

Blue World Technologies ApS

Langerak 15A
9220 Aalborg Øst
CVR No. 39931664

Annual report 2022

The Annual General Meeting adopted the
annual report on 18.04.2023

Anders Risum Korsgaard

Chairman of the General Meeting

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Entity details

Entity

Blue World Technologies ApS

Langerak 15A

9220 Aalborg Øst

Business Registration No.: 39931664

Registered office: Aalborg

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

John Ndoke Butt

Anders Risum Korsgaard

Brian Lindgaard Jensen

Lykke Friis

Christian Winther

FENG, WU-FENG

Allegra Morgane Kowalewski-Ferreira

Dr. Markus Müller

Executive Board

Anders Risum Korsgaard

Mads Bang

Mads Friis Jensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Østre Havnepromenade 26, 4th floor

9000 Aalborg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Blue World Technologies ApS 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.

Aalborg, 24.03.2023

Executive Board

Anders Risum Korsgaard

Mads Bang

Mads Friis Jensen

Board of Directors

John Ndoke Butt

Anders Risum Korsgaard

Brian Lindgaard Jensen

Lykke Friis

Christian Winther

FENG, WU-FENG

Allegra Morgane Kowalewski-Ferreira

Dr. Markus Müller

Independent auditor's report

To the shareholders of Blue World Technologies ApS

Opinion

We have audited the financial statements of Blue World Technologies ApS 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.

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.

Aalborg, 24.03.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

René Winther Pedersen

State Authorised Public Accountant
Identification No (MNE) mne34173

Sami Nikolai El-Galaly

State Authorised Public Accountant
Identification No (MNE) mne42793

Management commentary

Primary activities

The main activity of the company is to become world leading in terms of producing and selling HT PEM fuel cell stacks and systems.

Description of material changes in activities and finances

The income statement shows a loss of EUR 203t compared to a loss of EUR 1,732t for 2021, and the balance sheet shows an equity of EUR 16,471t, compared to an equity of EUR 12,656t at the end of 2021.

The COVID-19 pandemic has still had some, although minor, influence on the Group during 2022, mainly by complicating customer collaboration in Asia, where there have still been severe restrictions in 2022.

As mentioned in the report from 2021, The Group closed a second tranche with Deutz A/G and Denmark's Export and Investment Fund in addition to ensuring debt financing from Denmark's Export and Investment Fund. In mid-2022, a capital increase was closed with Breakthrough Energy Ventures.

The FTE number have increased from an average in 2021 on 48 to more than 90 in 2022 with the biggest increase of FTEs within Operations.

Even though the start of production has been delayed in 2022, it was realized for the fuel cell stack in December 2022, and Blue World Technologies expects to realize start of production on the stationary product in second half of 2023. A large focus area for 2023 is to establish a commercial revenue, with the purpose of increasing revenue significantly in the coming years.

All in all, the progress is still satisfactory despite some delays compared to the business plan, and the Blue World Technologies Group is still on track to become world leading within producing and selling HT PEM fuel cell stacks and systems.

At year end 2022 the Group had a total cash deposit of EUR 13m. The Group has initiated talks with potential investors concerning a new investment round to be completed in 2023. Please refer to note 1 for elaboration of liquidity situation.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2022

	Notes	2022 EUR	2021 EUR
Gross profit/loss	2	5,317,771	585,133
Distribution costs		(1,227,894)	(620,861)
Administrative expenses		(4,076,764)	(2,299,881)
Operating profit/loss		13,113	(2,335,609)
Other financial income	5	370,589	42,218
Other financial expenses	6	(1,093,273)	(137,031)
Profit/loss before tax		(709,571)	(2,430,422)
Tax on profit/loss for the year	7	506,814	698,202
Profit/loss for the year		(202,757)	(1,732,220)
Proposed distribution of profit and loss			
Retained earnings		(202,757)	(1,732,220)
Proposed distribution of profit and loss		(202,757)	(1,732,220)

Balance sheet at 31.12.2022

Assets

	Notes	2022 EUR	2021 EUR
Acquired intangible assets		24,699	42,132
Development projects in progress	9	14,885,121	9,478,879
Intangible assets	8	14,909,820	9,521,011
Land and buildings		8,135,392	830,065
Plant and machinery		3,235,482	0
Other fixtures and fittings, tools and equipment		580,752	33,040
Property, plant and equipment in progress		4,392,747	2,243,874
Property, plant and equipment	10	16,344,373	3,106,979
Deposits		222,494	127,820
Financial assets	11	222,494	127,820
Fixed assets		31,476,687	12,755,810
Raw materials and consumables		2,906,375	138,361
Work in progress		702,532	313,628
Manufactured goods and goods for resale		297,480	156,694
Prepayments for goods		168,303	0
Inventories		4,074,690	608,683

Trade receivables		321,198	117,409
Contract work in progress	12	0	12,700
Other receivables		1,402,358	1,353,742
Joint taxation contribution receivable		320,489	704,016
Receivables		2,044,045	2,187,867
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Cash		2,174,930	1,507,653
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Current assets		8,293,665	4,304,203
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Assets		39,770,352	17,060,013
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Equity and liabilities

	Notes	2022 EUR	2021 EUR
Contributed capital		6,694	6,694
Reserve for development expenditure		11,610,394	7,393,526
Retained earnings		4,853,751	5,255,596
Equity		16,470,839	12,655,816
Deferred tax		239,362	432,087
Other provisions		0	38,752
Provisions		239,362	470,839
Lease liabilities		5,962,617	157,407
Debt to other credit institutions		6,530,903	1,313,712
Other payables		317,475	316,427
Non-current liabilities other than provisions	13	12,810,995	1,787,546
Current portion of non-current liabilities other than provisions	13	445,579	192,625
Prepayments received from customers		617,666	0
Contract work in progress	12	0	650,286
Trade payables		1,969,548	746,310
Payables to group enterprises		6,837,254	0
Other payables		348,476	302,741
Deferred income		30,633	253,850
Current liabilities other than provisions		10,249,156	2,145,812
Liabilities other than provisions		23,060,151	3,933,358
Equity and liabilities		39,770,352	17,060,013
Going concern	1		
Staff costs	3		
Amortisation, depreciation and impairment losses	4		
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		
Non-arm's length-related party transactions	17		
Group relations	18		

Statement of changes in equity for 2022

	Contributed capital EUR	Reserve for development expenditure EUR	Retained earnings EUR	Total EUR
Equity beginning of year	6,694	7,393,526	5,255,596	12,655,816
Group contributions etc.	0	0	4,017,780	4,017,780
Transfer to reserves	0	4,216,868	(4,216,868)	0
Profit/loss for the year	0	0	(202,757)	(202,757)
Equity end of year	6,694	11,610,394	4,853,751	16,470,839

Notes

1 Going concern

The Blue World Group completed the second tranche of the investment round with Denmark's Export and Investment Fund and Deutz AG in first half of 2022 of 7.5 mEUR. A continuation of the investment round was completed with Breakthrough Energy Ventures in second half of 2022 – taking the total Series B round up to 37 mEUR, stretching from mid-2021 to mid-2022. In addition to the capital increase, a debt financing with Denmark's Export and Investment Fund of 7.5 mEUR was closed in 2022, and most of this was utilized in 2022, with the last tranche paid in early-2023. The Group has a cash deposit of 13 mEUR at year-end, which will be increased to more than 15 mEUR, when the last loan tranche is paid.

The Group will be able to see out the remainder of 2023 with the afore-mentioned financing in a worst-case scenario, where the development pace is slowed down significantly. The Group is looking for further financing in 2023, which will secure liquidity for 2023 and beyond, and thereby eliminating any decrease in development pace. Talks are currently on-going with several potential investors and other financing sources. If any of the financing milestones fails, the Group has shown in recent history that the expenditure level can be slowed down and thereby extending the financial leeway to find other relevant financing. The Group will continue to distribute liquidity to the operating company Blue World Technologies ApS through group contributions and/or transfer pricing setup as needed.

2 Gross profit/loss

Gross profit/loss contains other income as a consequence of received public grants and royalty compensation and service agreement fee from Blue World Technologies Holding ApS.

The public grants amounts to EUR 1,786t for 2022 compared to EUR 1,784t for 2021.

Service fee and royalty compensation amount to EUR 8,708t for 2022.

3 Staff costs

	2022	2021
	EUR	EUR
Wages and salaries	6,566,651	3,808,148
Pension costs	550,966	301,581
Other social security costs	103,428	59,991
	7,221,045	4,169,720
Staff costs classified as assets	(3,116,800)	(1,915,838)
	4,104,245	2,253,882
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Average number of full-time employees	94	48

Staff costs classified as assets contain costs transferred to development projects in progress and property, plant and equipment in progress.

4 Depreciation, amortisation and impairment losses

	2022 EUR	2021 EUR
Amortisation of intangible assets	17,433	17,433
Depreciation of property, plant and equipment	694,622	224,387
	712,055	241,820

5 Other financial income

	2022 EUR	2021 EUR
Exchange rate adjustments	360,727	37,974
Other financial income	9,862	4,244
	370,589	42,218

6 Other financial expenses

	2022 EUR	2021 EUR
Financial expenses from group enterprises	106,577	0
Exchange rate adjustments	351,631	51,626
Other financial expenses	635,065	85,405
	1,093,273	137,031

7 Tax on profit/loss for the year

	2022 EUR	2021 EUR
Current tax	(320,540)	(704,016)
Change in deferred tax	(192,721)	7,246
Adjustment concerning previous years	6,447	(1,432)
	(506,814)	(698,202)

8 Intangible assets

	Acquired intangible assets EUR	Development projects in progress EUR
Cost beginning of year	87,168	9,478,879
Additions	0	5,406,242
Cost end of year	87,168	14,885,121
Amortisation and impairment losses beginning of year	(45,036)	0
Amortisation for the year	(17,433)	0
Amortisation and impairment losses end of year	(62,469)	0
Carrying amount end of year	24,699	14,885,121

9 Development projects

Development projects in progress include development and test of methanol fuel cells considered a realistic green alternative to the internal combustion engine. The purpose of the project is to establish commercial production of methanol fuel cells for global distribution.

The development process was temporarily delayed during 2022, compared to the business plan, because of internal delays and because of external factors such as change in material recipes from suppliers. In some areas the progress has exceeded the business plan though, due to narrowing down focus on specific areas/products in 2022.

Taking everything into consideration, including adjustments of the business plan, the development of the fuel cell and the company in general is still highly satisfactory compared to the Management's expectations. The Management has not found that the development projects in progress show sign on impairment.

Development projects in progress are estimated to be completed within 5 years, and amortizations on initial projects will begin in early 2023.

The company has not held research costs.

10 Property, plant and equipment

	Land and buildings EUR	Plant and machinery EUR	Other fixtures and fittings, tools and equipment EUR	Property, plant and equipment in progress EUR
Cost beginning of year	981,356	0	39,027	2,243,874
Transfers	0	1,446,249	140,398	(1,586,647)
Additions	7,988,624	1,789,233	418,639	3,735,520
Cost end of year	8,969,980	3,235,482	598,064	4,392,747
Depreciation and impairment losses beginning of year	(151,291)	0	(5,987)	0
Depreciation for the year	(683,297)	0	(11,325)	0
Depreciation and impairment losses end of year	(834,588)	0	(17,312)	0
Carrying amount end of year	8,135,392	3,235,482	580,752	4,392,747
Recognised assets not owned by entity	5,738,538	-	-	-

11 Financial assets

	Deposits EUR
Cost beginning of year	127,820
Additions	94,674
Cost end of year	222,494
Carrying amount end of year	222,494

12 Contract work in progress

	2022 EUR	2021 EUR
Contract work in progress	0	289,429
Progress billings regarding contract work in progress	0	(927,014)
Transferred to liabilities other than provisions	0	650,285
	0	12,700

13 Non-current liabilities other than provisions

	Due within 12 months 2022 EUR	Due within 12 months 2021 EUR	Due after more than 12 months 2022 EUR	Outstanding after 5 years 2022 EUR
Lease liabilities	378,343	192,625	5,962,617	3,754,578
Debt to other credit institutions	67,236	0	6,530,903	1,479,190
Other payables	0	0	317,475	317,475
	445,579	192,625	12,810,995	5,551,243

Other payables comprises holiday pay obligation.

14 Unrecognised rental and lease commitments

	2022 EUR	2021 EUR
Liabilities under rental or lease agreements until maturity in total	109,637	105,520

15 Contingent liabilities

The entity participates in a Danish joint taxation arrangement where AMM Holding af 2018 ApS serves as the administration company until 31.05.2021, after which Blue Founders ApS services as the administration company until 14.12.2021. After this date, Blue World Technologies Holding ApS is the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, and also secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

16 Assets charged and collateral

The Company's lender Danmarks Grønne Investeringsfond has granted a loan of DKK 50.0m with a floating charge on the Company of DKK 22.7m. After the balancesheet date the floating charge on the Company will be increased to the full loan amount. The charge comprises inventories, trade receivables and other fixtures and fittings, tools and equipment. The booked value of these assets are 4,976,640 EUR. at the balance sheet date.

Collateral provided for group enterprises

Blue World Technologies ApS has guaranteed Blue World Technologies Holding ApS' debt with Vækstfonden. The maximum limit of the guarantee is EUR 800,108. Bank loan to Vækstfonden in Blue World Technologies Holding ApS amounts to EUR 888,322.

The floating charge of Vækstfonden on the company comprises inventories, trade receivables and other fixtures and fittings, tools and equipment. The booked value of these assets are 4,976,640 EUR at the balance sheet date.

17 Non-arm's length related party transactions

The company has recieved group contribution of EUR 4,018t for the financial year 2022. Apart from the recieved group contributions there has not been transactions with related parties on non-arm's length.

18 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Blue World Technologies Holding ApS, Aalborg CVR-nr. 39931621.

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.

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

Recognition and measurement

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

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

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

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

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Public grants

Public grants are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income.

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.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income

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

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses, 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, 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 and prepayments for intangible assets.

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 in the 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.

Intellectual property rights acquired and development projects are measured at cost less accumulated amortisation.

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

Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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
Buildings	2 - 12 years
Plant and machinery	2 - 20 years
Other fixtures and fittings, tools and equipment	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 and consumables.

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.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet in receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

Joint taxation contributions receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash

Cash comprises cash in hand and bank deposits.

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.

Other provisions

Other provisions comprise anticipated costs of loss on contract work in progress.

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.

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

Lease liabilities

Lease 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.

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 comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.