APM Terminals - Aarhus A/S

Østhavnsvej 43
8000 Aarhus C
CVR No. 32658393

Annual report 2023

The Annual General Meeting adopted the annual report on 04.06.2024

Igor Wladimir van den Essen
Chairman of the General Meeting

Contents

Entity details

Entity
APM Terminals - Aarhus A/S
Østhavnsvej 43
8000 Aarhus C

Business Registration No.:32658393
Date of foundation: 14.12.2009
Registered office: Aarhus
Financial year: 01.01.2023 - 31.12.2023

Board of Directors
Igor Wladimir van den Essen, Chairman
Tom Jørgen Damgaard Stephensen
Stephen Schnell
Kasper Østergaard Rasmussen
Andreas Oskar Hoch
Torben Jenne Schiøler
Kristian Bai Høllund

Executive Board
Mikael Gutman

Auditors
PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Jens Chr. Skous Vej 1
8000 Aarhus C
CVR No.: 33771231

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of APM Terminals - Aarhus A/S for the financial year 01.01.2023 - 31.12.2023.

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

In our opinion, the financial statements give a true and fair view of the Entity's fiancial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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, 04.06.2024

Executive Board

Mikael Gutman

Board of Directors

Igor Wladimir van den Essen
Chairman

Tom Jørgen Damgaard Stephensen

Stephen Schnell

Kasper Østergaard Rasmussen

Andreas Oskar Hoch

Torben Jenne Schiøler

Kristian Bai Høllund

Independent auditor's report

To the shareholders of APM Terminals - Aarhus A/S

Opinion

We have audited the financial statements of APM Terminals - Aarhus A/S for the financial year 01.01.2023 - 31.12.2023, 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 Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management commentary

Management is responsible for the management commentary.

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

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

• 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.

Aarhus, 04.06.2024

PricewaterhouseCoopers
CVR No. 33771231

Kristian Pedersen
State Authorized Public Accountant
mne35412

Management commentary

Financial highlights

	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key figures					
Revenue	776,614	675,478	593,583	488,419	447,366
Gross profit/loss	506,780	381,555	371,328	320,208	292,674
Operating profit/loss	168,918	53,296	95,292	103,752	97,008
Profit/loss for the year	135,689	42,248	84,140	79,908	82,880
Total assets	489,991	365,481	361,710	275,642	244,907
Investments in property, plant and	89,217	57,959	44,352	49,613	13,999
Equity	324,821	189,132	209,024	164,885	167,856
Average no. of employees	402	400	349	304	272
Ratios					
Gross margin (%)	65.26	56.49	62.56	65.56	65.42
EBIT margin (%)	21.75	7.89	16.05	21.24	21.68
Current ratio (%)	121.89	79.10	119.1	127.06	219.48
Equity ratio (%)	66.29	51.75	57.79	59.82	68.54

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

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

EBIT margin (%):
<u>Operating profit/loss * 100</u>
Revenue

Current ratio (%):
<u>Current assets * 100</u>
Current liabilities other than provisions

Equity ratio (%):
<u>Equity * 100</u>
Total assets

Primary activities

The principal activities of APM Terminals - Aarhus A/S comprise container handling at the Port of Aarhus and Kalundborg related to the transportation of containers via ship, truck and train. As related business, the activity also comprises repair and storage of containers.

Development in activities and finances

Profit for the year

Revenue grew by 15% from DKK 675 million in 2022 to DKK 777 million in 2023. Increase in revenue is mainly due to the structural tariff increase, to align to the market rates and post COVID-19 cost levels, off setting lower volumes in 2023 compared to 2022. Profit for the year has increased by 221% from DKK 42 million to DKK 136 million mainly due to the structural tariff increase, that brought back the margins to pre-COVID-19 levels. Lower operational challenges as well as lower energy prices, compared to 2022 as well as cost improvement off setting lower volumes and increasing cost base and inflation.

Investments

APM Terminals – Aarhus A/S has made more investments in 2023 compared to 2022. Investments have increased from DKK 68 million in 2022 to DKK 90 million in 2023. The investments have primarily been in new container handling equipment, IT systems and modernization related projects.

Capital resources

APM Terminals - Aarhus A/S is financially sound. The equity ratio is 66.3% (2022: 51.8%), corresponding to equity on 31 December 2023 of DKK 324.8 million (2022: DKK 189.1 million).

Risks

Operating risks

The most significant operational risk of the Company relates to the activity level of trade in Scandinavia as well as the Danish export to Asia. The risk, moreover, depends on the level of this trade being handled through the Port of

Financial risks

Because of the Company’s high solvency ratio and substantial cash generation and the fact that all external loans are paid out, changes in the interest level poses close to no risk to the Company. The Company is neither significantly exposed to foreign exchange risks as all major settlements are made in DKK nor is it exposed to any major risks regarding one particular external customer or cooperative partner. Company policy in respect of credit risks implies that all major customers and other co-operators are credit rated on an ongoing basis.

Profit/loss for the year in relation to expected developments
Revenue exceeded expectations by 15% in 2023. Increase in revenue is related to structural tariffs adjustments covering the revenue from vessel, truck, train and yard activities. As a result of that, the margins have returned to pre-COVID-19 levels leading to a significant increase of profit of the year compared to 2022.

Outlook
Management expects that volumes will slightly decline in the main activities due to lower exports to China, as well as the current global economic situation. However, management is expecting that the EBIT will be DKK 125-140 million mainly due to lower volumes and limited tariff increase.

Environmental performance
APM Terminals – Aarhus A/S is environmentally conscious and is engaged in reducing environmental impact from its operations on an ongoing basis.

In 2014, the Company succeeded in obtaining approval of EIA (Environmental Impact Assessment). The Company regularly assesses the environmental impact from the Company's operations. Operations are directly interconnected with the environmental impact, as two significant cost categories are energy consumption, including electricity, and fuel consumption (primarily diesel). The company is running on CO_2 neutral electricity in Aarhus.

We have a high focus on the environmental issues when buying or leasing new equipment, with regard to both pollution and noise and the company has a goal, as part of the A.P. Møller – Mærsk target, to be at 70% lower CO_2 emissions, compared to the 2020 baseline, by 2030 and CO_2 neutral by 2040.

Statutory report on corporate social responsibility
According to section 99a (7) of the Danish Financial Statements Act, the Company does not make any disclosures on corporate social responsibility. We refer to the parent company's, A.P. Møller – Mærsk A/S registered with CVR 22756214, separate report on sustainability called Sustainability Report 2023 on its webpage: https://www.maersk.com/about/sustainability

Statutory report on the underrepresented gender
In 2023, the board of directors consisted of seven board members and one of them is a female. The share of unrepresented gender in board is considered low and the company is planning to increase this in future when the board members are replaced.

In 2023, the other management consisted of thirteen members (eight males and five females) with a share of unrepresented number of 38%. Our policy of increasing the level of unrepresented gender in the other management and all other levels as well therefore focuses on increasing diversity when there are changes to the composition. During 2023, the share of unrepresented gender in other management has increased from 33% in 2022 to 38% in 2023.

Management Level	Numbers of members	Share of unrepresendted gender (%)	Target to be achieved in 2025
Board of Directors	7 (6 males - 1 females)	14%	40%
Other Management	13 (8 males - 5 females)	38%	40%

Statutory report on data ethics policy
The responsible use of data is a critical enabler for the group business model. In line with regulatory requirements of Section 99d of the Danish Financial Statements Act (Årsregnskabsloven), A.P. Møller – Mærsk A/S established data ethics policy in 2021, with accompanying governance measures. Please refer to Annual report of A.P.Møller – Mærsk A/S registered with CVR 22756214 for statement of data ethics: https://investor.maersk.com/news-releases/news-release-details/annual-report-2023

Income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Revenue	2	776,614	675,478
Other operating income		577	1,338
Other external expenses	3	-270,411	-295,261
Gross profit/loss		**506,780**	**381,555**
Staff costs	4	-310,663	-307,380
Depreciation, amortisation and impairment losses		-27,199	-20,801
Other operating expenses		0	-78
Operating profit/loss		**168,918**	**53,296**
Other financial income	5	2,141	320
Profit/loss before tax		**171,059**	**53,616**
Tax on profit/loss for the year	6	-35,370	-11,368
Profit/loss for the year	7	**135,689**	**42,248**

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Acquired intangible assets		14,390	15,623
Acquired licences		21,863	1,211
Acquired trademarks		859	976
Goodwill		3,539	5,660
Development projects in progress		559	28,052
Intangible Assets	8	**41,210**	**51,522**
Land and buildings		57,832	62,904
Plant and machinery		86,376	81,964
Other fixtures and fittings, tools and eqiupment		22,271	18,976
Property, plant and equipment in progress	9	80,976	10,617
Property, plant and equipment	10	**247,455**	**174,461**
Fixed assets		**288,665**	**225,983**
Raw materials and consumables		12,176	13,268
Inventories		**12,176**	**13,268**
Trade receivables		51,774	37,406
Receivables from group companies		94,026	55,655
Deferred tax	11	31,203	23,265
Other receivables		11,578	9,760
Prepayment	12	569	144
Receivables		**189,150**	**126,230**
Current assets		**201,326**	**139,498**
Assets		**489,991**	**365,481**

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital	13	7,500	7,500
Reserve for development expenditure		436	21,881
Retained earnings		316,885	159,751
Equity		**324,821**	**189,132**
Trade payables		46,271	26,224
Payables to group enterprises		9,606	66,548
Joint taxation contribution payable		43,895	16,642
Other payables		65,398	66,935
Current liabilities other than provisions		**165,170**	**176,349**
Liabilities other than provisions		**165,170**	**176,349**
Equity and liabilities		**489,991**	**365,481**
Events after the balance sheet date	1		
Contingent liabilities	14		
Related parties with controlling interest	15		

Statement of changes in equity for 2023

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	7,500	21,881	159,751	189,132
Transfer to reserves	0	-21,445	21,445	0
Profit/loss for the year	0	0	135,689	135,689
Equity end of year	**7,500**	**436**	**316,885**	**324,821**

Notes

Note 1 Events after the balance sheet date

Subsequent to 31 December 2023 there have been no further events with any significant effect on the financial statements beyond what has been recognized and disclosed in the annual report.

Note 2 Revenue

	2023	2022
	DKK'000	DKK'000
Handling of containers	706,834	606,437
Repair of containers	69,780	69,041
Total revenue by activity	**776,614**	**675,478**

Note 3 Fees to the auditor by the Annual General Meeting

Pursuant to the section 96(3) of the Danish Financial Statements Act, fees paid to the Company's auditor appointed at the annual general meeting have not been disclosed.

Note 4 Staff costs

	2023	2022
	DKK'000	DKK'000
Wages and salaries	281,276	281,124
Pension costs	26,458	23,203
Other social security costs	2,929	3,053
	310,663	**307,380**
Average number of full-time employees	402	400

Remuneration of the Companys Management and Board of Directors is not disclosed pursuant to section 98b(3)(ii) of the Danish Financial Statement Act. The Board of directors did not receive any fees or any other kind of remuneration for their work.

Note 5 Other financial income

	2023	2022
	DKK'000	DKK'000
Exchange rate adjustments	2,141	320
	2,141	**320**

Note 6 Tax on profit/loss for the year

	2023	2022
	DKK'000	DKK'000
Current tax	43,895	16,642
Change in deffered tax	-7,938	-5,114
Adjustment concerning previous years	-587	-161
	35,370	**11,368**

Note 7 Proposed distribution of profit and loss

	2023	2022
	DKK'000	DKK'000
Retained earnings	135,689	42,248
	135,689	**42,248**

Note 8 Intangible assets

	Acquired intangible assets DKK'000	Acquired licences DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000	Development Projects in progress DKK'000
Cost beginning of year	18,500	7,049	2,120	31,819	28,052
Transfers	0	23,595	0	0	-23,595
Additions	0	0.0	0.0	0.0	662
Adjustments	0	0.0	0.0	0.0	-4,560
Cost end of year	**18,500**	**30,644**	**2,120**	**31,819**	**559**
Amortisation and impairment losses beginning of year	-2,877	-5,838	-1,144	-26,159	0
Amortisation for the year	-1,233	-2,943	-117	-2,121	0
Amortisation and impairment losses end of year	**-4,110**	**-8,781**	**-1,261**	**-28,280**	**0**
Carrying amount end of year	**14,390**	**21,863**	**859**	**3,539**	**559**

Note 9 Property, plan and equipment in progress

In 2024 we are implementing many projects that cover improved connectivity, technology and supports our modernization strategy. One of the projects to highlight is the Crane OCR that will help us to automatically register the containers' numbers as well as store images of them into our system. The total investment of this project is approxiamtely DKK 9.2m and is expected to go live in the first half of 2024.

Note 10 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	142,715	190,971	45,357	10,617
Transfers	189	15,284	7,945	-23,418
Additions	0	0	0	89,217
Adjustments	0	0	0	4,560
Cost end of year	**142,904**	**206,255**	**53,302**	**80,976**
Depreciation and impairment losses beginning of ye:	-79,811	-109,007	-26,381	0
Depreciations for the year	-5,261	-10,872	-4,650	0
Depreciation and impairment losses end of year	**-85,072**	**-119,879**	**-31,031**	**0**
Carrying amount end of year	**57,832**	**86,376**	**22,271**	**80,976**

Note 11 Deferred tax

Changes during the year	2023 DKK'000	2022 DKK'000
Beginning of year	23,265	18,152
Recognised in the income statement	7,938	5,113
End of year	**31,203**	**23,265**

Note 12 Prepayments

Prepayments comprise prepayments for property tax, insurance, rent, IT and administration costs.

Note 13 Share capital

The contributed capital consists of:
A shares, 1 share of nom. DKK 7,500,000.

Note 14 Contingent liabilities

Operating lease obligations:	2023 DKK'000	2022 DKK'000
Residual operating leases obligations fall due by:		
Wihtin 1 year	29,350	35,136
Within 2-5 years	106,042	114,366
After 5 years	529,100	505,682
	664,492	**655,184**

Note 15 Related parties with controlling interest

APM Terminals - Aarhus A/S related parties comprise the following:

Control

APM Terminals B.V., Turfmarkt 107, 2511 DP, The Haque, the Netherlands.

APM Terminals B.V. holds the majority of the contributed capital in the Company.

APM Terminals - Aarhus A/S is part of the consolidated financial statements of A.P. Møller - Mærsk A/S, Esplanaden 50, 1263 København K and A.P. Møller Holding A/S, Esplanaden 50, 1263 København K, which are the smallest and largest groups, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of A.P. Møller - Mærsk A/S and the consolidated financial statements of A.P. Møller Holding A/S can be obtained by contacting the companies at the above addresses.

Related party transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c (7) of the Danish Financial Statement Act. No such transactions have taken place in 2022 or 2023.

Accounting policies

Reporting class

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

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

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of A.P. Møller - Mærsk A/S, Esplanaden 50, Copenhagen, Denmark, CVR no. 22 75 62 14.

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

Revenue

Income is recognised in revenue when delivery and transfer of risk to the buyer have taken place, the income may be reliably measured and is expected to be received.

Revenue is measured at the fair value of the agreed remuneration excluding VAT and taxes charged on behalf of third parties. All discounts granted are included in revenue.

Our customer base is located in separate countries. Reporting revenue per country will therefore provide transparency on the revenue per customer. Therefore revenue is not reported per country.

Other operating income

Other operating income comprises items secondary to the activities of the entity, such as workshop doing repairs on equipment and land lease revenue.

Other external expenses

Other external costs comprise costs incurred in generating revenue for the year, including costs of raw materials and consumables, lease of port space and administrative expenses.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets for the financial year.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income

Other financial income comprise interest income, including interest income on payables to group enterprises, net capital or exchange gains on securities, receivables and transactions in foreign currencies and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Corporation tax is expensed as estimated tax on the taxable income for the year. APM Terminals - Aarhus A/S is jointly taxed with A.P. Møller Holding A/S and other Danish companies within the A.P. Møller Holding Group. Current Danish corporation tax is allocated between the jointly taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses).

Balance sheet

Intangible assets

Acquired intangible assets, aquired licenses, trademarks, goodwill and development projects in progress are measured at cost less accumulated amortisation and impairment losses. Acquired intangible assets, aquired licenses, trademark and goodwill are amortised on a straight-line basis over the remaining life of the intangible asset. The expected useful lives are as follows:

Goodwill: 15 years
Trademarks: 18 years
Aquired licenses: 3 years
Aquired intangible assets: 15 years

Gains and losses on the disposal of intangible assets are determined 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.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of lowest cash generating unit identified when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cashflows from the disposal of the asset or the group of assets after the end of the useful life.

Property, plant and equipment
Land and buildings, plant and machinery, other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the shorter of the lease period or the estimated useful life. The estimated useful lives are as follows:

	Useful life
Buildings	15-20 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-7 years

The useful life and residual value are reassessed annually. Changes to useful life are treated as changes to accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

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.

Inventories
Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Consumables are measured at cost, comprising purchase price plus delivery costs 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.

Receivables
Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

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. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Other financial liabilities

Other liabilities are measured at net realisable value.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.