

Company Registration No. SC061639 (Scotland)

ARTEMIS INTELLIGENT POWER LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021

ARTEMIS INTELLIGENT POWER LIMITED

COMPANY INFORMATION

| | |
|--------------------------|----------------------------------------------------------------------------------------|
| Directors | T J Christensen A Stahlschmidt I Termenon N Wanless |
| Company number | SC061639 |
| Registered office | 50 Lothian Road EDINBURGH Scotland EH3 9WJ |
| Auditors | Harwood Hutton Limited 22 Wycombe End Beaconsfield Buckinghamshire HP9 1NB |

ARTEMIS INTELLIGENT POWER LIMITED

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ARTEMIS INTELLIGENT POWER LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 30 JUNE 2021

The directors present the strategic report for the 18 month period ended 30 June 2021.

Review of the business

The principal activities of Artemis Intelligent Power Limited ('the company') are those of scientific and technical research, the pursuit of practical and commercial application of such research, and the licensing of its patented technology.

In collaboration with Danfoss Scotland Limited ('the parent company'), the company has continued to work on a major project funded by The Advanced Propulsion Centre ('APC'). The focus of this project is developing our technology to lower the CO2 emissions of off-road work vehicles. The project will run until mid-2022.

In January 2021, the company's parent, Danfoss Scotland Limited, acquired the remaining shares in the company, bringing its ownership of the company to 100%. The ultimate controlling party, Danfoss A/S, approved a transfer of the company's trade and assets (excluding intellectual property) to the parent effective February 2021. Consideration received for all transferred assets and liabilities was at the company's book value of those assets and liabilities at the date of transfer. A Transfer of Undertakings (Protection of Employment) process was completed to reassign the company's employees to its parent.

The company's turnover was primarily derived from research and development services performed for its parent, and from third party work in the wave energy sector. Other operating income includes grant income from APC.

The company's expenditure was principally for the salaries of its 70 employees, and the operation of its leased facility in Loanhead. Investment in patents to protect the company's Digital Displacement® pump technology in key markets and sectors throughout the world continues to be a significant element of expenditure.

The company's key financial performance indicators are set by the ultimate controlling party and relate to income for engineering projects and grants, and net fixed expenses. Income from engineering projects decreased in the period - work on a major wave energy contract was completed, and the company focussed on activities related to the APC project. Monthly grant income and net fixed expenses were consistent with the prior period.

Following the transfer of trade and assets to Danfoss Scotland Limited, all income and expenditure has been considered derived from discontinued operations apart from any income and expenditure attributable to intellectual property.

The ultimate controlling party intends the company to continue to hold intellectual property related to its patented technology. The company is therefore expected to remain in operation as a going concern for a period of longer than 12 month from the date of this report. As a result, the financial statements are prepared on a going concern basis.

Future developments

Now the company's trade has transferred to its parent, the company's former employees are expected to continue their research in improving energy efficiency across a range of sectors: on-road, off-road, rail vehicles, industrial applications, and renewable energy applications.

The directors believe that full integration of the company's trade with its parent will accelerate the commercialisation of our Digital Displacement® technology, and there are specific plans to release new products to the market in the short to medium term.

ARTEMIS INTELLIGENT POWER LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

Principal risks and uncertainties

The company's principal financial assets were cash and cash equivalents and trade and other receivables.

Credit risk

The company's credit risk was limited, as it had only a few customers either in the public sector or on the basis of longer-term working relationships.

Liquidity risk

The factors likely to affect the future development, performance and position of the company are disclosed earlier in this Strategic Report. The financial position of the company is presented in the Statement of Financial Position.

Excess cash was maintained in Danfoss' in-house bank account, and the company's own current and short-term deposit accounts, which carried limited financial risk.

Foreign currency risk

Sterling is the functional currency within the company. The directors concluded that with the existing business model, there was limited risk in this area.

Operational management

The company has adopted Danfoss rules for internal audit, and has increased awareness of accountability and risk management as a result. The objective within Danfoss is to ensure sufficient working capital within the group and monitor the management of credit and operational risks at a business unit level on an on-going basis.

Legislative risks

The company was subject to on-going changes in UK Standards and any new directives.

On behalf of the board

N Wanless

Director

22 March 2022

ARTEMIS INTELLIGENT POWER LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 JUNE 2021

The directors present their annual report and financial statements for the 18 month period ended 30 June 2021.

Results and dividends

The results for the period are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

| | |
|-------------------|------------------------------|
| T Asahina | (Resigned 8 January 2021) |
| T M Auerbach | (Resigned 1 February 2021) |
| E D Bretey | (Resigned 11 November 2021) |
| N J Caldwell | (Resigned 1 February 2021) |
| T J Christensen | (Appointed 1 February 2021) |
| J L Herrin | (Resigned 1 February 2021) |
| P Joly | (Resigned 1 February 2021) |
| T Noguchi | (Resigned 8 January 2021) |
| Prof W H S Rampen | (Resigned 8 January 2021) |
| A Robertson | (Resigned 1 February 2021) |
| A Stahlschmidt | (Appointed 1 February 2021) |
| U B P Stein | (Resigned 8 January 2021) |
| I Termenon | (Appointed 11 November 2021) |
| N Wanless | (Appointed 1 February 2021) |

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the period. These provisions remain in force at the reporting date.

Auditor

Harwood Hutton Limited were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

ARTEMIS INTELLIGENT POWER LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk management, future developments and research and development activities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

N Wanless

Director

22 March 2022

ARTEMIS INTELLIGENT POWER LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF ARTEMIS INTELLIGENT POWER LIMITED

Opinion

We have audited the financial statements of Artemis Intelligent Power Limited (the 'company') for the period ended 30 June 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards 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 ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

ARTEMIS INTELLIGENT POWER LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF ARTEMIS INTELLIGENT POWER LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are 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 unless the directors either are to liquidate the company or to cease operations, or have 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 (UK) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was a susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

At a group level, a clear and robust internal control expectation is set and applied across all subsidiary companies. These controls include consistent transaction processes, regular and timely reconciliations, and effective segregation of controls and authorisation procedures. The company also adopted Danfoss group rules for internal audit. The strong internal control environment indicated that the susceptibility of the financial statements to material misstatement as a result of fraud or error was reduced.

The directors reported that they had no knowledge of actual, suspected or alleged fraud in the year, but as auditors we remain vigilant for any indicators of fraud nonetheless.

The potential for misappropriation of assets such as cash were considered, but were assessed to be low risk by us given the controls and mechanisms surrounding these assets.

ARTEMIS INTELLIGENT POWER LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF ARTEMIS INTELLIGENT POWER LIMITED

The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.

We identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector. We focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment and health and safety legislation and quality assurance regulations.

We did not identify any laws and regulations as being significant in the context of the entity directly, apart from those laws and regulations usually applicable to a company operating within the United Kingdom.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reviewing minutes of appropriate meetings of those charged with governance; and
- enquiring with management as to actual and potential litigation claims.

We obtained an understanding how the entity is complying with the relevant legal and regulatory framework by making enquiries with management, reviewing appropriate legally required reporting and reviewing legal and professional fee invoices.

To address the risk of fraud through management override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries for appropriateness and to identify unusual transactions; and
- investigated the rationale behind significant or unusual transactions.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to the member in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member for our audit work, for this report, or for the opinions we have formed.

Margaret El Khalidi (Senior Statutory Auditor)
For and on behalf of Harwood Hutton Limited

22 March 2022

Chartered Accountants
Statutory Auditor

22 Wycombe End
Beaconsfield
Buckinghamshire
HP9 1NB

ARTEMIS INTELLIGENT POWER LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2021

| | | | | 18 months ended 30 June 2021 | | 9 months ended 31 December 2019 as restated |
|-----------------------------------------------|----------|-----------------------|-------------------------|---------------------------------|-----------------------|---------------------------------------------------|
| | | Continuing operations | Discontinued operations | | Continuing operations | Discontinued operations |
| Notes | £ | £ | £ | £ | £ | £ |
| Turnover | 4 | - | 2,660,800 | 2,660,800 | - | 2,669,556 |
| Cost of sales | | (35,000) | (1,646,635) | (1,681,635) | (312) | (1,739,567) |
| Gross profit | | (35,000) | 1,014,165 | 979,165 | (312) | 929,989 |
| Administrative expenses | | (293,251) | (2,655,285) | (2,948,536) | (233,653) | (1,771,594) |
| Other operating income | | - | 1,590,782 | 1,590,782 | - | 1,074,357 |
| Operating (loss)/profit | 5 | (328,251) | (50,338) | (378,589) | (233,965) | 232,752 |
| Interest receivable and similar income | | - | 20,891 | 20,891 | - | 8,563 |
| (Loss)/profit before taxation | | (328,251) | (29,447) | (357,698) | (233,965) | 241,315 |
| Tax on (loss)/profit | 8 | - | (32,074) | (32,074) | - | (60,169) |
| (Loss)/profit for the financial period | | (328,251) | (61,521) | (389,772) | (233,965) | 181,146 |

ARTEMIS INTELLIGENT POWER LIMITED

BALANCE SHEET

AS AT 30 JUNE 2021

| | | 2021 | | 2019 as restated | |
|-------------------------------------------------------|-------|------------------|-------------------------|---------------------|-------------------------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 10 | | - | | 314,369 |
| Tangible assets | 11 | | - | | 111,730 |
| | | | | | <u>426,099</u> |
| Current assets | | | | | |
| Stocks | 12 | - | | 72,051 | |
| Debtors - deferred tax | 16 | - | | 93,437 | |
| Debtors - other | 13 | 3,612,249 | | 2,120,967 | |
| Cash at bank and in hand | | - | | 2,740,529 | |
| | | <u>3,612,249</u> | | <u>5,026,984</u> | |
| Creditors: amounts falling due within one year | 14 | - | | (1,367,698) | |
| Net current assets | | | <u>3,612,249</u> | | <u>3,659,286</u> |
| Total assets less current liabilities | | | <u>3,612,249</u> | | <u>4,085,385</u> |
| Provisions for liabilities | | | | | |
| Provisions | 15 | - | | 41,279 | |
| Deferred tax liability | 16 | - | | 42,085 | |
| | | | - | <u>(83,364)</u> | |
| Net assets | | | <u><u>3,612,249</u></u> | | <u><u>4,002,021</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 19 | | 1,862 | | 1,862 |
| Share premium account | | | 3,719,768 | | 3,719,768 |
| Profit and loss reserves | | | (109,381) | | 280,391 |
| Total equity | | | <u><u>3,612,249</u></u> | | <u><u>4,002,021</u></u> |

The financial statements were approved by the board of directors and authorised for issue on 22 March 2022 and are signed on its behalf by:

N Wanless
Director

Company Registration No. SC061639

ARTEMIS INTELLIGENT POWER LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2021

| | Share capital | Share premium account | Profit and loss reserves | Total |
|-----------------------------------------------------------|---------------|-----------------------|--------------------------|-----------|
| | £ | £ | £ | £ |
| As restated for the period ended 31 December 2019: | | | | |
| Balance at 1 April 2019 | 1,862 | 3,719,768 | 595,993 | 4,317,623 |
| Effect of accounting policy changes and corrections | - | - | (496,748) | (496,748) |
| As restated | 1,862 | 3,719,768 | 99,245 | 3,820,875 |
| Period ended 31 December 2019: | | | | |
| Profit and total comprehensive income for the period | - | - | 181,146 | 181,146 |
| Balance at 31 December 2019 | 1,862 | 3,719,768 | 280,391 | 4,002,021 |
| Period ended 30 June 2021: | | | | |
| Loss and total comprehensive income for the period | - | - | (389,772) | (389,772) |
| Balance at 30 June 2021 | 1,862 | 3,719,768 | (109,381) | 3,612,249 |

ARTEMIS INTELLIGENT POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

1 Accounting policies

Company information

Artemis Intelligent Power Limited is a private company limited by shares incorporated in Scotland. The registered office is 50 Lothian Road, Edinburgh, Scotland, EH3 9WJ. The principal place of business is Unit 3, Edgefield Industrial Estate, Loanhead, Scotland, EH20 9TB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument
- Section 26 'Share based Payment': Share based payment arrangements required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Danfoss A/S. These consolidated financial statements are available from its registered office, 6430 Nordborg, Denmark.

1.2 Going concern

As detailed in the Strategic Report, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, at the time of approving the financial statements. Thus the directors have adopted the going concern basis of accounting in preparing the financial statements.

The financial statements for the previous accounting period were prepared on a basis other than a going concern. As reported in those financial statements, there were no adjustments to the balance sheet in respect of this change in accounting presentation. It has therefore not been considered necessary to restate any comparative information to reflect the return to a going concern basis of accounting.

1.3 Reporting period

The reporting period has been extended to the 18 months from 1 January 2020 to 30 June 2021 in order to present the results of the hive up of trade and assets to Danfoss Scotland Limited, the immediate parent company. The comparative amounts and related notes are therefore not entirely comparable.

ARTEMIS INTELLIGENT POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.4 Turnover

Turnover is measured at the fair value of the consideration received or receivable for the sale of goods and the rendering of services in the normal course of business, and is shown net of discounts and VAT.

Rendering of services

Revenue from the provision of long-term contracts is recognised by reference to the stage of completion. Stage of completion is measured by reference to total actual costs incurred to date as a percentage of total estimated costs for each contract on the basis that the contract outcome can be measured reliably based on the company's past experience in similar contracts.

Royalties

Royalties' income is recognised on an accruals basis in accordance with the substance of the relevant agreement.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|-------------------|--------------|
| Software | 3 to 5 years |
| Development costs | 5 years |

The useful lives of individual intangible assets vary and have been reviewed; management consider these bases to be prudent.

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|-----------------------|--------------|
| Plant and equipment | 3 to 5 years |
| Fixtures and fittings | 3 to 5 years |
| Motor vehicles | 3 to 5 years |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

ARTEMIS INTELLIGENT POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.9 Stocks

Stocks are recognised as an expense in the period in which the related revenue is recognised. Cost is determined on the first-in, first-out (FIFO) method.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 "Basic Financial Instruments" to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Short term debtors are measured at transaction price less any provision for impairment. Loans receivable are measured initially at fair value, net of transaction costs and are subsequently carried at amortised costs using the effective interest method, less any provision for impairment.

Basic financial liabilities

Short term creditors are measured at transaction price. Other financial liabilities, including bank loans and other loans, are measured initially at fair value, net of transaction costs and are subsequently carried at amortised costs using the effective interest method.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account.

ARTEMIS INTELLIGENT POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.16 Government grants

Grant income is accounted for on an accruals basis. Income is recorded in the same period in which the eligible expenditure upon which the grant claim is based is incurred.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Change in accounting policy

At the beginning of this reporting period the entity adopted group accounting policies in respect of patents, under which the company chose not to capitalise patents under a certain value.

The previous accounting policy capitalised costs in relation to patent applications based on anticipated outcome of the application process.

The change in accounting policy has resulted in all previously capitalised patents being expensed to the profit and loss through a prior period restatement.

Further details of the impact of this change in accounting policy are provided in note 23 to these financial statements.

ARTEMIS INTELLIGENT POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

3 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

In the directors' opinion, there are no key judgements or key sources of estimation uncertainty applied to these financial statements.

4 Turnover and other operating income

| | | 18 months ended 30 June 2021 £ | 9 months ended 31 December 2019 £ |
|-------------------------------------------------|-------------|--------------------------------------------|-----------------------------------------------|
| Turnover analysed by class of business | | | |
| Rendering of services | | 2,660,800 | 2,669,556 |
| | | <u>2,660,800</u> | <u>2,669,556</u> |
| | | 18 months ended 30 June 2021 £ | 9 months ended 31 December 2019 £ |
| Other operating income | | | |
| Grants received | Notes 16 | 1,590,782 | 1,074,357 |
| | | <u>1,590,782</u> | <u>1,074,357</u> |
| | | 18 months ended 30 June 2021 £ | 9 months ended 31 December 2019 £ |
| Turnover analysed by geographical market | | | |
| United Kingdom | | 2,655,540 | 2,661,870 |
| United States of America | | - | 2,906 |
| Japan | | 5,260 | 4,780 |
| | | <u>2,660,800</u> | <u>2,669,556</u> |

ARTEMIS INTELLIGENT POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

5 Operating (loss)/profit

| | 18 months ended 30 June 2021 £ | 9 months ended 31 December 2019 £ |
|----------------------------------------------------------------------------------------------------|--------------------------------------------|-----------------------------------------------|
| Operating (loss)/profit for the period is stated after charging/(crediting): | | |
| Exchange differences | 2,431 | (2,106) |
| Research and development costs | 2,066,376 | 1,786,912 |
| Government grants | (1,590,782) | (1,074,357) |
| Fees payable to the company's previous auditor for the audit of the company's financial statements | 26,010 | 18,415 |
| Depreciation of owned tangible fixed assets | 83,510 | 35,554 |
| Profit on disposal of tangible fixed assets | (2,000) | (790) |
| Amortisation of intangible assets | 72,590 | 10,742 |
| Loss on disposal of intangible assets | 9,608 | 57,371 |
| Operating lease charges | 283,235 | 265,917 |

6 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

| | 2021 Number | 2019 Number |
|-------------|----------------|----------------|
| Management | 5 | 6 |
| Admin | 6 | 4 |
| Engineering | 60 | 60 |
| Total | 71 | 70 |

Their aggregate remuneration comprised:

| | 2021 £ | 2019 £ |
|-----------------------|-----------|-----------|
| Wages and salaries | 2,440,830 | 1,715,086 |
| Social security costs | 259,576 | 180,683 |
| Pension costs | 410,545 | 280,107 |
| | 3,110,951 | 2,175,876 |

ARTEMIS INTELLIGENT POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

7 Directors' remuneration

| | 2021 £ | 2019 £ |
|---------------------------------------------------------------|----------------|----------------|
| Remuneration for qualifying services | 402,142 | 241,948 |
| Company pension contributions to defined contribution schemes | 112,773 | 86,020 |
| | <u>514,915</u> | <u>327,968</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2019 - 6).

Remuneration disclosed above include the following amounts paid to the highest paid director:

| | 2021 £ | 2019 £ |
|--------------------------------------|-----------|-----------|
| Remuneration for qualifying services | 109,106 | 101,275 |

8 Taxation

| | 2021 £ | 2019 £ |
|------------------------------------------------------|-----------------|---------------|
| Current tax | | |
| UK corporation tax on profits for the current period | 55,989 | 46,358 |
| Adjustments in respect of prior periods | - | 443 |
| Total current tax | <u>55,989</u> | <u>46,801</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | <u>(23,915)</u> | <u>13,368</u> |
| Total tax charge | <u>32,074</u> | <u>60,169</u> |

ARTEMIS INTELLIGENT POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

8 Taxation

(Continued)

The actual charge for the period can be reconciled to the expected (credit)/charge for the period based on the profit or loss and the standard rate of tax as follows:

| | 2021 £ | 2019 £ |
|---------------------------------------------------------------------------------------------------------------|-----------|-----------|
| (Loss)/profit before taxation | (357,698) | 241,315 |
| Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) | (67,963) | 45,850 |
| Tax effect of expenses that are not deductible in determining taxable profit | 87 | 10,105 |
| Tax effect of utilisation of tax losses not previously recognised | (10,251) | (32,090) |
| Losses on discontinued operations not recognised | 89,482 | - |
| Research and development tax credit | 55,989 | 46,357 |
| Deferred tax adjustments in respect of prior years | (35,270) | (2,269) |
| Adjustment in respect of prior years - RDEC | - | (443) |
| Impact of change in tax rate on deferred tax | - | (7,341) |
| Taxation charge for the period | 32,074 | 60,169 |

A potential deferred tax asset of £nil (2019 - £339,480) in respect of trading losses has not been recognised following the hive up of the trade and all assets, apart from intellectual property, into the immediate parent company, Danfoss Scotland Limited. In the prior year, the potential asset was not recognised on grounds of recoverability. Accumulated taxable trade losses of £2.9m were transferred to Danfoss Scotland Limited, alongside other deferred tax assets and liabilities.

Unrelieved research and development expenditure credits totalling £365,342 (2019 - £320,988) have not been recognised due to insufficient evidence as to its recoverability in the near future. This asset would be recoverable against future trading profits of the company. There is no expiry date on these unused tax credits.

9 Discontinued operations

As detailed in the Strategic Report, the trade and assets of the company were transferred into the immediate parent company, Danfoss Scotland Limited, in February 2021. Following this transfer, the entity now holds intellectual property related to its patented technology. As a result, all operations have been considered discontinued unless they were directly attributable to the intellectual property maintenance.

ARTEMIS INTELLIGENT POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

10 Intangible fixed assets

| | Software | Development costs | Total |
|-------------------------------------|-----------|-------------------|-----------|
| | £ | £ | £ |
| Cost | | | |
| At 1 January 2020 | 148,821 | 269,914 | 418,735 |
| Disposals | (148,821) | (269,914) | (418,735) |
| At 30 June 2021 | - | - | - |
| Amortisation and impairment | | | |
| At 1 January 2020 | 104,366 | - | 104,366 |
| Amortisation charged for the period | 14,109 | 58,481 | 72,590 |
| Disposals | (118,475) | (58,481) | (176,956) |
| At 30 June 2021 | - | - | - |
| Carrying amount | | | |
| At 30 June 2021 | - | - | - |
| At 31 December 2019 | 44,455 | 269,914 | 314,369 |

11 Tangible fixed assets

| | Plant and equipment | Fixtures and fittings | Motor vehicles | Total |
|------------------------------------|---------------------|-----------------------|----------------|-----------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2020 | 342,948 | 87,412 | 25,795 | 456,155 |
| Additions | 58,670 | - | - | 58,670 |
| Disposals | (401,618) | (87,412) | (25,795) | (514,825) |
| At 30 June 2021 | - | - | - | - |
| Depreciation and impairment | | | | |
| At 1 January 2020 | 281,507 | 57,111 | 5,807 | 344,425 |
| Depreciation charged in the period | 49,675 | 26,407 | 7,428 | 83,510 |
| Eliminated in respect of disposals | (331,182) | (83,518) | (13,235) | (427,935) |
| At 30 June 2021 | - | - | - | - |
| Carrying amount | | | | |
| At 30 June 2021 | - | - | - | - |
| At 31 December 2019 | 61,441 | 30,301 | 19,988 | 111,730 |

ARTEMIS INTELLIGENT POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

12 Stocks

| | 2021 £ | 2019 £ |
|-------------------------------|-----------|-----------|
| Raw materials and consumables | - | 34,123 |
| Work in progress | - | 37,928 |
| | - | 72,051 |

13 Debtors

| | 2021 £ | 2019 £ |
|---------------------------------------------|-----------|-----------|
| Amounts falling due within one year: | | |
| Trade debtors | - | 176,257 |
| Amounts owed by group undertakings | 3,612,249 | 960,430 |
| Other debtors | - | 715,381 |
| Prepayments and accrued income | - | 268,899 |
| | 3,612,249 | 2,120,967 |

| | 2021 £ | 2019 £ |
|------------------------------------------------------|-----------|-----------|
| Amounts falling due after more than one year: | | |
| Deferred tax asset (note 16) | - | 93,437 |
| | - | - |
| Total debtors | 3,612,249 | 2,214,404 |

14 Creditors: amounts falling due within one year

| | Notes | 2021 £ | 2019 £ |
|------------------------------|-------|-----------|-----------|
| Trade creditors | | - | 86,953 |
| Taxation and social security | | - | 184,498 |
| Government grants | 17 | - | 627,730 |
| Other creditors | | - | 72,179 |
| Accruals and deferred income | | - | 396,338 |
| | | - | 1,367,698 |

15 Provisions for liabilities

| | 2021 £ | 2019 £ |
|-------------------------|-----------|-----------|
| Dilapidations provision | - | 41,279 |

ARTEMIS INTELLIGENT POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

| | Liabilities 2021 £ | Liabilities 2019 £ | Assets 2021 £ | Assets 2019 £ |
|---------------------------------|--------------------------|--------------------------|---------------------|---------------------|
| Balances: | | | | |
| Accelerated capital allowances | - | 35,270 | - | 90,187 |
| Other timing differences | - | 6,815 | - | 3,250 |
| | <u>-</u> | <u>42,085</u> | <u>-</u> | <u>93,437</u> |
| | | | | |
| | | | | 2021 |
| Movements in the period: | | | | £ |
| Asset at 1 January 2020 | | | | (51,352) |
| Credit to profit or loss | | | | (23,915) |
| Transfer on disposal | | | | 75,267 |
| | | | | <u>-</u> |
| Liability at 30 June 2021 | | | | <u>-</u> |

17 Government grants

Government grants were receivable from Innovate UK for the research and development work related to high efficiency digital hydraulic motors for renewable power and off-road vehicles; and from The Rail Safety and Standards Board for the application of Digital Displacement® to high efficiency auxiliary drives for the rail industry.

There are no unfulfilled conditions or contingencies attached to these grants. Included in the profit and loss is grant income of £1,459,681 (2019 - £1,074,357). Included in the balance sheet are accrued income of £nil (2019 - £264,297) and deferred income of £nil (2019 - £627,730).

Government grants were also receivable in respect of the Coronavirus Job Retention Scheme. There are no unfulfilled conditions or contingencies attached to these grants. Included in the profit and loss is grant income of £131,101 (2019: £nil)

18 Retirement benefit schemes

| | 2021 £ | 2019 £ |
|---------------------------------------------------------------------|----------------|----------------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>410,545</u> | <u>280,107</u> |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

ARTEMIS INTELLIGENT POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

19 Share capital

| | 2021 Number | 2019 Number | 2021 £ | 2019 £ |
|-------------------------------------------------|----------------|----------------|-----------|-----------|
| Ordinary share capital Issued and fully paid | | | | |
| Ordinary shares of 1p each | 186,225 | 186,225 | 1,862 | 1,862 |

20 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2021 £ | 2019 £ |
|----------------------------|----------------|----------------|
| Within one year | 245,000 | 336,733 |
| Between two and five years | 183,750 | 551,250 |
| | <u>428,750</u> | <u>887,983</u> |

Following the hive up of trade and assets to the company's immediate parent, Danfoss Scotland Limited, the directors sought the consent of the landlord to assign the company's leased facility. This was accepted by the landlord but the lease was not formally novated.

21 Related party transactions

Transactions with related parties

The company has not disclosed transactions with its parent company, or with members of the same group that are wholly owned, from the point that it became a wholly owned.

During the period prior to being wholly owned by the group, Artemis Intelligent Power Limited made sales of £2,308,485 (2016: £2,414,431) to Danfoss Scotland Limited, its immediate parent company.

22 Ultimate controlling party

Danfoss Scotland Ltd is the immediate parent company by virtue of owning 100% of the company's issued share capital.

The ultimate controlling party is Danfoss A/S, which is registered in Denmark. The financial statements of the company are consolidated in the financial statements of the ultimate controlling party. These consolidated financial statements are available from its registered office: 6430 Nordberg, Denmark.

ARTEMIS INTELLIGENT POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

23 Prior period adjustment

As detailed in note 2 to these financial statements, the entity adopted group accounting policies at the beginning of this accounting period in respect of patents, under which the company chose not to capitalise patents under a certain value. The adoption of this group accounting policy brought recognition of patents into line with both the parent entity and other group members with a similar principal activity, and allowed more consistent reporting at a group level.

The previous accounting policy capitalised costs in relation to patent applications based on anticipated outcome of the application process.

The change in accounting policy has been applied retrospectively and resulted in all previously capitalised patents being expensed to the profit and loss through a prior period restatement.

During the period £85,000 of rental charges in respect of prior periods were identified. The rental charge should have been accrued in the prior reporting period, and a restatement to this effect has been included within these financial statements.

Reconciliation of changes in equity

| | 1 April 2019 £ | 31 December 2019 £ |
|-------------------------------------------|----------------------|--------------------------|
| Adjustments to prior period | | |
| Change in patent accounting policy | (496,748) | (550,520) |
| Correction of rent charge in prior year | - | (85,000) |
| Total adjustments | (496,748) | (635,520) |
| Equity as previously reported | 4,317,623 | 4,637,541 |
| Equity as adjusted | 3,820,875 | 4,002,021 |
| Analysis of the effect upon equity | | |
| Profit and loss reserves | (496,748) | (635,520) |

Reconciliation of changes in profit for the previous financial period

| | 2019 £ |
|-----------------------------------------|-----------|
| Adjustments to prior period | |
| Change in patent accounting policy | (53,772) |
| Correction of rent charge in prior year | (85,000) |
| Total adjustments | (138,772) |
| Profit as previously reported | 319,918 |
| Profit as adjusted | 181,146 |

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