parent Company annual report.

Data ethics - Statutory CSR report under section 99d of the Danish Financial Statements Act

Data Ethics information for DNV Denmark A/S is included in DNV Group AS annual financial statements.

The DNV Group AS annual report can be obtained / downloaded at:

<https://annualreport.dnv.com>

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2022 TDKK	2021 TDKK
Revenue	1	431.125	387.677
Other operating income		0	100
Other external expenses		-205.383	-174.836
Gross profit		225.742	212.941
Staff expenses	2	-175.995	-169.464
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-871	-818
Profit before financial income and expenses		48.876	42.659
Financial income	4	303	78
Financial expenses	5	-526	-588
Profit before tax		48.653	42.149
Tax on profit for the year	6	-11.401	-9.280
Net profit for the year		37.252	32.869

Balance Sheet 31 December

Assets

	Note	2022 TDKK	2021 TDKK
Acquired licenses		0	8
Intangible assets	7	0	8
Land and buildings		761	849
Other fixtures and fittings, tools and equipment		1.691	652
Leasehold improvements		1.767	2.286
Property, plant and equipment	8	4.219	3.787
Deposits		2.082	2.016
Fixed asset investments	9	2.082	2.016
Fixed assets		6.301	5.811
Trade receivables		59.905	60.512
Contract work in progress	10	28.084	29.567
Receivables from group enterprises		75.009	74.777
Other receivables		3.165	2.589
Deferred tax asset	11	1.586	1.835
Corporation tax		7.486	0
Prepayments	12	58	231
Receivables		175.293	169.511
Currents assets		175.293	169.511
Assets		181.594	175.322

Balance Sheet 31 December

Liabilities and equity

	Note	2022 TDKK	2021 TDKK
Share capital	13	10.000	10.000
Retained earnings		20.205	22.953
Proposed dividend for the year		40.000	10.000
Equity		70.205	42.953
Prepayments received from customers		0	280
Trade payables		1.362	979
Contract work in progress, liabilities	10	56.179	67.708
Payables to group enterprises		18.632	14.261
Corporation tax		0	4.660
Other payables		35.216	44.481
Short-term debt		111.389	132.369
Debt		111.389	132.369
Liabilities and equity		181.594	175.322
Distribution of profit	14		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Fee to auditors appointed at the general meeting	17		
Accounting Policies	18		

Statement of Changes in Equity

	Share capital	Retained	Proposed	Total
	TDKK	earnings	dividend for the	TDKK
	TDKK	TDKK	year	TDKK
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2022	10.000	22.953	10.000	42.953
Ordinary dividend paid	0	0	-10.000	-10.000
Net profit/loss for the year	0	-2.748	40.000	37.252
Equity at 31 December 2022	10.000	20.205	40.000	70.205

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
1 Revenue		
Geographical segments		
Revenue, Scandinavia	320.092	244.987
Revenue, other countries	<u>111.033</u>	<u>142.690</u>
	<u>431.125</u>	<u>387.677</u>
Business segments		
Energy Systems	317.526	279.991
Maritime	100.998	98.669
Digital Solutions	3.579	1.326
Other	<u>9.022</u>	<u>7.691</u>
	<u>431.125</u>	<u>387.677</u>
2 Staff expenses		
Wages and salaries	158.932	152.856
Pensions	15.755	15.339
Other social security expenses	<u>1.308</u>	<u>1.269</u>
	<u>175.995</u>	<u>169.464</u>
Including remuneration to the Executive Board of:		
Executive Board		<u>3.307</u>
		<u>3.307</u>
Average number of employees	<u>172</u>	<u>168</u>

For 2022 remuneration to the executive board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Notes to the Financial Statements

	2022 <u>TDKK</u>	2021 <u>TDKK</u>
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	9	35
Depreciation of property, plant and equipment	<u>862</u>	<u>783</u>
	<u>871</u>	<u>818</u>
4 Financial income		
Interest received from group enterprises	255	0
Other financial income	48	4
Exchange adjustments	<u>0</u>	<u>74</u>
	<u>303</u>	<u>78</u>
5 Financial expenses		
Interest paid to group enterprises	260	271
Other financial expenses	259	317
Exchange adjustments, expenses	<u>7</u>	<u>0</u>
	<u>526</u>	<u>588</u>
6 Tax on profit for the year		
Current tax for the year	11.176	10.343
Deferred tax for the year	229	-1.064
Adjustment of tax concerning previous years	-24	-34
Adjustment of deferred tax concerning previous years	<u>20</u>	<u>35</u>
	<u>11.401</u>	<u>9.280</u>

Notes to the Financial Statements

7 Intangible assets

	Acquired licenses <u>TDKK</u>
Cost at 1 January 2022	174
Cost at 31 December 2022	<u>174</u>
Impairment losses and amortisation at 1 January 2022	165
Amortisation for the year	<u>9</u>
Impairment losses and amortisation at 31 December 2022	<u>174</u>
Carrying amount at 31 December 2022	<u>0</u>

8 Property, plant and equipment

	Land and buildings <u>TDKK</u>	Other fixtures and fittings, tools and equipment <u>TDKK</u>	Leasehold improvements <u>TDKK</u>	Total <u>TDKK</u>
Cost at 1 January 2022	2.395	7.405	3.057	12.857
Additions for the year	<u>0</u>	<u>1.294</u>	<u>0</u>	<u>1.294</u>
Cost at 31 December 2022	<u>2.395</u>	<u>8.699</u>	<u>3.057</u>	<u>14.151</u>
Impairment losses and depreciation at 1 January 2022	1.546	6.753	771	9.070
Depreciation for the year	<u>88</u>	<u>255</u>	<u>519</u>	<u>862</u>
Impairment losses and depreciation at 31 December 2022	<u>1.634</u>	<u>7.008</u>	<u>1.290</u>	<u>9.932</u>
Carrying amount at 31 December 2022	<u>761</u>	<u>1.691</u>	<u>1.767</u>	<u>4.219</u>

9 Fixed asset investments

	Deposits <u>TDKK</u>
Cost at 1 January 2022	2.016
Additions for the year	<u>66</u>
Cost at 31 December 2022	<u>2.082</u>
Carrying amount at 31 December 2022	<u>2.082</u>

Notes to the Financial Statements

	<u>2022</u> TDKK	<u>2021</u> TDKK
10 Contract work in progress		
Selling price of work in progress	478.364	476.831
Payments received on account	-506.459	-514.972
	<u>-28.095</u>	<u>-38.141</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	28.084	29.567
Prepayments received recognised in debt	-56.179	-67.708
	<u>-28.095</u>	<u>-38.141</u>
11 Deferred tax asset		
Deferred tax asset at 1 January	1.835	806
Amounts recognised in the income statement for the year	-229	1.064
Adjustment of deferred tax concerning previous years	-20	-35
Deferred tax at 31 December	<u>1.586</u>	<u>1.835</u>
12 Prepayments		
Prepayments consist of prepaid expenses concerning insurance and office expenses.		
13 Equity		
The share capital consists of 10,000,000 shares of a nominal value of DKK 1. No shares carry any special rights.		
There have been no changes in the share capital during the last 5 years.		
14 Distribution of profit		
Proposed dividend for the year	40.000	10.000
Retained earnings	-2.748	22.869
	<u>37.252</u>	<u>32.869</u>

Notes to the Financial Statements

	<u>2022</u> TDKK	<u>2021</u> TDKK
15 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations total	21.068	24.787
Other contingent liabilities		

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the balance sheet of the Company, as the Company acts as the administration company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax and tax on royalty and interest payments. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

16 Related parties

	<u>Basis</u>
Controlling interest	
DNV AS, Norge	Parent Company
DNV Group AS, Norge	Ultimate Parent Company

Transactions

During the year, the Company had the following transactions with related parties:

Sale of goods/ service to group entities TDKK 120,042

Purchase of goods/ service from group entities TDKK 158,585

Interest income from group entities TDKK 255

Interest expenses to group entities TDKK 260

Receivables from group enterprises, including cash pool TDKK 75,009

Payable to group enterprises TDKK 18,632

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

DNV AS
Veritasveien 1
1363 Høvik
Norge

Consolidated Financial Statements

The Company is included in the Group Annual Report of the DNV Group AS of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
DNV Group AS	Høvik, Norway

Notes to the Financial Statements

16 Related parties (continued)

The Group Annual Report of DNV Group AS may be obtained at the following address:

Veritasveien 1, 1363 Høvik, Norway
www.dnv.com

17 Fee to auditors appointed at the general meeting

With reference to section 96 (3) of the Danish Financial Statements Act and to the audit fee included in the consolidated financial statements of DNV Group AS, the Company has not disclosed note information on audit fee.

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of DNV Denmark A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of DNV Group AS, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

DKK is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

18 Accounting Policies (continued)

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Segment information on revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise expenses for distribution, sales, advertisement, administration, premises, loss on debtors, operational lease contracts etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant, lease improvements and equipment.

Other operating income

Other operating income comprise items of a secondary nature to the main activities of the Company, including gains on the sale of property, plant and equipment.

Financial income and expenses

The items comprise interest income and expenses, realised and unrealised exchange gains and losses relating to transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

Notes to the Financial Statements

18 Accounting Policies (continued)

Tax on profit for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed companies entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed companies which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance Sheet

Intangible assets

Acquired licenses are measured at the lower of cost less accumulated amortisation and recoverable amount. Acquired licenses is amortised over 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	20-50 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	3-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Notes to the Financial Statements

18 Accounting Policies (continued)

Fixed asset investments

Fixed asset investments consist of Deposits.

Impairment of fixed assets

Every year, intangible assets property, plant and equipment and deposits are reviewed for impairment indications. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must be allocated to the assets on a pro rata basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Notes to the Financial Statements

18 Accounting Policies (continued)

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial years.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

18 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$