
WattsUp Power A/S

Sydholmen 8, DK-2650 Hvidovre

Annual Report for 2022

CVR No. 35 82 70 48

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 9/8 2023

Nicolai Reedtz Funder
Chairman of the
general meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company information	5
Management's Review	6
Financial Statements	
Income Statement 1 January - 31 December	7
Balance sheet 31 December	8
Statement of changes in equity	10
Notes to the Financial Statements	11

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of WattsUp Power A/S for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Hvidovre, 9 August 2023

Executive Board

Martin Speiermann
CEO

Board of Directors

Nicolai Reedtz Funder
Chairman

Martin Speiermann

Frederik Speiermann

Andreas Færgemann Tycho

Independent Auditor's report

To the shareholders of WattsUp Power A/S

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for adverse opinion paragraph, the Financial Statements do not give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of WattsUp Power A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Adverse Opinion

Management has prepared the accounts on the basis of continued operations. As mentioned in note 1 of the annual accounts, it is a prerequisite for the company's continued operation that new capital is added. The company's management has negotiated with new investors. These negotiations are ongoing, but there is considerable uncertainty about the outcome, hence there is significant uncertainty as to whether the company has sufficient funding to continue operations. Management has not been able to provide the necessary capital, and therefore we do not agree with the management's choice to present the financial statements subject to continued operations. In our opinion, the financial statements should be presented in accordance with the realization principle, which would significantly reduce the profit for the year and equity. It has not been possible to quantify its impact on the financial statements.

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 adverse opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

As stated in the section Basis for Adverse opinion, our conclusion on the financial statements has been modified as a result of considerable uncertainty about the going concern assumption. We have concluded that, for the same reason, the management review does not provide a fair and complete description of the significant uncertainty in respect to the going concern assumption in the section Capital Resources.

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.

Independent Auditor's report

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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's report

- 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.

Hellerup, 9 August 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Niels Henrik B. Mikkelsen

State Authorised Public Accountant

mne16675

Company information

The Company	WattsUp Power A/S Sydholmen 8 DK-2650 Hvidovre CVR No: 35 82 70 48 Financial period: 1 January - 31 December Incorporated: 19 March 2014 Municipality of reg. office: Hvidovre
Board of Directors	Nicolai Reedtz Funder, chairman Martin Speiermann Frederik Speiermann Andreas Færgemann Tycho
Executive Board	Martin Speiermann
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Management's review

Key activities

The Company's objective is to develop and sell electromagnetic solutions in which energy can be stored.

Development in the year

The income statement of the Company for 2022 shows a loss of DKK 12,844,709, and at 31 December 2022 the balance sheet of the Company shows positive equity of DKK 23,738,100.

Capital resources

The Company, has in 2022, received a high value purchase order as well as shareholder funding through sales of treasury shares. In addition, Management has recently been in negotiation with new investors concerning a new equity investment in the amount of some DKK 10 million to ensure sufficient liquidity to continue current business plans until 31 December 2023. Reference is made to Note 1 "Going Concern" for further description.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have been subject to uncertainty relating to capitalised research & development projects. Refer to note 2 for a description of this.

Unusual events

The financial position at 31 December 2022 of the Company and the results of the activities and cash flows of the Company for the financial year for 2022 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

	Note	2022	2021
		DKK	DKK
Gross profit		2,393,616	297,722
Staff expenses	3	-11,389,344	-10,471,863
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-5,870,525	-3,871,616
Profit/loss before financial income and expenses		-14,866,253	-14,045,757
Financial income	4,5	85,952	20,332
Financial expenses	6	-206,710	-726,287
Profit/loss before tax		-14,987,011	-14,751,712
Tax on profit/loss for the year	7	2,142,302	1,964,616
Net profit/loss for the year		-12,844,709	-12,787,096

Distribution of profit

	2022	2021
	DKK	DKK
Proposed distribution of profit		
Retained earnings	-12,844,709	-12,787,096
	-12,844,709	-12,787,096

Balance sheet 31 December

Assets

	Note	2022	2021
		DKK	DKK
Completed development projects		14,977,193	10,489,831
Acquired patents		269,918	314,904
Development projects in progress		0	0
Intangible assets	8	15,247,111	10,804,735
Other fixtures and fittings, tools and equipment		355,583	867,315
Property, plant and equipment	9	355,583	867,315
Investments in subsidiaries	10	40,000	40,000
Other investments	11	2,200	2,200
Fixed asset investments		42,200	42,200
Fixed assets		15,644,894	11,714,250
Inventories	12	4,404,634	921,398
Trade receivables		0	140,583
Receivables from group enterprises		1,807,207	85,650
Other receivables	13	12,949,500	15,309,650
Corporation tax		2,142,302	1,964,616
Prepayments		57,671	282,333
Receivables		16,956,680	17,782,832
Cash at bank and in hand		1,908,888	195,731
Current assets		23,270,202	18,899,961
Assets		38,915,096	30,614,211

Balance sheet 31 December

Liabilities and equity

	Note	2022 DKK	2021 DKK
Share capital	14	1,000,000	1,000,000
Reserve for development costs		11,682,209	7,729,001
Retained earnings		11,055,891	3,028,518
Equity		23,738,100	11,757,519
Other payables		564,309	552,703
Long-term debt	15	564,309	552,703
Credit institutions		0	500,945
Prepayments received from customers		4,461,780	4,461,780
Trade payables		3,603,038	1,941,675
Payables to associates		564,629	870,924
Payables to owners and Management		133,090	941,397
Other payables	15	5,850,150	9,587,268
Short-term debt		14,612,687	18,303,989
Debt		15,176,996	18,856,692
Liabilities and equity		38,915,096	30,614,211
Going concern	1		
Uncertainty relating to recognition and measurement	2		
Contingent assets, liabilities and other financial obligations	16		
Accounting Policies	17		

Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	1,000,000	7,729,001	3,028,518	11,757,519
Purchase of treasury shares	0	0	-1,500,000	-1,500,000
Sale of treasury shares	0	0	26,325,290	26,325,290
Development costs for the year	0	7,595,434	-7,595,434	0
Depreciation, amortisation and impairment for the year	0	-3,642,226	3,642,226	0
Net profit/loss for the year	0	0	-12,844,709	-12,844,709
Equity at 31 December	1,000,000	11,682,209	11,055,891	23,738,100

Notes to the Financial Statements

1. Going concern

The Company, has in 2022, received a high value purchase order as well as shareholder funding through sales of treasury shares. In addition, Management has recently been in negotiation with new investors concerning a new equity investment in the amount of some DKK 10 million to ensure sufficient liquidity to continue current business plans until 31 December 2023. Management is convinced that the new equity investment will be finalized during in the near future, and that this will ensure that the Company's capital resources are sufficient to ensure that the Company is able to continue as a going concern.

Thus, there is still a risk, in contrast to Management expectation, that the equity investment agreement will not be reached which will result in significant challenges for the Company to obtain alternative finance of the current business plans, which will entail material uncertainty in respect to the going concern assumption.

2. Uncertainty relating to recognition and measurement

In general, Management makes judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could resultat in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Management continuously reassessed these estimates and judgments based on several factors under the given circumstances.

Capitalised research & development cost

The value of all capitalised research & development costs is amortised over their useful lives. Every year, Management evaluates an impairment assessment to make sure the total value of the capitalised projects is fair. The estimated value of intangible assets is based on Management estimates and assumptions and by nature subject to uncertainty.

3. Staff Expenses

	2022	2021
	DKK	DKK
Wages and salaries	9,539,237	9,588,071
Pensions	1,094,014	68,631
Other social security expenses	95,346	195,705
Other staff expenses	660,747	619,456
	<u>11,389,344</u>	<u>10,471,863</u>
Average number of employees	<u>12</u>	<u>13</u>

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	DKK	DKK
4. Financial income		
Other financial income	85,936	20,000
Exchange adjustments	<u>16</u>	<u>332</u>
	<u>85,952</u>	<u>20,332</u>

	<u>2022</u>	<u>2021</u>
	DKK	DKK
5. Special items		
Compensation Covid-19	<u>0</u>	<u>176,333</u>
	<u>0</u>	<u>176,333</u>

	<u>2022</u>	<u>2021</u>
	DKK	DKK
6. Financial expenses		
Interest paid to associates	20,848	83,225
Other financial expenses	185,862	642,975
Exchange loss	<u>0</u>	<u>87</u>
	<u>206,710</u>	<u>726,287</u>

	<u>2022</u>	<u>2021</u>
	DKK	DKK
7. Income tax expense		
Current tax for the year	<u>-2,142,302</u>	<u>-1,964,616</u>
	<u>-2,142,302</u>	<u>-1,964,616</u>

Notes to the Financial Statements

8. Intangible fixed assets

	Completed development projects	Acquired patents	Develop- ment projects in progress
	DKK	DKK	DKK
Cost at 1 January	16,514,152	314,904	0
Additions for the year	0	0	9,737,737
Transfers for the year	9,737,737	0	-9,737,737
Cost at 31 December	<u>26,251,889</u>	<u>314,904</u>	<u>0</u>
Impairment losses and amortisation at 1 January	6,024,317	0	0
Amortisation for the year	5,250,379	44,986	0
Impairment losses and amortisation at 31 December	<u>11,274,696</u>	<u>44,986</u>	<u>0</u>
Carrying amount at 31 December	<u>14,977,193</u>	<u>269,918</u>	<u>0</u>
Amortised over	<u>5 years</u>	<u>5 years</u>	

Development projects relates to the development of electromagnetic solutions in which energy can be stored. All current development projects were finalised during 2022 but further developments are expected in the coming financial years. It is expected that the completed development projects will be sold to the existing market to the existing customers as well as new customers. The amortisation period for completed development projects is 5 years.

Notes to the Financial Statements

9. Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 1 January	2,870,519
Additions for the year	63,435
Cost at 31 December	<u>2,933,954</u>
Impairment losses and depreciation at 1 January	2,003,204
Depreciation for the year	575,167
Impairment losses and depreciation at 31 December	<u>2,578,371</u>
Carrying amount at 31 December	<u>355,583</u>
Depreciated over	<u>5 years</u>

	2022	2021
	DKK	DKK
10. Investments in subsidiaries		
Cost at 1 January	40,000	100
Additions for the year	0	39,900
Cost at 31 December	<u>40,000</u>	<u>40,000</u>
Carrying amount at 31 December	<u>40,000</u>	<u>40,000</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership	Equity	Net profit/loss for the year
WattsUp IP ApS	Hvidovre	DKK 40.000	100%	-8,629	-18,032
				<u>-8,629</u>	<u>-18,032</u>

Notes to the Financial Statements

11. Other fixed asset investments

	Other investments
	DKK
Cost at 1 January	2,200
Cost at 31 December	2,200
Carrying amount at 31 December	2,200

12. Inventories

	2022	2021
	DKK	DKK
Raw materials and consumables	1,793,026	921,398
Flywheels in progress	2,611,608	0
	4,404,634	921,398

13. Other receivables

Other receivables consists of receivables in relation to sale of treasury shares as well as receivables which are of a secondary nature to the main activities of the Company.

Notes to the Financial Statements

14. Share capital

	<u>Number</u>	<u>Nominal value</u> DKK
F-shares	180,000	180,000
A-shares	210,000	210,000
I-shares	460,000	460,000
E-shares	150,000	150,000
		<u>1,000,000</u>

In 2022, the Company has sold 86,306 treasury shares. The share price for the shares amounted to DKK 26,325,290, which has been transferred to retained earnings under equity. Furthermore, the Company has purchased 8,948 treasury shares. The share price for the shares amounted to DKK 1,500,000. The transactions were performed as part of the Company's strategy.

The Company holds a total of 169,900 shares with a nominal value of DKK 169,990 corresponding to 16,99% of the total capital, where 145,722 shares have been reserved for warrant programs for employees as well as option agreements to share transfer agreements.

The Company has provided warrant programmes for all employees and executive management in the Company. The number of warrants issued are 85,900 warrants (nominal share capital DKK 85,900). The exercise price has been determined individually for each warrant agreement.

The maturity period varies from 3 years from the time of granting and programmes have been granted from 2019.

Incentive programmes are not recognised in the Financial Statements.

15. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2022</u> DKK	<u>2021</u> DKK
Other payables		
After 5 years	0	0
Between 1 and 5 years	564,309	552,703
Long-term part	564,309	552,703
Within 1 year	0	0
Other short-term payables	5,850,150	9,587,268
	<u>6,414,459</u>	<u>10,139,971</u>

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	DKK	DKK
16. Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Floating charge on intangible assets, property, plant and equipment and trade receivables.	15,800,000	15,800,000
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	<u>796,619</u>	<u>667,500</u>
	<u>796,619</u>	<u>667,500</u>

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to DKK 0. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

17. Accounting policies

The Annual Report of WattsUp Power A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in DKK.

Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an outflow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

Notes to the Financial Statements

Income statement

Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables include costs incurred to achieve revenue for the year. Expenses for raw materials and consumables include development cost.

Other external expenses

Other external expenses comprise expenses for premises, sales, and advertising as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, work on own account recognised in assets, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including compensation for fixed costs of the government's aid packages.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with the Danish group companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 year.

Other intangible fixed assets

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 5 years. Software licences are amortised over the period of the agreement, which is 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	5 years
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The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Notes to the Financial Statements

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, writedown is made to this lower value.

Fixed asset investments

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums etc.

Equity

Treasury shares

Purchase and sales prices for treasury shares are recognised directly in retained earnings under equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares and increases retained earnings. Dividend on treasury shares is recognised directly in equity under retained earnings.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.