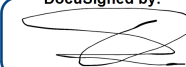


APM Terminals - Aarhus A/S

Østhavnsvej 43
8000 Aarhus C
CVR No. 32658393

Annual report 2020

The Annual General Meeting adopted the annual report on 26.05.2021

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26 May 2021 | 01:08 PM

Igor Wladimir van den Essen
Chairman of the General Meeting

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Entity details

Entity

APM Terminals - Aarhus A/S

Østhavnsvej 43

8000 Aarhus C

CVR No.: 32658393

Date of foundation: 14.12.2009

Registered office: Aarhus

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Igor Wladimir van den Essen, Chairman

Kasper Østergaard Rasmussen

Mogens Petersen

Tom Jørgen Damgaard Stephensen

Catharina Maria Otten

Stephen Schnell

Andreas Oskar Hoch

Executive Board

Dennis Lenthe Olesen, CEO

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 01.01.2020 - 31.12.2020.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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

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

Aarhus, 26.05.2021

Executive Board

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Dennis Olesen

25 May 2021 | 22:25 PDT

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Dennis Lenthé Olesen
 CEO

Board of Directors

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Igor Wladimir van den Essen

26 May 2021 | 01:08 PDT

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Igor Wladimir van den Essen
 Chairman

DocuSigned by:

Kasper Østergaard Rasmussen

26 May 2021 | 00:59 PDT

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Kasper Østergaard Rasmussen

DocuSigned by:

Mogens Petersen

25 May 2021 | 22:41 PDT

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Mogens Petersen

DocuSigned by:

Tom Jørgen Damgaard Stephensen

25 May 2021 | 00:58 PDT

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Tom Jørgen Damgaard Stephensen

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Katja Otten

26 May 2021 | 08:05 CEST

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Catharina Maria Otten

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Stephen Schnell

25 maj 2021 | 22:25 PDT

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Stephen Schnell

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Andreas Hoch

26 May 2021 | 02:35 PDT

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Andreas Oskar Hoch

Independent auditor's report

To the shareholders of APM Terminals - Aarhus A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of APM Terminals – Aarhus A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (“financial statements”).

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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management commentary

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.

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

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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

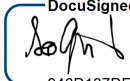
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aarhus, 26.05.2021

PricewaterhouseCoopers

CVR No. 33771231

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Søren Ørjan Jensen

State Authorised Public Accountant

Identification No (MNE) mne33226

25 May 2021 | 23:08 PDT

DocuSigned by:



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Henrik Trangeled Kristensen

State Authorised Public Accountant

Identification No (MNE) mne23333

26 May 2021 | 08:21 CEST

Management commentary

Financial highlights

	2020 DKK mio	2019 DKK mio	2018 DKK mio	2017 DKK mio	2016 DKK mio
Key figures					
Revenue	488	447	443	425	392
Gross profit/loss	320	293	282	279	259
Operating profit/loss	104	97	87	78	73
Profit/loss for the year	79	83	65	42	57
Total assets	276	245	229	220	231
Investments in property, plant and equipment	50	13	7	5	22
Equity	164	168	150	147	162
Average number of employees	304	272	289	299	281
Ratios					
Gross margin (%)	65.57	65.55	63.66	65.65	66.07
EBIT margin (%)	21.31	21.70	19.64	18.35	18.62
Equity ratio (%)	59.42	68.57	65.50	66.82	70.13

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

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

EBIT margin (%):

$\frac{\text{Operating profit/loss} * 100}{\text{Revenue}}$

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Primary activities

The principal activities of APM Terminals - Aarhus A/S comprise container handling at the Port of Aarhus 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 9,17% from DKK 447 million in 2019 to DKK 488 million in 2020. Increase in revenue is related to higher volume in containers handled on vessel, truck, and train.

Profit before tax has increased by 6,6% or DKK 6.4 million, mainly due to the revenue growth which has outweighed the increase in costs.

Management considers the profit for 2020 as satisfactory. The Company has managed to grow revenue and profit in our principal activities while still focusing on activities which generate value for our customers.

The Company proposes the profit for the year to be distributed as dividend.

Investments

APM Terminals - Aarhus A/S has made larger investments in 2020 compared to 2019. Investments have increased from DKK 13 million in 2019 to DKK 73 million in 2020. The investments have primarily been in new container handling equipment and ALC container operations.

Capital resources

APM Terminals - Aarhus A/S is financially sound. The solvency ratio is 59.6% (2019: 68.5%), corresponding to equity at 31 December 2020 of DKK 164,3 million (2019: DKK 167.9 million).

The Company's current assets totaled DKK 128.8 million at the end of the financial year. Of the amounts owed by group enterprises, DKK 37.5 million is deposited in the cash pool scheme. The decrease in cash and receivables from the group, which is mainly driven by self-funding of projects, compared to the increase in short-term liabilities have decreased the current ratio to 129.6% (2019: 219.2%).

Outlook

Management expects that growth in its principal activities will only be marginal, since we continuously face competition within our activities both in Aarhus and from other ports in Denmark.

New terminal operation in Kalundborg started in 2021 and expected to increase activity and revenues. Reefer business activity is continuing on high levels, but expectations for the future is more uncertain with developments in Chinese market.

Management expects that the profit for 2021 is at a comparable level to the profit of 2020.

Particular 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 Aarhus.

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 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.

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).

We have a high focus on the environmental issues when buying or leasing new equipment; with regard to both pollution and noise.

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, A.P.Møller – Mærsk A/S' separate report on sustainability at its webpage:

<https://www.maersk.com/about/sustainability>

Statutory report on the underrepresented gender

The Company is encompassed by section 99b of the Danish Financial Statements Act regarding gender diversity in management.

At the Board Meeting in A.P. Møller – Mærsk A/S on 21st February 2013 a group policy was adopted with the aim to increase the share of the under-represented gender in the Company's other management levels (link to policy: <https://www.maersk.com/careers/maersk-culture/diversity>).

In accordance with this policy, APM Terminals – Aarhus A/S has focus on gender diversity with regards to relevant management positions and key positions in general. Currently the Board consists of 4 members elected at the annual general assembly of whom 1 is female and 3 are male. Additionally, the Board consists of 3 employee representatives. 3 out of 8 members of the senior management team are women.

Consequently, the target for gender diversity has been met. Thereby equal representation has been obtained for both the Board of Directors and for other managerial levels.

Income statement for 2020

	Notes	2020 DKK'000	2019 DKK '000
Revenue	2	488,419	447,366
Other operating income		934	644
Other external expenses	3	(169,145)	(155,336)
Gross profit/loss		320,208	292,674
Staff costs	4	(202,238)	(181,473)
Depreciation, amortisation and impairment losses		(14,218)	(14,193)
Operating profit/loss		103,752	97,008
Other financial expenses	5	(433)	(81)
Profit/loss before tax		103,319	96,927
Tax on profit/loss for the year	6	(23,411)	(14,047)
Profit/loss for the year	7	79,908	82,880

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Customer relationships		18,089	0
Software		0	11
Terminal rights		1,212	1,330
Goodwill		9,902	12,023
Development projects in progress	9	4,237	0
Intangible assets	8	33,440	13,364
Land and buildings		35,143	40,876
Plant and machinery		14,438	17,697
Other fixtures and fittings, tools and equipment		2,278	3,290
Property, plant and equipment in progress		49,613	814
Property, plant and equipment	10	101,472	62,677
Fixed assets		134,912	76,041
Raw materials and consumables		8,582	6,330
Inventories		8,582	6,330
Trade receivables		39,934	31,151
Receivables from group enterprises		75,540	124,088
Other receivables		3,924	3,286
Prepayments	11	799	4,011
Receivables		120,197	162,536
Current assets		128,779	168,866
Assets		263,691	244,907

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	12	7,500	7,500
Reserve for development expenditure		3,305	0
Retained earnings		114,079	77,476
Proposed dividend		40,000	82,880
Equity		164,884	167,856
Trade payables		22,990	13,762
Payables to group enterprises		4,369	2,931
Joint taxation contribution payable		21,909	19,041
Other payables		49,539	41,317
Current liabilities other than provisions		98,807	77,051
Liabilities other than provisions		98,807	77,051
Equity and liabilities		263,691	244,907

Events after the balance sheet date	1
Contingent assets	13
Contingent liabilities	14
Related parties with controlling interest	15

Statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	7,500	0	77,476	82,880	167,856
Ordinary dividend paid	0	0	0	(82,880)	(82,880)
Transfer to reserves	0	3,305	(3,305)	0	0
Profit/loss for the year	0	0	39,908	40,000	79,908
Equity end of year	7,500	3,305	114,079	40,000	164,884

Notes

1 Events after the balance sheet date

Subsequent to 31 December 2020 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.

2 Revenue

	2020
	DKK'000
Handling of containers	426,100
Repair of containers	62,319
Total revenue by activity	488,419

Segment information is provided on business segments. The segment information is in line with the Company's accounting policies, risks and internal financial management.

3 Fees to the auditor appointed 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.

4 Staff costs

	2020	2019
	DKK'000	DKK'000
Wages and salaries	185,130	165,667
Pension costs	15,663	13,860
Other social security costs	1,445	1,946
	202,238	181,473
Average number of full-time employees	304	272

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

5 Other financial expenses

	2020	2019
	DKK'000	DKK'000
Exchange rate adjustments	433	81
	433	81

6 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	21,909	19,009
Adjustment concerning previous years	1,502	(4,962)
	23,411	14,047

7 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Ordinary dividend for the financial year	40,000	82,880
Retained earnings	39,908	0
	79,908	82,880

8 Intangible assets

	Customer relationships DKK'000	Software DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	0	6,925	2,120	31,819	0
Additions	18,500	0	0	0	4,237
Cost end of year	18,500	6,925	2,120	31,819	4,237
Amortisation and impairment losses beginning of year	0	(6,914)	(790)	(19,796)	0
Amortisation for the year	(411)	(11)	(118)	(2,121)	0
Amortisation and impairment losses end of year	(411)	(6,925)	(908)	(21,917)	0
Carrying amount end of year	18,089	0	1,212	9,902	4,237

9 Development projects

There are two projects currently ongoing with focus on workforce management system and operations system. Both projects are expected to be finalized during second half of 2021.

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	108,055	113,082	23,378	814
Additions	0	1,161	393	48,799
Disposals	0	(20)	0	0
Cost end of year	108,055	114,223	23,771	49,613
Depreciation and impairment losses beginning of year	(67,179)	(95,378)	(20,095)	0
Depreciation for the year	(5,733)	(4,427)	(1,398)	0
Reversal regarding disposals	0	20	0	0
Depreciation and impairment losses end of year	(72,912)	(99,785)	(21,493)	0
Carrying amount end of year	35,143	14,438	2,278	49,613

11 Prepayments

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

12 Share capital

The contributed capital consists of:

A shares, 1 share of nom. DKK 7,500,000.

All shares rank equally

13 Contingent assets

	2020 DKK'000	2019 DKK'000
Deferred tax asset 1 January 2020	0	0
Deferred tax adjustment	0	0
Deferred tax asset 31 December 2020	0	0
	0	0

The Company has a deferred tax asset of DKK 12.1 million (2019: DKK 17.4 million) that is not recognized in the balance sheet because of uncertainty about the Company's ability to use the asset.

14 Contingent liabilities

The Company is jointly taxed with all other Danish companies in the A.P. Møller Holding A/S group. As a Consolidated entity, the Company has unlimited and joint liability together with the other companies under joint taxation for Danish Corporation tax and withholding tax on dividends, interest and royalties within the jointly taxed companies.

Operating lease obligations:

	2020 DKK'000	2019 DKK'000
Residual operating leases obligations fall due by:		
Within 1 year	22.125	18.444
Within 2-5 years	86.732	72.888
After 5 years	152.109	72.029
	260.966	163.361

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 Hague, 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 2019 or 2020.

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 limited to a few large customers 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.

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 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 expenses

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

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**

Goodwill, terminal rights, software and customer relationships are measured at cost less accumulated amortisation and impairment losses. Goodwill, terminal rights, software and customer relationships 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

Terminal rights 18 years

Software 3 years

Customer relationships: 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 individual assets or groups of assets 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 cash flows 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 and fixtures, 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:

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 are treated as 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.

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.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable is used as discount rate.

Prepayments

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

Dividend

The expected dividends payment for the year is disclosed as a separate item under equity.

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.