Deloitte.

Hudson Greenland A/S

Qullilerfik 2, 6.
3900 Nuuk
CVR No. 12759711

Annual report 01.04.2020 - 31.03.2021

The Annual General Meeting adopted the annual report on 28.09.2021

Benn Mikula
Chairman of the General Meeting

Contents

Entity details

Entity

Hudson Greenland A/S

Qullilerfik 2, 6.

3900 Nuuk

Business Registration No.: 12759711

Registered office: Sermersooq

Financial year: 01.04.2020 - 31.03.2021

Board of Directors

Benn Mikula, chairman

Lars Knøsgaard Jensen, vice chairman

Per Buhl Olsen

James Kenneth Cambon

Executive Board

Bent Jensen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Imaneq 33, 6-7th floor
3900 Nuuk
Greenland

Statement by Management

We have today presented the annual report of Hudson Greenland A/S for the financial year 01.04.2020 - 31.03.2021.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.03.2021 and of the results of its operations for the financial year 01.04.2020 - 31.03.2021.

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.

Nuuk, 28.09.2021

Executive Board

Bent Jensen
CEO

Board of Directors

Benn Mikula
chairman

Lars Knøsgaard Jensen
vice chairman

Per Buhl Olsen

James Kenneth Cambon

Independent auditor's report

To Management of Hudson Greenland A/S

Opinion

We have audited the financial statements of Hudson Greenland A/S for the financial year 01.04.2020 - 31.03.2021, which comprise the 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 Greenlandic Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.03.2021 and of the results of its operations for the financial year 01.04.2020 - 31.03.2021 in accordance with the Greenlandic Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Greenland. Our responsibilities under those standards and requirements are further described in the "Auditor’s responsibilities for the audit of the financial statements" section of this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Greenland, 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.

Emphasis of matter

We refer to note 3 regarding to uncertainty relating to recognition and measurement. Our conclusion is not modified regarding this issue.

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 Greenlandic 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 Greenland 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 Greenland, 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 Greenlandic 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 Greenlandic Financial Statements Act. We did not identify any material misstatement of the management commentary.

Nuuk, 28.09.2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Claus Bech
State Authorised Public Accountant
Identification No (MNE) mne31453

Lea Nielsen
State Authorised Public Accountant
Identification No (MNE) mne46612

Management commentary

Primary activities

Hudson Greenland is an innovative material science company tackling today's most pressing manufacturing challenges through industry-leading sustainability. The Company is developing the White Mountain Anorthosite Mine located in the Kangerlussuaq fjort on the W-coast of Greenland.

During the fiscal year 2020/21, the Board initiated the hiring of a Greenlandic based Management who has been given the mandate to transfer all administrative as well as accounting services to Greenland. The management team has initiated processes securing that all relevant documentation and data are being transferred, as well as examination of current and historic financial operations of the company are being conducted.

Development in activities and finances

Net loss for the year was DKK 87.297k.

During the fiscal year 2020/21, the Company obtained additional debt financing of US$8.0 million in long term debt and US$10.0 million in short term loan payable from Cordiant Capital Inc. and its affiliates ("Cordiant") and Romeo Fund – Flexi and its affiliates ("Romeo") (together with Cordiant, the "Lenders"). during the year, the Company completed a debt restructuring with the Lenders and issued US$10.0 million in convertible debentures to the Lenders. When executing the restructure, the Company changed from having one 100% owner to having 3 owners, being Cordiant Capital Inc., Hudson Resources Inc. and Romeo Fund – Flexi.

With the influx of new owners and new management team the strategic path of the company has been adapted to stimulate a broader demand for Anorthosite in several industries and in vastly different applications. The new management is dedicated to executing the adapted strategy.

The Company is still committed to provide Greenspar products for the E-glass- and Paint filler markets, but as a mean to diversify, the Company has started to develop more applications and the Company has already provided samples for potential buyers, throughout 2021, which have very good potentials.

Historical experiences showed that there was a need to adjust the production on site and the following logistic operations. To fulfill the strategy, the management has identified and described capital projects on site to improve the production. These projects will require further funding and consequently the Company has asked the shareholders for a US$ 15.0 million long term loan, which has been approved by the shareholders. This will secure the Company throughout the 2021/22 fiscal year and allow the Company to execute the needed projects that will allow the Company to enter sales contracts.

The Company's financial performance is dependent on several factors. Any revenues the Company may earn from its operations in the future will be from the sale of minerals. However, prices and markets for minerals are cyclical, difficult to predict, volatile, subject to government negotiation and controls and affected by changes in domestic and international, political, social and economic environments. These changes in events can seriously affect the financial performance of the Company.

Uncertainty relating to recognition and measurement

Hudson Greenland A/S operates an anorthosite mine at Qaqortorsuaq, from where the company started production in 2018. The company has yet not realized significant revenue from sale of anorthosite and thus the establishment and operation has been financed with equity and loans from the shareholders. After year end the shareholders have provided further funding in order to support the operation of the company for at least the coming financial year.

During 2020 and 2021 the company has established a broad specter of customers and realized some revenue. The company has further initiated a Research & Development case with the intention to expand the product range and thus open more markeds.

The company marked and sales work, conducted in 2020/21 will continue in 2021/22 and is directed to more markets and customers, who can increase the sales volume during the year and thus increase the turnover rate for raw material and produced products on stock and further also increase the utilization of the production capacity. The main uncertainty is related to how fast the company is able to close the first significant sales agreements.

As a consequence of the uncertainty related to the expected sale and the corelated uncertainty to measurement and valuation of especially tangible assets and stock in the financial statements for 2020/21 for Hudson Greenland A/S

COVID-19 Impact
On March 11, 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The impacts on global commerce have been far reaching. Hudson Greenland has had to deal with two challenges during the pandemic:

(i) Hudson Greenland has locals as well as Danish and Canadian residents employed and uses contractors from both North America as well as Europe. The travel restrictions imposed as well in Greenland as in the countries from where – and through which – the Company has had to bring in people have been unprecedented and an significant burden to the Company. The changes in commercial flights, the various tests, the number of tests and the additional travel days this has incurred on employees and technical consultants needed on site has been significant. Further to this, for the Company to maintain operations on site, the Company and the people travelling in and out from site has been subject to 14-days self-quarantine when on site. This has meant that rotations take place every 2. Week. In between the rotations no other movement of people in or out and contact with local communities have been allowed.

Canadian employees in particular have experienced a significant increase in restrictions on entry and exit from Canada, and due to the pandemic, that has now lasted for more than a year, this has had a debilitating effect on employees. The number of Canadian employees has decreased over time, but the company has been able to replace, adjust and adapt to the new situation.

(ii) Over the last 6-9 months the global market has experienced a significant increase in freight costs. In some cases, the cost of container freight has increased more than 300%. It is to be expected that this can continue for some time still. A normalization of freight rates is not expected in the near term. As Hudson Greenland is dependent on exporting products to North America and Europe, the Company will be exposed to this increase in freight and the Company must focus on optimizing cost structure on production costs as well as logistical costs to become competitive on the world market.

In response to the COVID-19 pandemic, the Greenlandic Government initiated and implemented financial packages to help private companies. However, given the conditions to become eligible for such help, Hudson Greenland has not received any financial support from the Greenlandic Government.

The Government allowed mining companies to take out 50% of the funds placed on the Escrow Account for Reclamation. Hudson Greenland made use of this option, but the funds need to be repaid to the escrow account in April 2022, at which time the Company will still be subject to the Covid-19 impacts.

Events after the balance sheet date

As mentioned above, the Company had a new strategy approved and subsequently a US$ 15.0 million loan was secured by entities advised by Cordiant and Apex on September 20th, 2021. This enabled the Company to initiate some of capital projects. These projects will continue to run throughout 2021 to 2022.

Income statement for 2020/21

	Notes	2020/21 DKK	2019/20 DKK
Gross profit/loss		**(65,401,333)**	**(49,484,326)**
Staff costs	4	(13,108,214)	0
Depreciation, amortisation and impairment losses	5	(13,417,221)	(191,090,321)
Operating profit/loss		**(91,926,768)**	**(240,574,647)**
Other financial income		17,533,778	7,853,968
Other financial expenses		(12,903,882)	(16,620,278)
Profit/loss for the year		**(87,296,872)**	**(249,340,957)**
Proposed distribution of profit and loss			
Retained earnings		(87,296,872)	(249,340,957)
Proposed distribution of profit and loss		**(87,296,872)**	**(249,340,957)**

Balance sheet at 31.03.2021

Assets

	Notes	2020/21 DKK	2019/20 DKK
Completed development projects	7	238,700,819	238,946,408
Intangible assets	6	**238,700,819**	**238,946,408**
Other fixtures and fittings, tools and equipment		33,865,936	44,583,193
Property, plant and equipment	8	**33,865,936**	**44,583,193**
Other receivables		22,430	22,430
Financial assets		**22,430**	**22,430**
Fixed assets		**272,589,185**	**283,552,031**
Raw materials and consumables		3,634,128	0
Manufactured goods and goods for resale		0	4,275,787
Inventories		**3,634,128**	**4,275,787**
Other receivables		4,480	4,480
Prepayments		223,583	3,677,940
Receivables		**228,063**	**3,682,420**
Cash		**30,019,933**	**30,308,435**
Current assets		**33,882,124**	**38,266,642**
Assets		**306,471,309**	**321,818,673**

Equity and liabilities

	Notes	2020/21 DKK	2019/20 DKK
Contributed capital	9	65,884,941	48,250,000
Reserve for development expenditure		38,225,369	38,225,369
Other reserves		27,758,509	0
Retained earnings		(88,253,737)	(198,866,665)
Equity		**43,615,082**	**(112,391,296)**
Other provisions		10,000,000	10,000,000
Provisions		**10,000,000**	**10,000,000**
Lease liabilities		1,213,676	2,098,943
Debt to other credit institutions		183,969,216	178,518,990
Convertible and dividend-yielding debt instruments		61,260,436	0
Payables to group enterprises		0	154,735,707
Non-current liabilities other than provisions	10	**246,443,328**	**335,353,640**
Current portion of non-current liabilities other than provisions	10	967,632	17,048,121
Bank loans		19,362	0
Payables to other credit institutions		0	68,259,042
Trade payables		4,210,602	3,176,442
Other payables		1,215,303	372,724
Current liabilities other than provisions		**6,412,899**	**88,856,329**
Liabilities other than provisions		**252,856,227**	**424,209,969**
Equity and liabilities		**306,471,309**	**321,818,673**
Going concern	1		
Events after the balance sheet date	2		
Uncertainty relating to recognition and measurement	3		
Contingent assets	11		
Assets charged and collateral	12		

Statement of changes in equity for 2020/21

	Contributed capital DKK	Reserve for development expenditure DKK	Other reserves DKK	Retained earnings DKK	Total DKK
Equity beginning of year	48,250,000	38,225,369	0	(198,866,665)	(112,391,296)
Decrease of capital	(27,758,509)	0	0	0	(27,758,509)
Capital increase by debt conversion	45,393,450	0	0	41,058,709	86,452,159
Group contributions etc	0	0	0	156,851,091	156,851,091
Transfer to reserves	0	0	27,758,509	0	27,758,509
Profit/loss for the year	0	0	0	(87,296,872)	(87,296,872)
Equity end of year	**65,884,941**	**38,225,369**	**27,758,509**	**(88,253,737)**	**43,615,082**

Notes

1 Going concern

As of March 31, 2021, Hudson Greenland is an innovative material science company tackling today's most pressing manufacturing challenges through industry-leading sustainability. The Company is developing the White Mountain Anorthosite Mine located in the Kangerlussuaq fjort on the W-coast of Greenland. On July 17, 2017, the Company entered the development phase of its White Mountain Project for which the company received an Exploitation License in 2016. The Company has completed construction of its White Mountain Project and began production and shipping of its anorthosite product in 2019.

The Company has experienced recurring operating losses and had a working capital deficit as of March 31, 2021. Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. The cumulative losses can be attributed to the very long lead times required to obtain all necessary permits and licenses required for development of a deposit and the complexity of construction of the processing plant and shipping facilities in a remote location.

The Company expects to incur further losses in the development of its business. The Company's ability to continue as a going concern is dependent upon its ability to generate future cash flow from its operations and/or obtain additional financing. The owners adapted a strategic path in June 2021 and at the same time approved a fundraising plan, which has resulted in the owners facilitating a loan to the Company that will secure Company operations throughout the fiscal year 2021/22.

The strategic path of the company has been adapted to stimulate a broader demand for Anorthosite in several industries and in vastly different applications. The Company is still committed to provide Greenspar products for the E-glass- and Paint filler markets, but as a mean to diversify, the Company has started to develop more applications and the Company has already provided samples for potential buyers, throughout 2021, which have very good potentials.

2 Events after the balance sheet date

The Company had a new strategy approved and subsequently a US$ 15.0 million loan was secured by entities advised by Cordiant and Apex on September 20th, 2021. This enabled the Company to initiate some of capital projects. These projects will continue to run throughout 2021 to 2022.

3 Uncertainty relating to recognition and measurement

Hudson Greenland A/S operates an anorthosite mine at Qaqortorsuaq, from where the company started production in 2018. The company has yet not realized significant revenue from sale of anorthosite and thus the establishment and operation has been financed with equity and loans from the shareholders. After year end the shareholders have provided further funding in order to support the operation of the company for at least the coming financial year.

During 2020 and 2021 the company has established a broad specter of customers and realized some revenue. The company has further initiated a Research & Development case with the intention to expand the product range and thus open more markeds.

The company marketing and sales work, conducted in 2020/21 will continue in 2021/22 and is directed to more markets and customers, who can increase the sales volume during the year and thus increase the turnover rate for raw material and produced products on stock and further also increase the utilization of the production capacity. The main uncertainty is related to how fast the company is able to close the first significant sales agreements.

As a consequence of the uncertainty related to the expected sale and the corelated uncertainty to measurement and valuation of especially tangible assets and inventories in the financial statements for 2020/21 for Hudson Greenland A/S

4 Staff costs

	2020/21 DKK	2019/20 DKK
Wages and salaries	12,902,503	0
Pension costs	15,840	0
Other social security costs	183,996	0
Other staff costs	5,875	0
	13,108,214	**0**

Average number of full-time employees	**21**	

5 Depreciation, amortisation and impairment losses

	2020/21 DKK	2019/20 DKK
Amortisation of intangible assets	245,589	0
Impairment losses on intangible assets	0	191,090,321
Depreciation of property, plant and equipment	13,004,679	0
Profit/loss from sale of intangible assets and property, plant and equipment	166,953	0
	13,417,221	**191,090,321**

6 Intangible assets

	Completed development projects DKK
Cost beginning of year	430,036,729
Cost end of year	**430,036,729**
Amortisation and impairment losses beginning of year	(191,090,321)
Amortisation for the year	(245,589)
Amortisation and impairment losses end of year	**(191,335,910)**
Carrying amount end of year	**238,700,819**

7 Development projects

Hudson Greenland is an innovative material science company tackling today's most pressing manufacturing challenges through industry-leading sustainability. The Company is developing the White Mountain Anorthosite Mine located in the Kangerlussuaq fjort on the W-coast of Greenland. The Company announced that it had completed construction at the White Mountain Project site in the prior fiscal year and commenced production of its anorthosite product. It may also acquire, explore and evaluate other resource properties, and either joint venture or develop these properties further or dispose of them when the evaluation is completed. The Company currently holds the exploitation license 2015-39. The Company entered the development phase of the White Mountain Project on July 17, 2017.

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	98,410,029
Additions	3,134,427
Disposals	(2,662,079)
Cost end of year	**98,882,377**
Depreciation and impairment losses beginning of year	(53,826,836)
Depreciation for the year	(13,004,679)
Reversal regarding disposals	1,815,074
Depreciation and impairment losses end of year	**(65,016,441)**
Carrying amount end of year	**33,865,936**
Recognised assets not owned by entity	3,306,325

9 Share capital

	Number	Par value DKK	Nominal value DKK	Recorded par value DKK
A shares	20,491,491	1	20,491,491	20,491,491
B shares	45,393,450	1	45,393,450	45,393,450
	65,884,941		**65,884,941**	**65,884,941**

10 Non-current liabilities other than provisions

	Due within 12 months 2020/21 DKK	Due within 12 months 2019/20 DKK	Due after more than 12 months 2020/21 DKK	Outstanding after 5 years 2020/21 DKK
Lease liabilities	967,632	934,067	1,213,676	0
Debt to other credit institutions	0	16,114,054	183,969,216	121,020,810
Convertible and dividend-yielding debt instruments	0	0	61,260,436	61,260,436
	967,632	**17,048,121**	**246,443,328**	**182,281,246**

11 Contingent assets

Hudson Greenland have after the balance sheet date made a settlement with a service provider at 300.000 USD and Hudson Greenland will recive the payment in 2021.

12 Assets charged and collateral

The Company's assets are subject to certain restrictions on title, and have been pledged as security for its loans with the Lenders.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Greenlandic Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied 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.

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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary write downs of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

Other external expenses

Other external expenses comprise exoenses for distribution, sale, marketing, administration, premises, bad debt, etc.

Staff costs
Staff costs comprise salaries and wages, and 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, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other financial income
Other financial income comprises interest income and capital gains on receiceable, payables and transactions in foreign currencies.

Other financial expenses
Other financial expenses comprise interest expenses and capital losses in receiceable, payables and transactions in foreign currencies.

Balance sheet

Intellectual property rights etc
Tangible assets acquired are measured at cost less accumulated amortisation and impairment losses. The amortisation period for intangible assets will be determined to fit with the life of the mine. Cost comprises the acquisition and preparation price, costs directly attributable to the acquisition and preparation costs of the asset until the time when the asset is ready to be put into operation.

Intangible assets depreciation are based at cost plus revaluation and minus estimated residual value after the end of useful life.

Depreciation is made systematically on the basis of used production capacity and the lives of the asset.

Intangible assets are written down to the lower of recoverable amount and carrying amount.

Equipment
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.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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 estimated useful lives of the assets.

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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.

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

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

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

Cash
Cash comprises cash in hand and bank deposits.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

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.

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