



Agro Intelligence A/S

Agro Food Park 13
8200 Aarhus N
CVR No. 36942975

Annual report 2022

The Annual General Meeting adopted the
annual report on 06.07.2023

Mogens Stampe Rüdiger
Chairman of the General Meeting

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Entity details

Entity

Agro Intelligence A/S

Agro Food Park 13

8200 Aarhus N

Business Registration No.: 36942975

Registered office: Aarhus

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Mogens Stampe Rüdiger, chairman

Jakob Fuhr Hansen

Ole Green

Troels Øberg, deputy chairman

Peter Bager

Anders Geert Jensen

Jonas Krøll Bjaaland

Executive Board

Ole Green

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Agro Intelligence A/S for the financial year 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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, 05.07.2023

Executive Board

Ole Green

Board of Directors

Mogens Stampe Rüdiger
chairman

Jakob Fuhr Hansen

Ole Green

Troels Øberg
deputy chairman

Peter Bager

Anders Geert Jensen

Jonas Krøll Bjaaland

Independent auditor's report

To the shareholders of Agro Intelligence A/S

Opinion

We have audited the financial statements of Agro Intelligence A/S for the financial year 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.

Material uncertainty related to going concern

As stated in the management commentary and note 1 to the financial statements, the Company has obtained additional loan finance in June 2023, which ensures adequate liquidity to continue as a going concern.

The Company still needs to observe their budgets to continue its activities at the requested level. The Company's budgets show sufficient liquidity to continue as a going concern, but continuing as a going concern requires the Company's budgets to be observed.

We have reviewed the description of the uncertainty in the management commentary and note 1 and found the matter to be adequately disclosed. Furthermore, we have discussed the basis for assessment with Management, including the Company's operating and cash budgets. On this basis, we have no reason to take a view other than that of Management.

Our opinion has not been modified as a result of this matter.

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 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 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.

Aarhus, 05.07.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Mads Fauerskov

State Authorised Public Accountant
Identification No (MNE) mne35428

Jonas Thøstesen Svensson

State Authorised Public Accountant
Identification No (MNE) mne47824

Management commentary

Primary activities

AGROINTELLI is dedicated to the vision of enhancing global food production's reliability, sustainability, and profitability. We aim to achieve this by introducing state-of-the-art automated farming systems for outdoor plant production on the global market.

Agriculture faces significant structural challenges due to global issues such as an anticipated population increase to 10 billion people by 2050 and the need for a worldwide reduction in greenhouse gas emissions, particularly CO₂. In the European Union, farming encounters specific challenges such as the requirement to reduce pesticide usage by 50% by 2025, a projected 4% reduction in arable land for farming by 2030, and a severe labor shortage in several EU countries. Traditional productivity improvements, relying on faster, larger, and heavier machinery, are insufficient to tackle these challenges. Instead, increased robotization and precision farming are necessary, and AGROINTELLI's Robotti is at the forefront of pioneering this new solution.

AGROINTELLI's primary focus is on developing, producing, and selling the automated Robotti platform for arable farming, horticultural production, and outdoor plant production. Robotti enables high-value crop farmers to transition towards sustainable farming practices by reducing labor costs and providing an autonomous and precise drive-train system that utilizes standard implements. AGROINTELLI primarily supplies Robotti and its digital infrastructure to end-users through its dealer network.

Development in activities and finances

The global market for field robots remains limited and underdeveloped, despite the growing demand for precise and autonomous robotized farming. The introduction of Robotti LR in May 2022 marked a significant advancement, offering numerous improvements in precision, reliability, safety, and surveyance systems for autonomous driving. Robotti LR has demonstrated its capabilities as a robust implement carrier, with a capacity of covering 20-35 hectares per day. However, the widespread adoption of arable field robotization is still awaiting the availability of more intelligent implements, that can provide warning signals to the operator, enabling farmers to monitor and manage multiple hours of autonomous driving.

Despite increased uncertainties arising from the Ukraine war, inflation, and energy crises, AGROINTELLI managed to double the sales of Robotti in 2022, following a doubling of sales in 2021. The company also expanded its dealer network in Europe and intensified its focus on selected vegetable crops through collaboration with chosen implement manufacturers.

The financial results for 2022 were unsatisfactory, with a pre-tax loss of -36 million DKK (compared to -40 million DKK in 2021). As a result of completing the development of Robotti LR, the organization underwent streamlining in Autumn 2022, leading to cost savings that will take full effect in 2023.

Events after the balance sheet date

AGROINTELLI has during 2023 engaged in discussions with several potential strategic and financial investors to support ongoing development. These discussions have narrowed down the candidates, and a final decision is expected during the Autumn of 2023.

AGROINTELLI shareholders has provided a loan of minimum 6 million DKK in July 2023 to ensure liquidity throughout 2023.

During spring of 2023, AGROINTELLI have introduced significant improvement in the autonomy functionality of Robotti, which we expect will further excellerate higher Robotti sales.

No other significant events have occurred after the balance sheet date that would impact the evaluation of this annual report up to the present time.

Income statement for 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss	2	5,218,395	5,651,957
Staff costs	3	(25,788,366)	(28,250,305)
Depreciation, amortisation and impairment losses	4	(12,268,035)	(14,982,788)
Operating profit/loss		(32,838,006)	(37,581,136)
Other financial income		32,747	24,202
Other financial expenses	5	(3,144,534)	(2,806,886)
Profit/loss before tax		(35,949,793)	(40,363,820)
Tax on profit/loss for the year	6	2,346,886	9,853,974
Profit/loss for the year		(33,602,907)	(30,509,846)
Proposed distribution of profit and loss			
Retained earnings		(33,602,907)	(30,509,846)
Proposed distribution of profit and loss		(33,602,907)	(30,509,846)

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	8	58,796,010	62,589,296
Acquired licences		0	0
Development projects in progress	8	28,127,255	23,984,884
Intangible assets	7	86,923,265	86,574,180
Plant and machinery		4,168,156	4,697,454
Other fixtures and fittings, tools and equipment		116,687	1,245,082
Leasehold improvements		102,879	67,782
Property, plant and equipment	9	4,387,722	6,010,318
Deposits		371,492	367,781
Financial assets	10	371,492	367,781
Fixed assets		91,682,479	92,952,279
Raw materials and consumables		9,301,621	5,810,521
Work in progress		0	2,237,307
Manufactured goods and goods for resale		8,139,109	5,730,505
Prepayments for goods		0	432,055
Inventories		17,440,730	14,210,388
Trade receivables		2,569,284	433,047
Other receivables		1,144,975	727,674
Income tax receivable	11	8,096,381	5,804,567
Prepayments		364,374	69,682
Receivables		12,175,014	7,034,970
Cash		631,499	4,182,793
Current assets		30,247,243	25,428,151
Assets		121,929,722	118,380,430

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		438,640	294,198
Reserve for development expenditure		67,800,147	67,527,857
Retained earnings		(33,532,598)	(44,013,224)
Equity		34,706,189	23,808,831
Deferred tax		0	55,072
Other provisions	12	60,000	60,000
Provisions		60,000	115,072
Lease liabilities		2,278,058	3,209,139
Debt to other credit institutions		33,510,836	33,212,318
Payables to owners and management		2,762,335	4,799,779
Other payables		1,731,137	3,119,401
Non-current liabilities other than provisions	13	40,282,366	44,340,637
Current portion of non-current liabilities other than provisions	13	3,759,676	2,022,758
Payables to other credit institutions		0	347,593
Prepayments received from customers		296,481	1,566,126
Trade payables		5,244,719	9,360,967
Other payables		3,458,844	3,394,461
Deferred income	14	34,121,447	33,423,985
Current liabilities other than provisions		46,881,167	50,115,890
Liabilities other than provisions		87,163,533	94,456,527
Equity and liabilities		121,929,722	118,380,430
Going concern	1		
Unrecognised rental and lease commitments	15		
Assets charged and collateral	16		

Statement of changes in equity for 2022

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	294,198	67,527,857	(44,013,224)	23,808,831
Increase of capital	144,442	0	44,355,823	44,500,265
Transfer to reserves	0	272,290	(272,290)	0
Profit/loss for the year	0	0	(33,602,907)	(33,602,907)
Equity end of year	438,640	67,800,147	(33,532,598)	34,706,189

Notes

1 Going concern

The Company's operating and cash budgets have been reassessed at year-end closing. If the budget for 2023 is met, liquidity is found to be sufficient for the Company to continue as a going concern until end of 2023.

Management expects to meet the budget for 2023 and will also continue the strong internal control and cost-effective operations management in 2023. If the Company's budgets are not met, additional liquidity may be required during H2 2023.

At the time of the approval of the annual report, the company has already initiated work for a major funding round in the autumn of 2023 to secure long-term capital for the operations and further development of the Company, and the Company is engaged in positive dialogues with the largest shareholders and potential new investors.

On these grounds, the annual report has been presented applying the going concern principle.

2 Gross profit/loss

Other operating income included in the gross profit/loss includes TDKK 2.404 in 2023 against TDKK 3.200 in 2021 which relates to eligible grants for development projects amortised.

3 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	21,904,632	24,258,029
Pension costs	2,845,570	2,921,847
Other social security costs	514,417	558,993
Other staff costs	523,747	511,436
	25,788,366	28,250,305
Average number of full-time employees	40	44

4 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Amortisation of intangible assets	9,747,692	6,997,538
Impairment losses on intangible assets	0	2,825,898
Depreciation of property, plant and equipment	1,561,779	2,053,583
Impairment losses on property, plant and equipment	0	2,571,378
Profit/loss from sale of intangible assets and property, plant and equipment	958,564	534,391
	12,268,035	14,982,788

5 Other financial expenses

	2022 DKK	2021 DKK
Other interest expenses	2,983,596	2,603,785
Exchange rate adjustments	99,253	75,264
Other financial expenses	61,685	127,837
	3,144,534	2,806,886

6 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	(2,291,814)	(3,605,062)
Change in deferred tax	(55,072)	(6,248,912)
	(2,346,886)	(9,853,974)

7 Intangible assets

	Completed development projects DKK	Acquired licences DKK	Development projects in progress DKK
Cost beginning of year	76,045,378	56,250	23,984,884
Additions	5,954,406	0	4,142,371
Cost end of year	81,999,784	56,250	28,127,255
Amortisation and impairment losses beginning of year	(13,456,082)	(56,250)	0
Amortisation for the year	(9,747,692)	0	0
Amortisation and impairment losses end of year	(23,203,774)	(56,250)	0
Carrying amount end of year	58,796,010	0	28,127,255

8 Development projects

Development projects in progress comprise from the development of projects regarding innovative agricultural technologies. The carrying amount end of year amounts to DKK 86.923.265.

The products are expected to bring significant benefits to users and thus expected a significant increase in activity and results of the company for 2023 and forward.

Management has conducted impairment tests of the carrying amounts of development projects. The utility value is calculated on the basis of expected net cash flows based on budgets and sales analysis for the years 2023-2028 which is approved by management.

9 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	9,133,655	2,322,807	130,527
Additions	1,481,477	0	74,825
Disposals	(1,531,116)	(1,446,180)	0
Cost end of year	9,084,016	876,627	205,352
Depreciation and impairment losses beginning of year	(4,436,201)	(1,077,725)	(62,745)
Depreciation for the year	(1,272,479)	(245,262)	(39,728)
Reversal regarding disposals	792,820	563,047	0
Depreciation and impairment losses end of year	(4,915,860)	(759,940)	(102,473)
Carrying amount end of year	4,168,156	116,687	102,879
Recognised assets not owned by entity	1,957,083	0	0

10 Financial assets

	Deposits DKK
Cost beginning of year	367,781
Additions	3,711
Cost end of year	371,492
Carrying amount end of year	371,492

11 Tax receivable

Tax receivable includes tax receivable from the tax credit scheme from the income years 2017-2022, as a result of changes and correction to the income years 2017-2020.

Tax receivable from the income years 2017-2021 amounts to TDKK 5.875 and has been paid out in April 2023.

The remaining TDKK 2.221 include tax receivable from the tax credit scheme for the income year 2022 and the amount is expected to be paid in 2023.

In recent year the danish tax authorities has intensified its focus on the tax credit scheme, ehcich has led to an increased uncertainty about the use of the rules including the possibilities for disbursement. As a result, the calculation of the tax receivable is subject to increased uncertainty. However, management believes that the company's tax receivable comply with the requirements for payment of the tax credits.

12 Other provisions

Other provisions compromises provisions for claims on robots sold.

13 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK	Due within 12 months 2021 DKK	Due after more than 12 months 2022 DKK
Lease liabilities	953,676	920,580	2,278,058
Debt to other credit institutions	1,306,000	139,178	33,510,836
Payables to owners and management	1,500,000	963,000	2,762,335
Other payables	0	0	1,731,137
	3,759,676	2,022,758	40,282,366

Long-term other debt consists of loan from the government and frozen holiday pay in accordance with the Danish Holiday Act. It is currently not possible to determinate the short-term part of the frozen holiday debt, nor the outstanding debt after 5 years.

14 Deferred income

Deferred income consists of grants received for development projects. The grants received are recognized as income in line with the depreciation of the associated development projects.

15 Unrecognised rental and lease commitments

	2022 DKK	2021 DKK
Liabilities under rental or lease agreements until maturity in total	1,353,915	1,374,626

16 Assets charged and collateral

The company has issued a floating charge to the company's bank capped at MDKK 6 in unsecured claims, inventories, machinery, goodwill, etc.

The company has issued a floating charge to Vækstfonden capped at MDKK 12 in unsecured claims, inventories, machinery, goodwill, etc.

The booked value of fixed assets, inventories and receivables is KDKK 111,692.

Accounting policies

Reporting class

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

Changes in accounting policies

The Entity has changed its accounting policies with regard to presentation of staff costs classified as assets which is presented as part of the gross profit.

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

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

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. Intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, own work capitalised, other operating income, cost of sales and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets and property, plant and equipment.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities. Other operating income also consists of income from grants received in connection with development projects which is taken to income on a straight-line basis over the useful life of the individual project.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to 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 etc.

Other financial expenses

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

Tax on profit/loss for the year

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

Balance sheet

Intellectual property rights etc.

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery, other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	2-10 years
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

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.

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, usually equalling nominal value less writedowns for bad and doubtful debts.

Tax payable or receivable

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

Prepayments

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

Cash

Cash comprises bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, 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.

Lease liabilities

Lease liabilities 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 liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

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

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Deferred income

Deferred income include grants received in connection with development projects, and are recognised as deferred income in the balance sheet, which is taken to income on a straight-line basis over the useful life of the individual project.