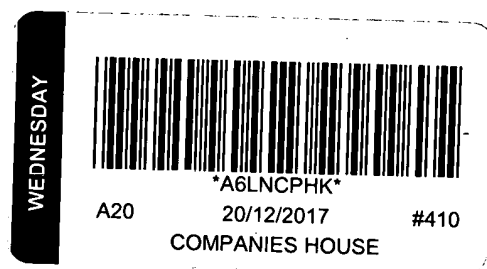


Company Registration No. 05783558

GREEN ENERGY OPTIONS LIMITED

Report and Financial Statements

31 March 2017



19/09/2017

GREEN ENERGY OPTIONS LIMITED

REPORT AND FINANCIAL STATEMENTS 2017

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GREEN ENERGY OPTIONS LIMITED

REPORT AND FINANCIAL STATEMENTS 2017

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Anderson
P Caiger-Smith
P Hebden
A White
E Oxburgh
N Jenkins

SECRETARY

P Hebden

REGISTERED OFFICE

3 St Mary's Court
Main Street
Hardwick
Cambridgeshire
CB23 7QS

BANKERS

Barclays Bank PLC
Mortlock House
Station Road
Histon
Cambridge

SOLICITORS

Charles Russell Speechlys
5 Fleet Place
London, United Kingdom

AUDITOR

Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom

GREEN ENERGY OPTIONS LIMITED

STRATEGIC REPORT

PRINCIPAL ACTIVITY

The principal activity of the company is to develop products which improve the energy efficiency of customers.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The UK Smart Meter Programme

The UK Smart Metering Programme remains a key engine of growth. The main smart meter rollout has been delayed, however our products continue to be installed in volume during the Foundation Phase of the programme which is continuing. There are now some 5 million homes with smart meters, a majority of the supporting IHDs are ours and Smart Energy GB repeatedly records an 80% satisfaction level from their comprehensive consumer surveys. Revenue increase has again been strong despite the delays and the effect on the business has been limited to pushing additional growth into next year.

Smart Home and the Internet of Energy

A main focus of work over the last year has been to ensure all our products work together to support the smart home; the term smart home covers a lot of areas from entertainment to energy. Our focus is the energy element and what we are calling the Internet of Energy. This is bringing together the management of smart meters, solar generation, energy storage, electric vehicle charging, smart heating and other “heavy-duty” electrical services. We see the Internet of Energy as underpinning active buildings – buildings that automatically interface and react to grid messages to deliver demand management. This is being driven by the EU Energy Performance of Buildings directive (EPBD) which contains a requirement for a Smart Building Indicator. We are working closely with a number of industry groups to ensure that this becomes a pragmatic output measure of the demand management capacity of a building. All this underpins our development of “The Hybrid Home™” which combines the major energy uses in a home to deliver lower energy costs and better living conditions without the need for behaviour change. Our target is to reduce home energy costs by half compared with a standard home. This year we will carry out trials in conjunction with Utilities, Property Developers and a University.

Data Services

Our data services continue to make steady progress. In particular we have integrated a WiFi transmitter into our smart meter displays. This means that our customers have the ability to access live energy data from the millions of IHDs that they will be installing. This we believe will be a significant enhancement that will yield greater value from the smart meter programme. Our next step is to enhance the Artificial Intelligence content of the data services we are providing.

Summary

Overall, we have continued to enjoy a leadership position in our chosen market – smart energy – underpinned by a healthy order book. This was recognised by winning a Queens Award for Innovation and also being listed in the top half of the Sunday Times Hiscox tech Track 100.

KEY PERFORMANCE INDICATORS (“KPIs”)

This year saw our business continue to grow strongly with a 53% growth in sales delivering a 230% growth in pre-tax profits.

Our financial performance closely matched our forecasts with sales, margins and overheads all close to expectations. The order pipeline is strong with a very healthy forward order book at the end of the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Smart metering programme delays

Further delays to the UK smart meter programme continue to pose some risk. We predicted last year that we expected a few more technical delays and this has come to pass. This is not unexpected as it is a large and ambitious programme however, despite some negative publicity there is strong progress with around 9 million meters installed. Testing of the next generation of meters and displays has started and we are confident that the main roll-out will commence in 2018 with the main volumes coming through by the end of the Financial Year. The uncertainty we talked about last year around In-Home Displays (IHDs) has receded. Smart Energy GB surveys show strong public acceptance and our addition of WiFi has added further value from having an IoT connected IHD device using our data services.

GREEN ENERGY OPTIONS LIMITED

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Brexit

Brexit remains a risk mainly due to the ongoing uncertainty and negativity in the media. The main short-term impact has been the drop in the value of Sterling which has had the effect of pushing up input costs. However, our currency hedging strategy has been effective.

Access to skilled people continues to be a challenge and Brexit has not helped this. Competition for skilled people in Cambridge has always been a challenge. Consequently, we have opened a development office in Eastern Europe where skilled staff are more readily available.

Cybersecurity

This topic is growing in importance for every business but particularly for one that is involved in IoT. Consequently, we have been giving it considerable attention. The General Data Protection Rules (GDPR) take effect next year and we have been implementing them in advance. We continue to take other business precautions as well and have fully exercised our disaster recovery plan. However, we cannot be complacent. This is the equivalent of an arms war and we continue to recognise this as a significant business risk and act accordingly.

FUTURE DEVELOPMENTS

Digital energy services

As laid out above we continue to develop both our data and digital services – data in the provision of data to our customers in a number of forms, digital by adding value to the data in terms of consumer energy services. Providing an option for a low-cost data connection to our In-Home Displays has, as anticipated, been well received and will make a step change in both our and our customer's businesses. The challenge now is to deliver this in volume, reliably: i.e. scaling-up. We then will progressively enhance the application of Artificial Intelligence to the data with the aim of making it progressively easier and intuitive for consumers to maximise the value of their energy, both delivered by the grid and from self-generation.

We continue to see significant changes in the energy market driven by new technology, de-carbonisation and, increasingly, consumer engagement. We predict a growth in the purchase of electric vehicles, solar panels and battery storage driven by lower prices, air pollution concerns and the political to-ing and fro-ing over the price of energy. We are therefore developing products and services that will be able to take strategic advantage of these changes.

The Hybrid Home

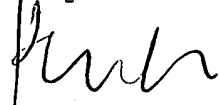
The main drive in our business currently is convergence: bringing together both our products and our propositions to work together and support each other. To this end we have established three product families to be the underpinning elements for the Hybrid Home and as sales propositions in their own right.

Tempo Energy Services focuses on providing our Utility customers with energy data services enabled by our various products.

Cosy Smart Living focuses on providing users with IoT devices that help them save money and enjoy more convenience and peace of mind. This family includes the ability to manage water as well as energy consumption. In particular this year we will be launching our Waterlock product which almost uniquely in the market enables users to isolate their water supply in the case of a leak. This product is being focused on the Insurance Industry and opens up a whole new range of opportunities.

Core is our domestic building energy management system. It will be the central part of the Hybrid Home, managing the "heavy-duty" energy appliances in the home.

Approved by the Board of Directors
and signed on behalf of the Board



P Caiger-Smith

Director

Date: 19/09/17

GREEN ENERGY OPTIONS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

GOING CONCERN

The directors have a reasonable expectation that the Company has adequate resources to achieve its financial objectives over the foreseeable future and therefore continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements on page 12.

DIVIDENDS

The directors have not proposed a dividend for the year ended 31 March 2017 (2016: £nil).

RESEARCH AND DEVELOPMENT

During the financial year, the Company continued to develop its products in order to keep up with the changing technology of the energy sector.

DIRECTORS

The directors, who served throughout the year and to the date of this report were as follows:

S Anderson
P Caiger-Smith
P Hebden
A White
E Oxburgh
N Jenkins

DIRECTORS' RESPONSIBILITIES STATEMENT

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GREEN ENERGY OPTIONS LIMITED

DIRECTORS' REPORT

AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



P Caiger-Smith

Director

Date:

19/09/17.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREEN ENERGY OPTIONS LIMITED

We have audited the financial statements of Green Energy Options Limited for the year ended 31 March 2017 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, 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 members those matters we are required to state to them 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year 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.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year 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.

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 any material misstatements in the Strategic Report and the Directors' Report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GREEN ENERGY OPTIONS LIMITED (continued)**

Matters on which we are required to report by exception

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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Matthew Hughes BSc (Hons) ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom

22 September 2017

GREEN ENERGY OPTIONS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2017

| | Note | 2017 £ | 2016 £ |
|--|------|--------------|--------------|
| TURNOVER | 3 | 22,584,930 | 14,754,326 |
| Cost of sales | | (16,143,997) | (10,283,836) |
| Gross profit | | 6,440,933 | 4,470,490 |
| Administrative expenses | | (4,706,067) | (4,021,468) |
| Other operating income | | 17,856 | 127,809 |
| OPERATING PROFIT | 4 | 1,752,722 | 576,831 |
| Finance expenses net | 5 | (115,937) | (91,186) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 1,636,785 | 485,645 |
| Tax on profit on ordinary activities | 8 | 1,416,127 | 100,852 |
| PROFIT FOR THE FINANCIAL YEAR | | 3,052,912 | 586,497 |

All activities derive from continuing operations.

There are no comprehensive income or expenses other than the profit for the financial year and the preceding financial year. Accordingly, no statement of comprehensive income is given.

GREEN ENERGY OPTIONS LIMITED

BALANCE SHEET 31 March 2017

| | Note | 2017 £ | 2016 £ |
|--|------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 296,626 | 196,257 |
| Investments | 10 | 22,000 | 22,000 |
| | | <u>318,626</u> | <u>218,257</u> |
| CURRENT ASSETS | | | |
| Stocks | 11 | 1,738,820 | 1,469,551 |
| Debtors | 12 | 6,019,449 | 3,540,054 |
| Cash at bank and in hand | | 3,994,962 | 3,453,113 |
| | | <u>11,753,231</u> | <u>8,462,718</u> |
| CREDITORS: amounts falling due within one year | 14 | <u>(4,689,136)</u> | <u>(4,050,525)</u> |
| NET CURRENT ASSETS | | <u>7,064,095</u> | <u>4,412,193</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>7,382,721</u> | <u>4,630,450</u> |
| CREDITORS: amounts falling due after more than one year | 15 | <u>(410,973)</u> | <u>(741,554)</u> |
| PROVISIONS FOR LIABILITIES | 17 | <u>(78,687)</u> | <u>(48,747)</u> |
| NET ASSETS | | <u>6,893,061</u> | <u>3,840,149</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 14,387 | 14,387 |
| Share premium account | 18 | 13,614,022 | 13,614,022 |
| Profit and loss account | 18 | <u>(6,735,348)</u> | <u>(9,788,260)</u> |
| SHAREHOLDERS' FUNDS | | <u>6,893,061</u> | <u>3,840,149</u> |

The financial statements of Green Energy Options Limited, registered number 05783558, were approved by the Board of Directors and authorised for issue on **19 SEPTEMBER 2017**

Signed on behalf of the Board of Directors



P Hebden
Director

GREEN ENERGY OPTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY 31 March 2017

| | Called up share capital £ | Share premium account £ | Profit and loss account £ | Total £ |
|-------------------------------|--|--|--|--------------------|
| At 1 April 2015 | 14,387 | 13,614,022 | (10,374,757) | 3,253,652 |
| Profit for the financial year | - | - | 586,497 | 586,497 |
| At 31 March 2016 | 14,387 | 13,614,022 | (9,788,260) | 3,840,149 |
| Profit for the financial year | - | - | 3,052,912 | 3,052,912 |
| At 31 March 2017 | 14,387 | 13,614,022 | (6,735,348) | 6,893,061 |

GREEN ENERGY OPTIONS LIMITED

CASH FLOW STATEMENT Year ended 31 March 2017

| | Note | 2017 £ | 2016 £ |
|---|------|-------------------------|-------------------------|
| Net cash flows from operating activities | 19 | <u>1,113,551</u> | <u>938,112</u> |
| Cash flows from investing activities | | | |
| Purchase of equipment | | (195,704) | (133,435) |
| Receipt of government grant | | - | 1,500 |
| Net cash flows from investing activities | | <u>(195,704)</u> | <u>(131,935)</u> |
| Cash flows from financing activities | | | |
| Interest paid | | (115,937) | (65,916) |
| Repayments of borrowings | | (260,061) | (279,703) |
| New bank loans raised | | - | 1,100,000 |
| Net cash flows from financing activities | | <u>(375,998)</u> | <u>754,381</u> |
| Net increase in cash and cash equivalents | | <u>541,849</u> | <u>1,560,558</u> |
| Cash and cash equivalents at beginning of year | | <u>3,453,113</u> | <u>1,892,555</u> |
| Cash and cash equivalents at end of year | | <u><u>3,994,962</u></u> | <u><u>3,453,113</u></u> |

GREEN ENERGY OPTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

Green Energy Options Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Green Energy Options Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Going concern

The directors have considered the financing requirements of the company for a period of at least 12 months from the date of approval of these financial statements. Forecasts are based on expected future trading performance and working capital requirements with particular attention being paid to forecast revenue levels, forecast operating expenses and the forecast cash flows.

Based on this assessment the directors have an expectation that the company has sufficient cash to enable it to continue trading under normal circumstances for at least that period. Accordingly, the financial statements have been prepared on the going concern basis.

Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided from the date the asset is brought into use, at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | |
|------------------------|---|
| Leasehold improvements | 5 years straight line |
| Plant and machinery | 5 years straight line |
| Tooling | 3 years straight line, or life of project |
| Computer equipment | 3 years straight line |

GREEN ENERGY OPTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and financial liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

GREEN ENERGY OPTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) *Financial assets and financial liabilities* (continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) *Equity instruments*

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Net realisable value is based on estimated selling price, less further costs expected to be incurred to sale. Provision is made for obsolete, slow-moving or defective items where appropriate.

Research and development

Research and development expenditure is written off as incurred.

Pension costs

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions paid are shown as other accruals or prepayments in the balance sheet.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the duration of the lease.

Share-based payment

The company has issued share options to certain directors and employees. Equity-settled share based payments are measured at the best estimate of the expenditure required to settle the liability at the balance sheet date. The liability is re-measured at each balance sheet date and at the date of settlement.

GREEN ENERGY OPTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currency

Foreign currency transactions are using the exchange rates prevailing at the dates of the transactions in question. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Exemption from preparation of consolidated accounts

The directors have taken the exemption available under Companies Act 2006 s405 (2) not to prepare consolidated accounts on the grounds of immateriality.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors do not believe that there are any critical accounting judgements or items with estimation uncertainty that would have a significant effect on the amounts recognised in the financial statements.

GREEN ENERGY OPTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2017

3. TURNOVER

An analysis of the company's turnover is as follows:

| | 2017 £ | 2016 £ |
|-----------------------|-------------------|-------------------|
| Product sales revenue | 22,462,740 | 14,578,696 |
| Rendering of services | 122,190 | 175,630 |
| | <u>22,584,930</u> | <u>14,754,326</u> |

An analysis of the company's turnover by geographical markets is set out below:

| | 2017 £ | 2016 £ |
|--------------------------|-------------------|-------------------|
| United Kingdom | 22,268,208 | 14,031,326 |
| Other European countries | 316,722 | 721,000 |
| Rest of world | - | 2,000 |
| | <u>22,584,930</u> | <u>14,754,326</u> |

4. OPERATING PROFIT

| | 2017 £ | 2016 £ |
|--|----------------|---------------|
| Operating profit is after charging (crediting): | | |
| Depreciation of tangible fixed assets | 148,120 | 118,545 |
| Cost of stock recognised as an expense | 15,202,008 | 9,709,836 |
| Government grants | (17,856) | (127,809) |
| Research and development expenditure written off | 1,498,025 | 937,368 |
| Operating lease rentals: | | |
| Land and buildings | 103,408 | 81,188 |
| | <u>103,408</u> | <u>81,188</u> |

| | 2017 £ | 2016 £ |
|---|---------------|---------------|
| Fees payable to the company's auditor and its associates for the audit of the company's annual accounts | 21,970 | 23,625 |
| Total audit fees | <u>21,970</u> | <u>23,625</u> |
| Audit-related assurance services | 6,600 | 6,400 |
| Taxation compliance services | 2,850 | 4,000 |
| Other services | 650 | 550 |
| Total non-audit fees | <u>10,100</u> | <u>10,950</u> |

GREEN ENERGY OPTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2017

5. FINANCE (EXPENSE)/INCOME, NET

| | 2017 £ | 2016 £ |
|---|------------------|-----------------|
| Interest receivable and similar income | | |
| Other interest | 858 | 19 |
| | <u>858</u> | <u>19</u> |
| Interest payable and similar charges | | |
| Loan interest | (53,124) | (36,251) |
| Other interest | (63,671) | (54,954) |
| | <u>(116,795)</u> | <u>(91,205)</u> |
| Finance (expense)/income, net | | |
| Interest receivable and similar income | 858 | 19 |
| Less: interest payable and similar charges | (116,795) | (91,205) |
| | <u>(115,937)</u> | <u>(91,186)</u> |

6. STAFF COSTS

| | | |
|--|------------------|------------------|
| The average monthly number of employees (including executive directors) was: | 2017 No | 2016 No |
| Research and development | 22 | 18 |
| Manufacturing | 3 | 4 |
| Sales and marketing | 14 | 8 |
| Administration | 13 | 10 |
| | <u>52</u> | <u>40</u> |
| | £ | £ |
| The aggregate remuneration of employees (including executive directors) comprised: | | |
| Wages and salaries | 2,694,766 | 2,008,577 |
| Social security costs | 286,702 | 216,328 |
| Other pension costs | 59,048 | 28,249 |
| | <u>3,040,516</u> | <u>2,253,154</u> |

GREEN ENERGY OPTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2017

7. DIRECTORS' REMUNERATION

The remuneration of the directors was as follows:

| | 2017 £ | 2016 £ |
|---|----------------|----------------|
| Emoluments | 278,894 | 239,791 |
| Company contributions to money purchase pension scheme | 22,047 | 11,513 |
| Sums paid to third parties in respect of directors services | 45,775 | 62,000 |
| | <u>346,716</u> | <u>313,304</u> |

Two directors are a member of the money purchase scheme (2016: nil)

The above amounts for remuneration include the following in respect of the highest paid director:

| | 2017 £ | 2016 £ |
|------------|----------------|----------------|
| Emoluments | <u>116,590</u> | <u>118,625</u> |

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2017 £ | 2016 £ |
|--|--------------------|------------------|
| Current tax | | |
| Adjustment in respect of prior years | (7,456) | - |
| Research and development tax credit | - | (100,852) |
| Total current tax | <u>(7,456)</u> | <u>(100,852)</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (1,482,723) | - |
| Effect of changes in tax rates | 74,052 | - |
| Total deferred tax | <u>(1,408,671)</u> | <u>-</u> |
| Total tax on profit | <u>(1,416,127)</u> | <u>(100,852)</u> |

GREEN ENERGY OPTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2017

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK Corporation tax to the loss before tax is as follows:

| | 2017 £ | 2016 £ |
|--|-------------|-----------|
| Profit on ordinary activities before tax | 1,636,785 | 485,645 |
| Tax on profit at standard UK corporation tax rate of 20% (2016: 20%) | 327,357 | 97,129 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 227,626 | 185,802 |
| Income not taxable | (518,186) | (421,316) |
| Effects of other reliefs | (6,630) | (96,880) |
| Losses | - | 134,413 |
| Change in unrecognised deferred tax assets | (1,520,346) | - |
| Tax rate changes | 74,052 | - |
| Total tax credit for period | (1,416,127) | (100,852) |

Factors that may affect future tax charges

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 17% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 19%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

9. TANGIBLE FIXED ASSETS

| | Leasehold improvements £ | Tooling £ | Plant and machinery £ | Computer equipment £ | Total £ |
|-----------------------|--------------------------------|--------------|-----------------------------|----------------------------|------------|
| Cost | | | | | |
| At 1 April 2016 | - | 431,397 | 27,152 | 191,305 | 649,854 |
| Additions | 47,932 | 128,708 | 25,629 | 46,292 | 248,561 |
| Disposals | - | (23,852) | - | (58,311) | (82,163) |
| At 31 March 2017 | 47,932 | 536,253 | 52,781 | 179,286 | 816,252 |
| Depreciation | | | | | |
| At 1 April 2016 | - | 288,780 | 17,478 | 147,339 | 453,597 |
| Charge for the year | 7,682 | 104,724 | 5,632 | 30,082 | 148,120 |
| Disposals | - | (23,852) | - | (58,239) | (82,091) |
| At 31 March 2017 | 7,682 | 369,652 | 23,110 | 119,182 | 519,626 |
| Net book value | | | | | |
| At 31 March 2017 | 40,250 | 166,601 | 29,671 | 60,104 | 296,626 |
| At 31 March 2016 | - | 142,617 | 9,674 | 43,966 | 196,257 |

GREEN ENERGY OPTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2017

10. FIXED ASSET INVESTMENTS

| | Subsidiary undertaking £ |
|--------------------------------------|--------------------------------|
| Cost and net book value | |
| At 1 April 2016 and at 31 March 2017 | 22,000 |

The company's investment in its subsidiary company represents 100% of the ordinary shares of Green Energy Options GmbH, incorporated in Germany, which provides promotional services.

The registered office of Green Energy Options GmbH is c/o Steuerberater, Magnus Büth, Esmarchstraße 23, 10407 Berlin.

11. STOCKS

| | 2017 £ | 2016 £ |
|----------------|------------------|------------------|
| Raw materials | 155,040 | 132,085 |
| Finished goods | 1,583,780 | 1,337,466 |
| | <u>1,738,820</u> | <u>1,469,551</u> |

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2017 £ | 2016 £ |
|---|------------------|------------------|
| Trade debtors | 3,282,034 | 1,813,328 |
| Amounts owed by subsidiary undertakings | 1,429 | 1,429 |
| Corporation tax receivable | 142,008 | 96,880 |
| Other debtors | 455,532 | 1,162,686 |
| Other taxes and social security | 185,963 | - |
| Deferred tax asset (note 13) | 1,408,671 | - |
| Prepayments and accrued income | 543,812 | 465,731 |
| | <u>6,019,449</u> | <u>3,540,054</u> |

13. DEFERRED TAX ASSET

| | £ |
|---|------------------|
| At 1 April 2016 | - |
| Credited to the profit and loss account | 1,408,671 |
| At 31 March 2017 | <u>1,408,671</u> |

GREEN ENERGY OPTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2017

13. DEFERRED TAX ASSET (continued)

Deferred tax is provided as follows:

| | 2017 £ | 2016 £ |
|--------------------------------|------------------|-----------|
| Accelerated capital allowances | (17,228) | - |
| Tax losses available | 1,404,661 | - |
| Other timing differences | 21,238 | - |
| | <u>1,408,671</u> | <u>-</u> |

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2017 £ | 2016 £ |
|---------------------------------|------------------|------------------|
| Bank loans | 337,497 | 266,977 |
| Trade creditors | 3,376,264 | 1,600,563 |
| Other taxes and social security | - | 330,372 |
| Other creditors | 21,531 | 150,910 |
| Accruals and deferred income | 953,844 | 1,701,703 |
| | <u>4,689,136</u> | <u>4,050,525</u> |

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2017 £ | 2016 £ |
|---|----------------|----------------|
| Bank loans | <u>410,973</u> | <u>741,554</u> |
| Included within the above are amounts falling due as follows: | | |
| | 2017 £ | 2016 £ |
| Between one and two years | 351,177 | 329,766 |
| Between two and five years | <u>59,796</u> | <u>411,788</u> |
| | <u>410,973</u> | <u>741,554</u> |

The aggregate amount of creditors for which security has been given amounts to £1,861,119 (2016: £1,653,602).

16. SHARE BASED PAYMENTS

Equity-settled share-option scheme

The company set up a share-option scheme on 24 June 2009. As at 31 March 2017, 40 (2016: 39) employees have participated in the scheme and there are 212,500 (2016: 204,250) outstanding share options granted.

The options can only be exercised when the vesting conditions are met. If any individual leaves the company they may be entitled to retain 50% of the options that have vested provided they worked for the company for 3 years. During the year to 31 March 2017, 1 participating member of staff resigned from the company and 750 options lapsed during the year.

GREEN ENERGY OPTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2017

17. PROVISIONS FOR LIABILITIES

| | Warranty £ |
|------------------------|---------------|
| At 1 April 2016 | 48,747 |
| Increase in provision | 78,323 |
| Unwinding of provision | (48,383) |
| | <hr/> |
| At 31 March 2017 | 78,687 |
| | <hr/> |

18. CALLED UP SHARE CAPITAL AND RESERVES

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Called up, allotted and fully paid | | |
| 1,438,658 ordinary A shares of 1p each | 14,387 | 14,387 |
| | <hr/> | <hr/> |

The company's other reserves comprise:

The share premium reserve contains the premium arising on issue of ordinary shares net of issue expenses.

The profit and loss reserve represents cumulative profits or losses.

19. CASH FLOW STATEMENT

Reconciliation of operating profit to cash generated by operations:

| | 2017 £ | 2016 £ |
|---|-------------|-------------|
| Operating profit | 1,752,722 | 576,831 |
| Adjustment for: | | |
| Depreciation and amortisation | 148,120 | 118,545 |
| Loss on sale of tangible fixed assets | 72 | - |
| | <hr/> | <hr/> |
| Operating cash flow before movement in working capital | 1,900,914 | 695,376 |
| Increase in stocks | (269,269) | (821,349) |
| Increase in debtors | (1,393,640) | (1,382,345) |
| Increase in creditors | 845,606 | 2,420,386 |
| Increase in provisions | 29,940 | 26,044 |
| | <hr/> | <hr/> |
| Net cash flows from operating activities | 1,113,551 | 938,112 |
| | <hr/> | <hr/> |

GREEN ENERGY OPTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2017

20. OPERATING LEASE COMMITMENTS

Total future minimum lease payments under non-cancellable operating leases are as follows:

| | Land and buildings | |
|----------------------------|---------------------------|----------------|
| | 2017 | 2016 |
| | £ | £ |
| Within one year | 130,000 | 119,671 |
| Between one and five years | <u>140,329</u> | <u>270,329</u> |

21. PENSIONS

The Company operates a personal pension plan for the benefit of eligible employees. This is a non-contributory scheme where assets are held separately from those of the Company in independently managed funds.

The total pension cost for the Company during the year was £59,048 (2016: £28,249), all which was paid during the year.

22. RELATED PARTY TRANSACTIONS

The Company is exempt from disclosing details of these transactions under FRS 102 Section 33 "Related Party Disclosures" as Green Energy Options GmbH is a 100% subsidiary of Green Energy Options Limited.

The company purchased accounting services to the value of £53,555 (2016 - £54,500) on an arm's length basis, from P D Business Services Limited, a firm in which P Hebden is a director. At 31 March 2017 the company owed £18,000 (2016 - £5,989) to P D Business Services Limited.

The company purchased consultancy services to the value of £7,704 (2016 - £7,500) on an arm's length basis, from B W Energy Limited, a firm in which A White is a director. At 31 March 2017 the company owed £4,622 (2016 - £nil) to B W Energy Limited.

The company purchased management fees to the value of £10,403 (2016: £10,542) on an arm's length basis, from Beama Limited, a firm in which P Caiger-Smith is a director. At 31 March 2017 the company owed £nil (2016: £nil) to Beama Limited.

23. CONTROLLING PARTY

The directors of the company are of the opinion there is no single controlling or ultimate controlling party.