Clayton Power A/S

Pakhusgården 42-48, 5000 Odense C
CVR no. 29 82 16 31

Annual report for 2023

This annual report has been adopted at the annual general meeting on 10.06.24

Max Franck Stelvig

Chairman of the meeting

Table of contents

Company information etc.

The company

Clayton Power A/S
Pakhusgården 42-48
5000 Odense C
Registered office: Odense
CVR no.: 29 82 16 31
Financial year: 01.01 - 31.12

Executive Board

Max Franck Stelvig
Janick Lauenborg

Supervisory Board

Mads Brønserud
Bart Westerkamp
Janick Lauenborg
Allan Kock
Max Franck Stelvig

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Supervisory Board on the annual report

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for Clayton Power A/S.

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 company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities for the financial year 01.01.23 - 31.12.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Odense C, June 10, 2024

Executive Board

Max Franck Stelvig

Janick Lauenborg

Supervisory Board

Mads Brønserud
Chairman

Bart Westerkamp

Janick Lauenborg

Allan Kock

Max Franck Stelvig

To the Shareholders of Clayton Power A/S

Opinion

We have audited the financial statements of Clayton Power A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including 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 company's financial position at 31.12.23 and of the results of the company's operations for the financial year 01.01.23 - 31.12.23 in accordance with the Danish Financial Statements Act.

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

Statement on the management's review

Management is responsible for the management's review.

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

In connection with our audit of the financial statements, it is 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, we conclude that the 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 of the 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 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 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.

Odense, June 10, 2024

Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Jacob Pedersen
State Authorized Public Accountant
MNE-no. mne33725

Primary activities

The company's activities comprise development of hardware and software design of inverters, chargers, battery management systems and lithium batteries, production of inverters, chargers, battery management systems and lithium batteries, sale of transformers, chargers, battery management systems and lithium batteries, selection, development and production of promotional advertising material.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a profit/loss of DKK 5,095,757 against DKK 3,305,407 for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 21,553,179.

Clayton Power A/S is pleased to report a robust financial performance for the recent financial year, marked by significant growth and strong operational results. This is reflecting our successful market strategies and the growing demand for our innovative solutions across all segments.

Furthermore, we have significantly enhanced our profitability metrics. With focus on efficient cost management and revenue optimization efforts. Especially our bottom line is showcasing the operational effectiveness of our strategic initiatives.

These results are satisfactory and underscore our commitment to delivering value to our customers. As we move forward, we are confident in our ability to sustain this momentum and continue to drive strong growth across all markets. We remain dedicated to innovation, operational efficiency, and market expansion, ensuring continued success and profitability for Clayton Power A/S.

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

Note		2023 DKK	2022 DKK
	Gross profit	**34.911.784**	**30.604.006**
2	Staff costs	-23.750.692	-22.274.003
	Profit before depreciation, amortisation, write-downs and impairment losses	**11.161.092**	**8.330.003**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-1.014.190	-817.023
	Write-downs of current assets exceeding normal write-downs	0	-2.255.000
	Operating profit	**10.146.902**	**5.257.980**
3	Financial income	225.312	938.963
	Impairment losses on financial assets	-1.580.502	-261.806
4	Financial expenses	-2.299.854	-1.634.001
	Profit before tax	**6.491.858**	**4.301.136**
5	Tax on profit for the year	-1.396.101	-995.729
	Profit for the year	**5.095.757**	**3.305.407**

Proposed appropriation account

	2023 DKK	2022 DKK
Proposed dividend for the financial year	1.500.000	0
Retained earnings	3.595.757	3.305.407
Total	**5.095.757**	**3.305.407**

Balance sheet

ASSETS

Note		31.12.23 DKK	31.12.22 DKK
	Completed development projects	2.717.750	2.182.203
	Development projects in progress	50.000	1.117.919
6	**Total intangible assets**	**2.767.750**	**3.300.122**
	Leasehold improvements	1.478.506	322.202
	Other fixtures and fittings, tools and equipment	393.879	352.182
7	**Total property, plant and equipment**	**1.872.385**	**674.384**
8	Equity investments in group enterprises	8	8
9	Deposits	851.986	819.404
	Total investments	**851.994**	**819.412**
	Total non-current assets	**5.492.129**	**4.793.918**
	Raw materials and consumables	28.600.294	37.017.824
	Manufactured goods and goods for resale	7.203.222	13.542.410
	Prepayments for goods	1.466.534	288.157
	Total inventories	**37.270.050**	**50.848.391**
	Trade receivables	25.989.213	14.622.211
	Receivables from group enterprises	4.823.841	8
	Other receivables	93.900	1.608.518
	Prepayments	251.356	174.106
	Total receivables	**31.158.310**	**16.404.843**
	Cash	**10.405**	**69.714**
	Total current assets	**68.438.765**	**67.322.948**
	Total assets	**73.930.894**	**72.116.866**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.23 DKK	31.12.22 DKK
	Share capital	750.000	750.000
	Reserve for development costs	2.060.573	2.574.095
	Retained earnings	17.242.606	13.133.327
	Proposed dividend for the financial year	1.500.000	0
	Total equity	**21.553.179**	**16.457.422**
	Provisions for deferred tax	414.620	791.829
10	Other provisions	645.700	420.700
	Total provisions	**1.060.320**	**1.212.529**
11	Payables to other credit institutions	949.526	1.486.031
11	Other payables	1.227.092	1.177.124
11	Deferred income	1.640.965	0
	Total long-term payables	**3.817.583**	**2.663.155**
11	Short-term part of long-term payables	600.000	600.000
	Payables to other credit institutions	27.916.453	36.343.180
	Trade payables	14.328.042	13.365.288
	Income taxes	1.645.310	797.364
	Other payables	3.010.007	677.928
	Total short-term payables	**47.499.812**	**51.783.760**
	Total payables	**51.317.395**	**54.446.915**
	Total equity and liabilities	**73.930.894**	**72.116.866**

12 Contingent liabilities
13 Charges and security

Statement of changes in equity

Figures in DKK	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.23 - 31.12.23					
Balance as at 01.01.23	750.000	2.574.095	13.133.327	0	16.457.422
Total depreciation, amortisation, impairment losses and write-downs during the year	0	-513.522	513.522	0	0
Net profit/loss for the year	0	0	3.595.757	1.500.000	5.095.757
Balance as at 31.12.23	750.000	2.060.573	17.242.606	1.500.000	21.553.179

1. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

Special items:	Recognised in the income statement in:	2023 DKK	2022 DKK
Write-downs of inventories (not normal)	Write-downs of current assets exceeding normal write-downs	0	-2.255.000

2. Staff costs

Wages and salaries	22.301.210	20.954.270
Pensions	660.452	620.464
Other social security costs	101.423	102.749
Other staff costs	687.607	596.520
Total	23.750.692	22.274.003
Average number of employees during the year	45	45

3. Financial income

Foreign exchange gains	225.312	938.963

4. Financial expenses

Other interest expenses	1.853.977	703.915
Foreign exchange losses	141.385	519.668
Other financial expenses	304.492	410.418
Total	2.299.854	1.634.001

	2023 DKK	2022 DKK

5. Tax on profit for the year

	2023 DKK	2022 DKK
Current tax for the year	1.773.310	1.013.364
Adjustment of deferred tax for the year	-377.209	-17.635
Total	1.396.101	995.729

6. Intangible assets

Figures in DKK	Completed development projects	Development projects in progress	Total
Cost as at 01.01.23	3.193.681	1.117.919	4.311.600
Additions during the year	0	125.990	125.990
Transfers during the year to/from other items	1.193.909	-1.193.909	0
Cost as at 31.12.23	4.387.590	50.000	4.437.590
Amortisation and impairment losses as at 01.01.23	-1.011.478	0	-1.011.478
Amortisation during the year	-658.362	0	-658.362
Amortisation and impairment losses as at 31.12.23	-1.669.840	0	-1.669.840
Carrying amount as at 31.12.23	2.717.750	50.000	2.767.750

The LPS II development project is costs used to a new development based on a new approach on construction, configuration and technology, that reduce the production cost and increase the applicability and flexibility for the customer. It is a game changer on the market. The market launch was in May/ June 2021 and the company has since sold several thousand units. The company expect the sale to increase in 2024.

The IOT development project is costs used to a new development based on a new approach on configuration and technology, that will improve our service and business intelligence platform and increase the applicability and flexibility for the customer. It is expected to add significant value to our product portfolio and will be offered as to the customers on both a subscription and one-off basis. In year 2021, the main activities around the IOT project have been back and front end development and validation as well as the hardware and mechanical design of the physical product. The market launch was in December 2023. The company expect the sale to increase in 2024.

7. Property, plant and equipment

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.23	470.210	1.074.598
Additions during the year	1.390.330	163.499
Disposals during the year	0	-208.360
Cost as at 31.12.23	1.860.540	1.029.737
Depreciation and impairment losses as at 01.01.23	-148.008	-722.416
Depreciation during the year	-234.026	-121.802
Reversal of depreciation of and impairment losses on disposed assets	0	208.360
Depreciation and impairment losses as at 31.12.23	-382.034	-635.858
Carrying amount as at 31.12.23	1.478.506	393.879

8. Equity investments in group enterprises

Figures in DKK	Equity investments in group enterprises
Additions during the year	64.092
Cost as at 31.12.23	64.092
Impairment losses during the year	-64.084
Depreciation and impairment losses as at 31.12.23	-64.084
Carrying amount as at 31.12.23	8

9. Other non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.23	819.403
Additions during the year	32.583
Cost as at 31.12.23	851.986
Carrying amount as at 31.12.23	851.986

10. Other provisions

Other provisions are expected to be distributed as follows:

Non-current liabilities	344.300	118.100
Current liabilities	301.400	302.600
Total	645.700	420.700

11. Long-term payables

Figures in DKK	Repayment first year	Total payables at 31.12.23	Total payables at 31.12.22
Payables to credit institutions	600.000	1.549.526	2.086.031
Other payables	0	1.227.092	1.177.124
Deferred income	0	1.640.965	0
Total	600.000	4.417.583	3.263.155

12. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 4-43 months and a total lease payment of DKK 1,481k and a total residual value of DKK 641k at the end of lease agreements.

The remaining rental agreement for the leasehold is irrevocable until 30th of June 2024, with a total commitment of DKK 1,177 k.

13. Charges and security

As security for debt to credit institutions, a company charge for DKK 40,000k has been provided comprising goodwill, intelectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories and agricultural stock, trade receivables and cash. The total carrying amount of the comprised assets is DKK 72.390k.

14. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

14. Accounting policies - continued -

LEASES

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

GRANTS

Grants are recognised when there is reasonable certainty that the grant conditions have been met and that the grant will be received.

Grants to cover expenses incurred are recognised on a proportionate basis in the income statement over the period in which the expenses eligible for grants are expensed. Grants are recognised under other operating income.

Grants received for the production or construction of assets are recognised as deferred income under payables. For depreciable and amortisable assets, the grant is recognised as the asset is depreciated or amortised.

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Income from construction contracts involving the delivery of highly customised assets are recognised in the income statement as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

14. Accounting policies - continued -

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Completed development projects	5	0
Leasehold improvements	5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when

14. Accounting policies - continued -

the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Write-downs of current assets exceeding normal write-downs

Write-downs of current assets exceeding normal write-downs comprise write-downs of inventories, trade receivables and other current assets that due to their nature or size or otherwise due to the affairs of the enterprise are considered to exceed normal write-downs.

Impairment losses on financial assets

Impairment losses on financial assets comprise impairment of investments at a lower recoverable amount and write-downs of financial current assets at a lower net realisable value.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET

Intangible assets

Completed development projects and development projects in progress

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance

14. Accounting policies - continued -

development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

14. Accounting policies - continued -

Equity investments in group entreprises

Equity investments in subsidiaries are measured in the balance sheet at cost less any impairment losses. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

If dividends are distributed on equity investments in subsidiaries exceeding the year earnings from the enterprise in question, this is considered an indication of impairment.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

14. Accounting policies - continued -

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct material and labour costs. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer

14. Accounting policies - continued -

recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-2 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

Current and deferred tax

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

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the

14. Accounting policies - continued -

term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.