Sønderup revisorer

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ANNUAL REPORT
1. januar - 31. december 2020

Nerve Smart Systems ApS
Langebjergvænget 19 A
4000 Roskilde

CVR nr. 38137271

Submitter:
Sønderup I/S
Statsautoriserede revisorer
CVR no. 31824559

Presented and approved at the company's ordinary generel meeting 21. juni 2021

Chairman
Jesper Boie Rasmussen

Contents

Management's Statement on the Annual Report

The management have today considered and approved the annual report for Nerve Smart Systems ApS for the financial year 1 January to 31 December 2020.

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

In the managements opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2020 and of its financial performance for the financial year 1 January to 31 December 2020.

We recommend the annual report for approval at the annual general meeting.

Roskilde, 21. juni 2021

Executive Board

Jesper Boie Rasmussen

Independent Auditor's Report

To the shareholders of Nerve Smart Systems ApS

Opinion

We have audited the Financial Statements of Nerve Smart Systems ApS for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Company. 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 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. 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 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 of accounting information taken on the basis of these Financial Statements.

Independent Auditor's Report

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

* Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion forgery, intentional omissions, misrepresentations, or the override of internal control.

* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

* Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

* Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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.

Independent Auditor's Report

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

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

Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Ringsted, 21. juni 2021

SØNDERUP I/S
statsautoriserede revisorer
CVR 31824559

Tom Sønderup
State Authorised Public Accountant
mne10489

Management's review

Principal activities

Nerve Smart Systems Aps's main objective is to contribute to the transition from fossil fuel to electricity as easy and sustainable as possible. Over the coming years this transition is expected to play a key role in the remodeling of the infrastructure and equipment worldwide.

Output from renewable energy sources does not converge with the fluctuating consumption which is why affordable and efficient energy storage will be needed.

The global battery management system (BMS) market is expected to grow at a CAGR of 19.9% towards 2027.

The main activity of the company is the development, manufacturing, sale and service of the superior Nerve Switch® which can be used in Battery Storage Solutions and High-Power Chargers.

Uncertainty in recognition or measurement

Recognition and measurement in the Annual Report have not been subject to any significant uncertainty.

Development in activities and financial position

The income statement for 2020 shows a loss of DKK 4.165.368 and an equity of DKK 12.226.604.

The year has been influenced by extensive R&D efforts to complete the production maturement and preparation for certifications.

The management does not consider the result for the year satisfactory.

Expected development

The Nerve Switch® products are expected to be ready for sale from the second quarter of 2021. Our main product - the DC-BESS with integrated EV High Power Charger - will be launched during the Folkemødet on Bornholm in June.

We are experiencing huge interest for our solutions in the market. In order to ensure the necessary cashflow facilitating the expected growth, we will start the process of onboarding additional investors in the coming year.

Significant events after the end of the financial year

No events materially affecting the assessment of the annual report have accurred after the balance sheet date.

Early 2021 two additional capital increases of a total of 12 MDKK has been made by the main shareholder.

Accounting principles applied

The annual report for Nerve Smart Systems ApS 2020 has been prepared in accordance with the Danish Financial Statements Act for class B companies with application of individual rules from class C.

The income statement is presented by type of expenditure and the balance sheet is presented in account form. The measurement currency used is Danish kroner. All other currencies are considered foreign currency.

The accounting principles were applied consistently with the principles of last year's financial reporting.

General information on recognition and measurement

Income is recognized in the income statement as earned, including any value adjustments of financial assets and liabilities. Furthermore, all costs, including amortisation/depreciation and write-downs, are recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of the assets can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits wil flow out of the company, and the value of the liabilities can be measured reliably.

The first recognition measures assets and liabilities at cost. Subsequently, assets and liabilities will be measured individually in respect of each accounting item as described below.

Anticipated risks and loses 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 statement

Gross profit

In pursuance of section 32 (1) of the Danish Financial Statements Act, the first item in the income statement is the gross profit. The item gross profit is the result of revenue, cost of sales, other external cost and other operating income.

Revenue

Net sales in connection with sales of commercial products and finished products are recognized in the profit and loss account, if delivery has taken place and the risk has passed to the customer before the end of the year. Net sales are recognized ex. VAT and net of discounts related to the individual sale.

Accounting principles applied

Cost of goods sold
Cost of goods sold comprises the financial year's cost of sales measured to sales price, ajusted for ordinary inventory write-offs.

Direct operating costs
Direct operating costs include the year's costa for operating machinery foreign work, purchase of materials etc..

Other operating income and expenses
Other operating income and expenses comprise items of a secondary nature in relation to the company's core business.

Other external costs
Other external cost comprise costs for distribution, sales, advertising, administration, premises, bad debts, operating leasing costs etc.

Staff costs
Staff costs contains salaries and wages, including holiday payment, pensions and other social security costs etc. to the company's employees. In staff expenses are received subsidies from public authorities, deducted.

Financial items
Financial income and expenses are regognized in the income statement with the amounts relating to the financial year. The financial items comprise interest income and expense, realized and unrealized exchange rate, gains and losses resulting from transactions in foreign currencies, surcharges and refunds regarding corporation tax.

Tax for the year
The company is jointly taxed with other group companies. The current corporation tax is divided between the jointly taxed companies pro rata to their taxable incomes. The parent company functions as the management company for the joint taxation and handles the tax payments to the danish tax authorities.

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

Accounting principles applied

Balance sheet

Intangible fixed 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 develompent projects as intangible assets, an amount equalling the costs lex deferred tax incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

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

Completed development projects are measured at cost and amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years.

Development projects in progress is not subject to depreciation.

Earnings or loss on disposal of intangible fixed assets is calculated as the difference between the sales price less sales costs and the book value at the time of sale. Profit and losses are entered in the income statement under other operating income and -costs.

Tangible fixed assets
Operating equipment, tools and fixtures as well as leasehold improvements are measured at cost price less accumulated depreciation and write-down.

Depreciation is based on cost price less expected residual value after end of service life. The cost price includes acquisition price and costs directly linked to the acquisition until the time when the asset is ready for commencement of use.

Straight-line depreciation is based on the following assesment of the assets expected useful lives:

- Other fixtures and fittings, tools and equipment: Life cycle 3-10 years, residual value 0-20%.
- Leasehold improvements: Life cycle 3-10 years, residual value 0-20%.

Assets with a cost per unit under the tax threshold for small assets are recognized as expenses in the year of acquisition.

Profits or losses in connection with disposal of tangible fixed assets are calculated as the difference between the sales price less sales costs and the book value at the time of sale. Profits and losses are entered in the income statement under other operating income and -costs.

Accounting principles applied

Leases
Rental and lease contracts is considered as operating leases. Payments in connection with operating lease and other rental agreements are recognized in the income statement over the lease term. The company's total liabilities concerning operating leases are disclosed in connection with contingent items etc.

Financial fixed assets

Other receivables
Deposits are measured at cost.

Impairment of fixed assets
The carrying value of intangible and tangible fixed assets and investments in subsidiaries are assessed annually for indications of impairment beyond what is expressed by depreciation.

If there are indications of impairment, an impairment test of each asset or group of assets will be made. Impairment will be made to its recoverable amount if this is lower than the carrying value.

Inventories
Inventories are valued at cost using the FIFO method. In cases where net realizable value is lower than cost, it will be written down to this lower value.

Cost of goods for resale, raw materials and consumables comprise of purchase price plus transportation costs.

The cost of finished goods and work in progress comprises raw materials, direct labor and direct production costs.

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

Receivables
Receivables are measured at amortized cost, which usually corresponds to the nominal value. Value is reduced by provisions for bad debts.

Prepayments
Prepaid expenses are recorded as assets.

Cash funds
Cash funds are measured at nominal value.

Dividend
Proposed dividend for the financial year is recognized as a separate component of the equity. Proposed dividends are recognized as a liability at the time of adoption.

Accounting principles applied

Tax payable and deferred tax
Current tax liabilities and current tax assets are recognized in the balance sheet as tax calculated on the taxable income allocated with the current tax rate, and adjusted for tax on prior years taxable income and prepaid taxes.

Deferred tax is measured by the liability method concerning temporary differences between the caffying value and tax value of assets and liabilities, calculated based on the planned use of the assets and settlement of the obligation, respectively.

Deferred tax assets, including the tax value of tax losses allowed for carry-forward, are measured at the value at which the asset is expected to be realisable, either through elimanation in tax on future earnings or through offsetting in deferred tax liabilities in the same legal tax unit. Any deferred net tax assets are measured at their net realisation values.

Deferred tax is measured based on the tax rules and tax rates applicable in pursuance of the legislation in force on the balance sheet date when the deferred tax is expected to become payable as current tax. Changes in deferred tax due to change in tax rates is recognized in the income statement.

Liabilities
Other liabilities are measured at amortised cost corresponding to the nominal value.

Deferred revenue
Deferred revenue is received payments regarding income related to future financial years.

Conversion of foreign currency
Transactions in foreign currencies are converted at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognized in the income statement as a financial income or expence. If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognized directly in the equity.

Accounts receivable, payable and other monetary items in foreign currencies that are not settled on the balance sheet date are converted at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the receivable or payable is recognized in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are converted at the rate of exchange on the transaction date.

Income statement 1 January - 31 December

Note		2020	2019
	Gross profit	-4.232.723	-2.702.891
1.	Staff costs	-737.583	-1.168.580
2.	Depreciation and write-downs	-1.521.570	-1.462.055
	OPERATING PROFIT	**-6.491.876**	**-5.333.526**
	Other financial income	0	405.153
	Other financial costs	-25.929	-18.070
	PROFIT/-LOSS BEFORE TAX	**-6.517.805**	**-4.946.443**
	Tax for the year	2.352.437	-112.654
	NET PROFIT/-LOSS FOR THE YEAR	**-4.165.368**	**-5.059.097**
	Appropriation of profit		
	Reserve for development costs	10.178.162	11.793.116
	Distribution of profit	-14.343.530	-16.852.213
	Total appropriation	**-4.165.368**	**-5.059.097**

Balance sheet 31 December

Note		2020	2019
	ASSETS		
3.	Development projects	50.886.029	37.837.104
	Total intangible fixed assets	**50.886.029**	**37.837.104**
	Other fixtures and fittings, tools and equipment	576.679	1.077.195
	Leasehold improvements	293.634	393.354
	Total tangible fixed assets	**870.313**	**1.470.549**
	Financial fixed assets		
	Other receivables	510.317	506.791
	Total financial fixed assets	**510.317**	**506.791**
	TOTAL FIXED ASSETS	**52.266.659**	**39.814.444**
	Finished goods and merchandise	331.524	515.228
	Total inventories	**331.524**	**515.228**
	Receivables from sales and services	85.391	85.962
	Other receivables	4.290.605	3.791.867
	Prepayments and accrued income	1.030.609	99.018
	Total receivables	**5.406.605**	**3.976.847**
	Cash funds	5.439.709	2.843.938
	Total cash funds	**5.439.709**	**2.843.938**
	TOTAL CURRENT ASSETS	**11.177.838**	**7.336.013**
	TOTAL ASSETS	**63.444.497**	**47.150.457**

Balance sheet 31 December

Note		2020	2019
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	50.000	50.000
	Reserve for development costs	39.691.103	29.512.941
	Retained earnings	-27.514.499	-23.170.969
	TOTAL EQUITY	**12.226.604**	**6.391.972**
	Provisions for deferred tax	4.424.596	4.045.345
	TOTAL PROVISIONS	**4.424.596**	**4.045.345**
4.	**Long-term liabilities**		
	Payables to group companies	16.795.138	15.769.804
	Other payables	929.907	276.731
5.	Deferred income	26.399.754	18.922.364
	Total long-term liabilities	**44.124.799**	**34.968.899**
	Suppliers of goods and services	868.820	617.099
	Other payables	1.799.678	1.127.142
	Total short-term liabilities	**2.668.498**	**1.744.241**
	TOTAL LIABILITIES	**46.793.297**	**36.713.140**
	TOTAL EQUITY AND LIABILITIES	**63.444.497**	**47.150.457**

6. Uncertainty about the continued operation
7. Contingencies

Statement of changes in equity

	2020	2019
Share capital		
Beginning of year	50.000	50.000
End of year	**50.000**	**50.000**
Reserve for development costs		
Beginning of year	29.512.941	17.719.825
Additions during the year	10.178.162	11.793.116
End of year	**39.691.103**	**29.512.941**
Retained earnings		
Beginning of year	-23.170.969	-16.318.756
Transferred from net profit	-14.343.530	-16.852.213
Grants from group companies	10.000.000	10.000.000
End of year	**-27.514.499**	**-23.170.969**
Equity end of year	**12.226.604**	**6.391.972**

Noter

	2020	2019
1. Staff costs		
Salaries	133.639	583.250
Pension costs	463.157	430.848
Other social security costs	140.787	154.482
Total staff costs	**737.583**	**1.168.580**
Persons employed on average	17	18
2. Depreciation and write-downs		
Depreciation and write-downs of fixed assets	1.521.570	1.462.055
Total depreciation and write-downs	**1.521.570**	**1.462.055**

3. Development projects

The development costs primarily include the development of new charging systems for electric cars. The systems are expected to be completed in the coming years, after which marketing and sales can begin. The new systems are expected to bring significant competitive advantages and thus a significant increase in activity level and result from 2021 onwards. Development costs are recognized under intangible assets.

4. Long-term liabilities

TDKK 930 of long-term debt are due after 5 years.

5. Deferred income

Prepayments and accrued income relate to grants received for development projects. It is selected, that these grants be listed as long-term debt. They will then be recognized as income from operations as the development projects are depreciated.

6. Uncertainty about the continued operation

The company's continued operation is subject to the retention of the credit available from suppliers and main shareholder, under the current conditions, and that fresh capital is contributed if needed. There is nothing that indicates that the credits would not be available and that there should not be given additional credit for at least 12 months from the balance sheet date. The annual report is prepared in accordance with the principle of continuous operation.

7. Contingencies

The company has entered into an operational leasing agreement for a single van and two trucks. The remaining term time on these agreements is 18 and 35 months respectively. The total liability is calculated at TDKK 181.

The company has entered into a lease with an annual rent cost of TDKK 1.025. Within the contract there is a clause stating that 6 months notice is required prior to termination of the lease.

The company is jointly and severally liable for all group companies for the total tax on joint taxation income and for certain possible withholding taxes, such as dividends and royalties.

Dette dokument er underskrevet af nedenstående parter, der med deres underskrift har bekræftet dokumentets indhold samt alle datoer i dokumentet.

This document is signed by the following parties with their signatures confirming the documents content and all dates in the document.

Jesper Boie Rasmussen

Som Dirigent
NEM ID
RID: 83240228
Tidspunkt for underskrift: 28-06-2021 kl.: 09:58:26
Underskrevet med NemID

Jesper Boie Rasmussen

Som Direktør
NEM ID
RID: 83240228
Tidspunkt for underskrift: 28-06-2021 kl.: 09:58:26
Underskrevet med NemID

Tom Sønderup

Som Revisor
NEM ID
RID: 1232019958738
Tidspunkt for underskrift: 28-06-2021 kl.: 12:07:42
Underskrevet med NemID