

Company registration number SC344695 (Scotland)

SMARTER GRID SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

SMARTER GRID SOLUTIONS LIMITED

COMPANY INFORMATION

Directors	Mr B A Marshall	
	Mr S McGhie	
	Mr B Heery	
	Ms T Breeger	(Appointed 1 April 2023)
	Ms K H Hamilton	(Appointed 1 April 2023)
	Mr E Hill	(Appointed 1 April 2023)
	Mr S Takeuchi	(Appointed 1 April 2023)
	Ms M Marmiroli	(Appointed 1 April 2023)
	Mr K Kitao	(Appointed 1 April 2023)

Company number SC344695

Registered office Optima Building
58 Robertson Street
Glasgow
United Kingdom
G2 8DU

Auditor Azets Audit Services
Titanium 1
King's Inch Place
Renfrew
Renfrewshire
United Kingdom
PA4 8WF

SMARTER GRID SOLUTIONS LIMITED

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SMARTER GRID SOLUTIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report for the year ended 31 March 2023.

Review of the business

The year to 31 March 2023 was Smarter Grid Solutions' first full year as a Mitsubishi Electric Company, with considerable engagement between Smarter Grid Solutions and its two shareholders, US-based Mitsubishi Electric Power Products, Inc. (MEPPI) and its parent, Japan-headquartered, Mitsubishi Electric Corporation (MELCO).

With ongoing investment from its shareholders, SGS expanded its operations both in Glasgow, Scotland, and in New York City, USA. It also extended its reach across North America, creating a presence in multiple States from East to West Coast of the USA.

SGS remains committed to its mission of decarbonising electric power production, having spent the last 15 years developing world-class products and processes. MEPPI remains committed to marrying SGS's products with its suite of grid control products to help its customers respond to energy industry changes and still get the best performance from their electric grids.

At the time of the acquisition of SGS, Mr Noriyuki Takazawa, Group President of Energy and Industrial Systems Group of MELCO had commented on the fact that SGS offered innovative solutions that have helped power utilities in Europe and North America install, manage, and optimise renewable energy resources, and he was looking forward to bringing that DER management core competency to new markets around the globe. Especially as the SGS solutions aligned with the Mitsubishi Electric Environmental Sustainability Vision to realise a decarbonised society by the year 2050 through reduced greenhouse gas emissions.

SGS continues to be a leading global provider of distributed energy resources (DER) management software for power distribution utilities and DER operators.

Electric grid operators throughout the world are experiencing an increasingly complex mix of new decentralized power generation and clean energy resources. SGS offers highly flexible, scalable controls solutions allowing users to integrate DER for capacity management, flexible interconnection, virtual power plants, microgrids, fleet energy asset operations and energy as a service.

The three organisations, SGS, MEPPI, and MELCO, can be characterised in turn, below:

1. Smarter Grid Solutions

Smarter Grid Solutions (SGS) is a UK-based energy management enterprise software company that operates internationally with offices in Glasgow, Scotland, and New York City. The Company's products are used to manage power grids and market participation in energy systems with high volumes of distributed, clean and flexible energy assets. SGS's customers use its DER management system (DERMS) products to integrate DER into markets and grids to deliver grid capacity management, flexible interconnection, virtual power plant, microgrid, fleet energy asset operations, energy as a service (EaaS) and local energy applications. For more information, visit www.smartergridsolutions.com.

2. Mitsubishi Electric Power Products, Inc.

Headquartered in Warrendale, Pennsylvania, Mitsubishi Electric Power Products, Inc. (MEPPI) is a U.S. affiliate of Mitsubishi Electric Corporation serving the North American power systems, data center, rail transportation, and large visual display markets. MEPPI products include gas circuit breakers, vacuum circuit breakers, power transformers, gas-insulated substations, FACTS, high voltage DC systems, battery energy storage systems, electric generators, nuclear power plant control systems, uninterruptible power supplies, rail transportation equipment, rail signaling systems, and high-definition LED displays. Information on MEPPI's complete line of products and services can be found at www.MEPPI.com.

3. Mitsubishi Electric Corporation

With 100 years of experience in providing reliable, high-quality products, Mitsubishi Electric Corporation (TOKYO: 6503) is a recognized world leader in the manufacture, marketing and sales of electrical and electronic equipment used in information processing and communications, space development and satellite communications, consumer electronics, industrial technology, energy, transportation and building equipment. Mitsubishi Electric enriches society with technology in the spirit of its "Changes for the Better." For more information, visit www.MitsubishiElectric.com.

SMARTER GRID SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Fair Review of the Business (Continued)

Ongoing investment in SGS's operations by Mitsubishi Electric has enabled SGS to accelerate the delivery of its core strategies in each of its vertical markets:

- Utility DERMS – Strata Grid: Secure leading position in international Utility DERMS market through targeted product development (platform and functions) and direct/partner go to market
- Fleet DERMS – Cirrus Flex: Fully establish multi-tenant customer and hosted cloud capability with market integration, aggregated management, and optimization capability to grow in Fleet DERMS market with energy service companies and fleet operators
- Microgrid DERMS – Strata Resilience: Deliver unique capabilities in software for grid connected DER optimisation and integration to microgrid hardware, all based on existing technologies
- Grid Edge DERMS – Element Grid & Element Flex: Deploy software into grid edge controllers on different host devices to provide 'gateway' into Microgrid, Fleet and Utility DERMS.

Underpinning the delivery of technology solutions is the Company's ongoing commitment to its R&D programme, which has been a key beneficiary of new investment from Mitsubishi Electric.

The Company's pipeline and independent growth projections continue to point to an increase in demand for its products and services worldwide, driven by the declining cost of renewables, investment in clean energy initiatives and recognition of the need for managed flexibility in an increasingly decentralised energy system. SGS has enjoyed expansion in its core target markets and beyond, notably: North America, the UK, Europe, and Australia.

The board looks forward to the year ahead, and to continuing to consolidate the Company's position in its chosen sectors with the support of staff, customers, and owners.

The Directors believe that the Company can meet key business risks of competition, both local and national, and of employee retention. The Company benefits from strong financial backing from its owners: Mitsubishi Electric Power Products, Inc. (MEPPI) and Mitsubishi Electric Corporation (MELCO).

Going Concern

The directors are required to prepare the statutory financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. In satisfaction of this responsibility the directors have considered the Company's ability to meet its liabilities as they fall due.

As a result, the directors are confident that the existing funding facilities will provide sufficient headroom to meet the forecast cash requirements during the twelve months from the date of approval of the financial statements.

As such, the directors consider that it is appropriate to prepare the financial statements on the going concern basis.

On behalf of the board

Mr S McGhie
Director

21 December 2023

SMARTER GRID SOLUTIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities

The principal activity of the group in the year under review was that of providing Smart Grid platforms, software, applications and associated services to electricity Distribution Network Operators ("DNOs"), DER Operators and Transmission Network Operators ("TNOs").

Results and dividends

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

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

Directors

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

Mr B A Marshall	
Mr S McGhie	
Mr Y Tsukamoto	(Resigned 31 March 2023)
Mr H Komura	(Resigned 31 March 2023)
Mr Y Katsura	(Resigned 31 March 2023)
Mr B Heery	
Ms T Breeger	(Appointed 1 April 2023)
Ms K H Hamilton	(Appointed 1 April 2023)
Mr E Hill	(Appointed 1 April 2023)
Mr J Kent	(Resigned 1 April 2023)
Mr S Takeuchi	(Appointed 1 April 2023)
Ms M Marmioli	(Appointed 1 April 2023)
Mr K Kitao	(Appointed 1 April 2023)

Auditor

The auditor, Azets Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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 auditor of the company 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 auditor of the company is aware of that information.

On behalf of the board

Mr S McGhie
Director

21 December 2023

SMARTER GRID SOLUTIONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

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 group and company, and of the profit or loss of the group 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 ;
- prepare the on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SMARTER GRID SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SMARTER GRID SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Smarter Grid Solutions Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows 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 Financial Reporting Standard 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 group's and the parent company's affairs as at 31 March 2023 and of the group's loss 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.

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 group and parent 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 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.

SMARTER GRID SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SMARTER GRID SOLUTIONS LIMITED

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

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 parent 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 intend to liquidate the parent 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.

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.

SMARTER GRID SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SMARTER GRID SOLUTIONS LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

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.

David MacCallum (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

22 December 2023

Chartered Accountants
Statutory Auditor

Titanium 1
King's Inch Place
Renfrew
Renfrewshire
United Kingdom
PA4 8WF

SMARTER GRID SOLUTIONS LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2023

		2023	2022
	Notes	£	as restated £
Turnover	7	6,936,975	5,605,135
Cost of sales		(2,582,472)	(2,644,460)
Gross profit		4,354,503	2,960,675
Administrative expenses		(6,736,505)	(8,097,091)
Other operating income		447,233	2,039,216
Exceptional item	4	-	(3,390,115)
Operating loss	5	(1,934,769)	(6,487,315)
Interest receivable and similar income	10	145,674	3,576
Interest payable and similar expenses	11	(124,058)	(600,934)
Loss before taxation		(1,913,153)	(7,084,673)
Tax on loss	12	(84,654)	(79,695)
Loss for the financial year	25	(1,997,807)	(7,164,368)

Loss for the financial year is all attributable to the owners of the parent company.

SMARTER GRID SOLUTIONS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	£	as restated £
Loss for the year	(1,997,807)	(7,164,368)
Other comprehensive income		
Currency translation (loss)/gain taken to retained earnings	(41,254)	4,989
Total comprehensive income for the year	<u>(2,039,061)</u>	<u>(7,159,379)</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

SMARTER GRID SOLUTIONS LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2023

		2023		2022	
	Notes	£	£	as restated	£
Fixed assets					
Intangible assets	13		1,990,764		40,089
Tangible assets	14		222,257		247,059
			<u>2,213,021</u>		<u>287,148</u>
Current assets					
Debtors	17	4,965,074		3,790,347	
Cash at bank and in hand		81,781		5,015,671	
		<u>5,046,855</u>		<u>8,806,018</u>	
Creditors: amounts falling due within one year	18	<u>(3,233,048)</u>		<u>(2,977,424)</u>	
Net current assets			<u>1,813,807</u>		<u>5,828,594</u>
Total assets less current liabilities			<u>4,026,828</u>		<u>6,115,742</u>
Creditors: amounts falling due after more than one year	19		-		(49,853)
Net assets			<u>4,026,828</u>		<u>6,065,889</u>
Capital and reserves					
Called up share capital	22		1,916		1,916
Share premium account	24		16,131,695		16,131,695
Profit and loss reserves	25		(12,106,783)		(10,067,722)
Total equity			<u>4,026,828</u>		<u>6,065,889</u>

The financial statements were approved by the board of directors and authorised for issue on 21 December 2023 and are signed on its behalf by:

Mr S McGhie
Director

Company registration number SC344695 (Scotland)

SMARTER GRID SOLUTIONS LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2023

		2023		2022	
	Notes	£	£	as restated	£
Fixed assets					
Intangible assets	13		1,689,701		40,089
Tangible assets	14		180,869		225,665
Investments	15		592		592
			<u>1,871,162</u>		<u>266,346</u>
Current assets					
Debtors	17	6,674,116		4,872,858	
Cash at bank and in hand		61,424		5,012,518	
		<u>6,735,540</u>		<u>9,885,376</u>	
Creditors: amounts falling due within one year	18	<u>(2,761,064)</u>		<u>(2,455,077)</u>	
Net current assets			<u>3,974,476</u>		<u>7,430,299</u>
Total assets less current liabilities			<u>5,845,638</u>		<u>7,696,645</u>
Creditors: amounts falling due after more than one year	19		-		(49,853)
Net assets			<u>5,845,638</u>		<u>7,646,792</u>
Capital and reserves					
Called up share capital	22		1,916		1,916
Share premium account	24		16,131,695		16,131,695
Profit and loss reserves	25		(10,287,973)		(8,486,819)
Total equity			<u>5,845,638</u>		<u>7,646,792</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,801,154 (2022 - £5,146,951 loss).

The financial statements were approved by the board of directors and authorised for issue on 21 December 2023 and are signed on its behalf by:

Mr S McGhie
Director

Company registration number SC344695 (Scotland)

SMARTER GRID SOLUTIONS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
As restated for the period ended 31 March 2022:						
Balance at 1 April 2021		1,040	6,030,226	1,706,386	(10,305,627)	(2,567,975)
Prior year adjustment	32	-	-	-	3,390,115	3,390,115
As restated		1,040	6,030,226	1,706,386	(6,915,512)	822,140
Year ended 31 March 2022:						
Loss for the year		-	-	-	(7,164,368)	(7,164,368)
Other comprehensive income:						
Currency translation differences		-	-	-	4,989	4,989
Total comprehensive income		-	-	-	(7,159,379)	(7,159,379)
Issue of share capital	22	876	10,101,469	-	-	10,102,345
Transfers		-	-	2,186,897	113,886	2,300,783
Other movements		-	-	(3,893,283)	3,893,283	-
Balance at 31 March 2022		1,916	16,131,695	-	(10,067,722)	6,065,889
Year ended 31 March 2023:						
Loss for the year		-	-	-	(1,997,807)	(1,997,807)
Other comprehensive income:						
Currency translation differences		-	-	-	(41,254)	(41,254)
Total comprehensive income		-	-	-	(2,039,061)	(2,039,061)
Balance at 31 March 2023		1,916	16,131,695	-	(12,106,783)	4,026,828

SMARTER GRID SOLUTIONS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital £	Share premium account £	Own shares £	Profit and loss reserves £	Total £
As restated for the period ended 31 March 2022:						
Balance at 1 April 2021		1,040	6,030,226	1,706,386	(9,150,158)	(1,412,506)
Prior year adjustment	32	-	-	-	1,803,121	1,803,121
As restated		1,040	6,030,226	1,706,386	(7,347,037)	390,615
Year ended 31 March 2022:						
Loss and total comprehensive income for the year		-	-	-	(5,146,951)	(5,146,951)
Issue of share capital	22	876	10,101,469	-	-	10,102,345
Transfers		-	-	2,186,897	113,886	2,300,783
Other movements		-	-	(3,893,283)	3,893,283	-
Balance at 31 March 2022		1,916	16,131,695	-	(8,486,819)	7,646,792
Year ended 31 March 2023:						
Loss and total comprehensive income for the year		-	-	-	(1,801,154)	(1,801,154)
Balance at 31 March 2023		1,916	16,131,695	-	(10,287,973)	5,845,638

SMARTER GRID SOLUTIONS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

		2023		2022	
	Notes	£	£	as restated	£
Cash flows from operating activities					
Cash absorbed by operations	31		(2,227,872)		(438,733)
Interest paid			(124,058)		(600,934)
Income taxes (paid)/refunded			(408,364)		228,666
Net cash outflow from operating activities			(2,760,294)		(811,001)
Investing activities					
Purchase of intangible assets		(2,060,651)		(40,089)	
Purchase of tangible fixed assets		(140,993)		(83,042)	
Interest received		145,674		3,576	
Net cash used in investing activities			(2,055,970)		(119,555)
Financing activities					
Proceeds from issue of shares		-		10,216,231	
Repayment of borrowings		-		(1,513,845)	
Repayment of bank loans		-		(3,771,428)	
Payment of finance leases obligations		(76,372)		(66,517)	
Net cash (used in)/generated from financing activities			(76,372)		4,864,441
Net (decrease)/increase in cash and cash equivalents			(4,892,636)		3,933,885
Cash and cash equivalents at beginning of year			5,015,671		1,076,797
Effect of foreign exchange rates			(41,254)		4,989
Cash and cash equivalents at end of year			81,781		5,015,671

SMARTER GRID SOLUTIONS LIMITED

GROUP STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Change in accounting policy

The group has reverted to its previous accounting policy of capitalising development costs to the balance sheet which meet the criteria to be capitalised.

The financial effect of this change in policy for the previous accounting period has been set out in note 32 to the financial statements.

The directors consider that this change in accounting policy provides the users of the financial statements with more relevant and reliable information. Following a change in Mitsubishi group strategy, capitalisation of development costs provides more relevant information for the Mitsubishi Electric group to track development costs on new platforms which has been facilitated through additional financing made available following its acquisition of the group in the prior year.

2 Accounting policies

Company information

Smarter Grid Solutions Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is Optima Building, 58 Robertson Street, Glasgow, United Kingdom, G2 8DU.

The group consists of Smarter Grid Solutions Limited and all of its subsidiaries.

2.1 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.

2.2 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Smarter Grid Solutions Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 March 2023. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

2 Accounting policies

(Continued)

2.3 Going concern

The directors are required to prepare the statutory financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. In satisfaction of this responsibility the directors have considered the Company's ability to meet its liabilities as they fall due.

The current and future financial position of the company, its cash flows and liquidity position have been reviewed and appropriate actions identified and taken by the directors to preemptively strengthen these. The forecasts have been sensitised to test the impact of scenarios where the company faces a reduction in expected revenue generation and additional actions identified by the directors to mitigate these impacts.

As a result, the directors are confident that the existing funding facilities, together with the support of the shareholders, will provide sufficient headroom to meet the forecast cash requirements during the twelve months from the date of approval of the financial statements.

As such, the directors consider that it is appropriate to prepare the financial statements on the going concern basis.

2.4 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the company.

Revenue comprises the value of consulting engagements, design and implementation services, software license sales, maintenance and support services, related materials and other rechargeable costs. Revenue is recognised when (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the sales price has been fixed and determinable; and (iv) collectability is reasonably assured.

Revenue from consulting engagements is recognised when obligations under the consulting agreement have been fulfilled, and for design and implementation services as services are provided or milestones are achieved.

For software agreements with multiple elements, revenue is recognised dependent on whether vendor-specific objective evidence ("VSOE") of fair value exists for each of the elements. VSOE is determined by reference to sales made or available to customers on a stand alone basis. Where there is no VSOE, revenue is recognised rateable over the full term of each contract.

The excess of amounts invoiced and future invoicing over revenue recognised is included in deferred revenue. If the amount of revenue recognised exceeds the amounts invoiced, the excess is included as accrued income.

2.5 Research and development expenditure

Research and development is charged to the profit and loss account in the year incurred. Development expenditure is charged to the profit and loss account in the year incurred unless it meets specified recognition criteria for capitalisation. When the recognition criteria is met, development expenditure is capitalised as an intangible asset. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

2.6 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.

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

2 Accounting policies

(Continued)

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:

Patents & licences	5% on cost
Development costs	Over estimated useful life of five years

2.7 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:

Computer equipment	33% on cost
Fixtures and fittings	33% on cost
Software	33% on cost

2.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

2.9 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.10 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

2 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

2.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

2.12 Taxation

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

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

2 Accounting policies

(Continued)

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 group'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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.13 Retirement benefits

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

2.14 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

2.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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 leased asset are consumed.

2.16 Government grants

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.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

2 Accounting policies

(Continued)

2.17 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.

3 Judgements and key sources of estimation uncertainty

In the application of the group'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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Accounting for contracts

Revenue generated from contracts is recognised when set milestones are achieved over the life of the contract on a percentage complete basis. These milestones are determined from management's experience of working in the industry and appropriateness based on its customers. An element is then recognised in the balance sheet for the revenue to be accrued or deferred on each contract that spans the year end.

Allocation of development costs

Management make judgements on the allocation of capitalised development costs to an individual feature based on complexity of each feature.

Accrued income

The directors review accrued income on a timely basis and make judgements on the recoverability of these balances.

4 Exceptional item

	2023	2022
	£	£
Expenditure		
Impairment of development costs	-	3,390,115

The exceptional items relates to the impairment of development costs within intangible assets. Refer to note 33 for further details.

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

5 Operating loss

	2023	2022
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	7,802	4,166
Grant income	(5,105)	(32,720)
Depreciation of owned tangible fixed assets	93,006	87,594
Depreciation of tangible fixed assets held under finance leases	74,210	74,210
Amortisation of intangible assets	109,976	-
Share-based payments	-	2,186,897
Operating lease charges	275,876	234,584
	<u>275,876</u>	<u>234,584</u>

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

6 Auditor's remuneration

	2023 £	2022 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	24,250	22,250
For other services		
All other non-audit services	7,067	20,540

7 Turnover and other revenue

	2023 £	2022 £
Other significant revenue		
Interest income	145,674	3,576
R&D expenditure credit	442,128	329,788
	2023 £	2022 £
Turnover analysed by geographical market		
United Kingdom	5,410,670	4,685,821
North America	1,526,305	919,314
	6,936,975	5,605,135

8 Employees

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

	Group 2023 Number	2022 Number	Company 2023 Number	2022 Number
Direct and Administration	108	79	89	67

Their aggregate remuneration comprised:

	Group 2023 £	2022 £	Company 2023 £	2022 £
Wages and salaries	5,684,207	7,358,842	3,811,367	6,170,120
Social security costs	527,373	580,273	569,323	448,286
Pension costs	414,149	295,002	310,905	253,446
	6,625,729	8,234,117	4,691,595	6,871,852

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

9 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	463,683	711,365
Company pension contributions to defined contribution schemes	31,845	36,520
	<u>495,528</u>	<u>747,885</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2022 - 4).

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

	2023 £	2022 £
Remuneration for qualifying services	287,171	242,000
Company pension contributions to defined contribution schemes	21,450	-
	<u>308,621</u>	<u>242,000</u>

10 Interest receivable and similar income

	2023 £	2022 £
Interest income		
Interest on bank deposits	145,674	3,576
	<u>145,674</u>	<u>3,576</u>

	2023 £	2022 £
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	145,674	3,576
	<u>145,674</u>	<u>3,576</u>

11 Interest payable and similar expenses

	2023 £	2022 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	111,043	240,360
Other interest on financial liabilities	-	338,201
	<u>111,043</u>	<u>578,561</u>
Other finance costs:		
Interest on finance leases and hire purchase contracts	13,015	22,373
	<u>13,015</u>	<u>22,373</u>
Total finance costs	<u>124,058</u>	<u>600,934</u>

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

12 Taxation

	2023 £	2022 £
Current tax		
UK corporation tax on profits for the current period	81,700	62,660
Adjustments in respect of prior periods	-	7,227
Total UK current tax	81,700	69,887
Adjustments in foreign tax in respect of prior periods	2,954	9,808
Total current tax	84,654	79,695

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

	2023 £	2022 £
Loss before taxation	(1,913,153)	(7,084,673)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	(363,499)	(1,346,088)
Tax effect of expenses that are not deductible in determining taxable profit	993	711,020
Tax effect of income not taxable in determining taxable profit	(14,963)	(287,636)
Change in unrecognised deferred tax assets	344,074	1,930,040
Adjustments in respect of prior years	-	7,227
Permanent capital allowances in excess of depreciation	(6,211)	(2,809)
Research and development tax credit	81,700	62,660
Other permanent differences	-	(1,084,444)
Effect of overseas tax rates	36,803	79,917
Under/(over) provided in prior years	2,954	9,808
Additional deduction for R&D expenditure	2,803	-
Taxation charge	84,654	79,695

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

13 Intangible fixed assets

Group	Patents & licences £	Development costs £	Total £
Cost			
At 1 April 2022	40,089	-	40,089
Additions - internally developed	-	2,060,651	2,060,651
	<hr/>	<hr/>	<hr/>
At 31 March 2023	40,089	2,060,651	2,100,740
	<hr/>	<hr/>	<hr/>
Amortisation and impairment			
At 1 April 2022	-	-	-
Amortisation charged for the year	-	109,976	109,976
	<hr/>	<hr/>	<hr/>
At 31 March 2023	-	109,976	109,976
	<hr/>	<hr/>	<hr/>
Carrying amount			
At 31 March 2023	40,089	1,950,675	1,990,764
	<hr/>	<hr/>	<hr/>
At 31 March 2022	40,089	-	40,089
	<hr/>	<hr/>	<hr/>
Company			
	Patents & licences £	Development costs £	Total £
Cost			
At 1 April 2022	40,089	-	40,089
Additions - internally developed	-	1,732,581	1,732,581
	<hr/>	<hr/>	<hr/>
At 31 March 2023	40,089	1,732,581	1,772,670
	<hr/>	<hr/>	<hr/>
Amortisation and impairment			
At 1 April 2022	-	-	-
Amortisation charged for the year	-	82,969	82,969
	<hr/>	<hr/>	<hr/>
At 31 March 2023	-	82,969	82,969
	<hr/>	<hr/>	<hr/>
Carrying amount			
At 31 March 2023	40,089	1,649,612	1,689,701
	<hr/>	<hr/>	<hr/>
At 31 March 2022	40,089	-	40,089
	<hr/>	<hr/>	<hr/>

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

14 Tangible fixed assets

Group	Computer equipment £	Fixtures and fittings £	Software £	Total £
Cost				
At 1 April 2022	1,253,750	316,250	583,595	2,153,595
Additions	130,193	-	10,800	140,993
Exchange adjustments	16,247	2,444	7,558	26,249
	<u>1,400,190</u>	<u>318,694</u>	<u>601,953</u>	<u>2,320,837</u>
At 31 March 2023				
Depreciation and impairment				
At 1 April 2022	1,049,225	291,827	565,484	1,906,536
Depreciation charged in the year	131,315	16,889	19,012	167,216
Exchange adjustments	14,826	2,444	7,558	24,828
	<u>1,195,366</u>	<u>311,160</u>	<u>592,054</u>	<u>2,098,580</u>
At 31 March 2023				
Carrying amount				
At 31 March 2023	<u>204,824</u>	<u>7,534</u>	<u>9,899</u>	<u>222,257</u>
At 31 March 2022	<u>204,525</u>	<u>24,423</u>	<u>18,111</u>	<u>247,059</u>
Company	Computer equipment £	Fixtures and fittings £	Software £	Total £
Cost				
At 1 April 2022	1,008,894	279,414	469,685	1,757,993
Additions	98,173	-	10,800	108,973
	<u>1,107,067</u>	<u>279,414</u>	<u>480,485</u>	<u>1,866,966</u>
At 31 March 2023				
Depreciation and impairment				
At 1 April 2022	825,764	254,990	451,574	1,532,328
Depreciation charged in the year	117,868	16,889	19,012	153,769
	<u>943,632</u>	<u>271,879</u>	<u>470,586</u>	<u>1,686,097</u>
At 31 March 2023				
Carrying amount				
At 31 March 2023	<u>163,435</u>	<u>7,535</u>	<u>9,899</u>	<u>180,869</u>
At 31 March 2022	<u>183,130</u>	<u>24,424</u>	<u>18,111</u>	<u>225,665</u>

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

14 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2023 £	2022 £	Company 2023 £	2022 £
Computer equipment	49,496	123,705	49,496	123,705

15 Fixed asset investments

	Notes	Group 2023 £	2022 £	Company 2023 £	2022 £
Investments in subsidiaries	16	-	-	592	592

Movements in fixed asset investments Company

Shares in
subsidiaries
£

Cost or valuation

At 1 April 2022 and 31 March 2023

592

Carrying amount

At 31 March 2023

592

At 31 March 2022

592

16 Subsidiaries

Details of the company's subsidiaries at 31 March 2023 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Smarter Grid Solutions Inc.	335 Madison Avenue, 4th Floor, New York, NY 10017	Technology applications and associated services	Common	100.00

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

17 Debtors

	Group 2023	2022	Company 2023	2022
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	1,677,479	1,358,149	1,081,696	1,256,122
Corporation tax recoverable	591,300	267,590	591,300	267,128
Amounts owed by group undertakings	-	54,244	3,077,441	1,811,643
Other debtors	44,183	39,351	7,042	6,547
Prepayments and accrued income	2,652,112	2,071,013	1,916,637	1,531,418
	<u>4,965,074</u>	<u>3,790,347</u>	<u>6,674,116</u>	<u>4,872,858</u>

18 Creditors: amounts falling due within one year

	Notes	Group 2023	2022	Company 2023	2022
		£	£	£	£
Obligations under finance leases	20	56,680	83,199	56,680	83,199
Trade creditors		616,803	298,598	428,245	276,078
Other taxation and social security		871,627	472,680	871,627	472,680
Deferred income		850,387	543,760	850,979	544,352
Other creditors		133,495	108,983	74,196	59,682
Accruals		704,056	1,470,204	479,337	1,019,086
		<u>3,233,048</u>	<u>2,977,424</u>	<u>2,761,064</u>	<u>2,455,077</u>

19 Creditors: amounts falling due after more than one year

	Notes	Group 2023	2022	Company 2023	2022
		£	£	£	£
Obligations under finance leases	20	-	49,853	-	49,853
		<u>-</u>	<u>49,853</u>	<u>-</u>	<u>49,853</u>

20 Finance lease obligations

	Group 2023	2022	Company 2023	2022
	£	£	£	£
Future minimum lease payments due under finance leases:				
Within one year	56,680	83,199	56,680	83,199
In two to five years	-	49,853	-	49,853
	<u>56,680</u>	<u>133,052</u>	<u>56,680</u>	<u>133,052</u>

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets.

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

21 Retirement benefit schemes

	2023	2022
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	414,149	295,002

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

22 Share capital

Group and company	2023	2022	2023	2022
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary of 1p each	191,631	191,631	1,916	1,916

Ordinary shares carry one vote per share. Each share carries the right to dividends, however no interim dividend may be paid unless the company's profit before tax for the relevant year exceeds £1m. There are no restrictions on the repayment of capital.

23 Share-based payment transactions

The Company previously operated several Share Option Plans for employees, with the options granted over those shares exercisable on an exit event. A number of the options granted contained hurdles such that they were only exercisable if the proceeds received on exit exceeded the hurdle values. In the prior year, a qualifying exit event occurred and those eligible options were exercised with those containing hurdles that were not achieved lapsing.

Group and company	Number of share options		Weighted average exercise price	
	2023	2022	2023	2022
	Number	Number	£	£
Outstanding at 1 April 2022	-	72,567	-	7.82
Exercised	-	(46,264)	-	7.82
Expired	-	(26,303)	-	7.82
Outstanding at 31 March 2023	-	-	-	-
Exercisable at 31 March 2023	-	-	-	-
	Group	Company	Group	Company
	2023	2022	2023	2022
	£	£	£	£
Expenses recognised in the year				
Arising from equity settled share based payment transactions	-	2,186,897	-	2,186,897

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

24 Share premium account

	Group 2023 £	2022 £	Company 2023 £	2022 £
At the beginning of the year	16,131,695	6,030,226	16,131,695	6,030,226
Issue of new shares	-	10,101,469	-	10,101,469
At the end of the year	16,131,695	16,131,695	16,131,695	16,131,695

25 Profit and loss reserves

	Group 2023 £	2022 as restated £	Company 2023 £	2022 as restated £
At the beginning of the year	(10,067,722)	(10,305,627)	(8,486,819)	(9,150,158)
Prior year adjustment	-	3,390,115	-	1,803,121
At the beginning of the year	(10,067,722)	(6,915,512)	(8,486,819)	(7,347,037)
Loss for the year	(1,997,807)	(7,164,368)	(1,801,154)	(5,146,951)
Transfer to reserves	-	113,886	-	113,886
Currency translation differences	(41,254)	4,989	-	-
Other movements	-	3,893,283	-	3,893,283
At the end of the year	(12,106,783)	(10,067,722)	(10,287,973)	(8,486,819)

26 Financial commitments, guarantees and contingent liabilities

Under the terms of grants received from Scottish Enterprise, the company is required to repay up to 100% of the grants received should the grant conditions be breached.

27 Operating lease commitments

Lessee

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

	Group 2023 £	2022 £	Company 2023 £	2022 £
Within one year	87,900	87,000	87,900	87,000
Between two and five years	332,093	351,600	332,093	351,600
In over five years	-	68,393	-	68,393
	419,993	506,993	419,993	506,993

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2023 £	2022 £	Company 2023 £	2022 £
Acquisition of tangible fixed assets	-	12,065	-	12,065

29 Related party transactions

Remuneration of key management personnel

In the opinion of the directors, key management personnel are those named directors of the group. Details in respect of remuneration paid to these individuals is contained in note 8.

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Loans forgiven	
	2023 £	2022 £
Group		
Entities with control, joint control or significant influence over the company	-	1,676,708
Company		
Entities with control, joint control or significant influence over the company	-	1,676,708

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2023 Balance £	2022 Balance £
Group		
Entities with control, joint control or significant influence over the group	-	54,244

In addition to amounts noted above there is a balance of £nil (2022 - £4,902,056) held on deposit, disclosed within cash at bank, due from entities with control over the company.

Other information

The group has taken advantage of the exemption provided by Paragraph 33.1A of Financial Reporting Standard 102 and accordingly has not disclosed any transactions with group undertakings which are included in these consolidated accounts and where 100% of voting rights are controlled within the group.

30 Controlling party

As at 31 March 2023, the ultimate controlling party was Mitsubishi Electric Corporation, a company registered in Japan.

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

31 Cash absorbed by group operations

	2023 £	2022 £
Loss for the year after tax	(1,997,807)	(7,164,368)
Adjustments for:		
Taxation charged	84,654	79,695
Finance costs	124,058	600,934
Investment income	(145,674)	(3,576)
Amortisation and impairment of intangible assets	109,976	3,390,115
Depreciation and impairment of tangible fixed assets	167,216	161,804
Equity settled share based payment expense	-	2,186,897
Movements in working capital:		
Decrease in stocks	-	14,580
(Increase)/decrease in debtors	(851,017)	621,269
Decrease in creditors	(25,905)	(475,090)
Increase in deferred income	306,627	149,007
Cash absorbed by operations	(2,227,872)	(438,733)

32 Analysis of changes in net funds - group

	1 April 2022 £	Cash flows £	Exchange rate movements £	31 March 2023 £
Cash at bank and in hand	5,015,671	(4,892,636)	(41,254)	81,781
Obligations under finance leases	(133,052)	76,372	-	(56,680)
	<u>4,882,619</u>	<u>(4,816,264)</u>	<u>(41,254)</u>	<u>25,101</u>

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

33 Prior period adjustment

Reconciliation of changes in equity - group

	1 April 2021 £	31 March 2022 £
Adjustments to prior year		
Change in accounting policy - development costs	3,390,115	-
Equity as previously reported	(2,567,975)	6,065,889
Equity as adjusted	822,140	6,065,889
Analysis of the effect upon equity		
Profit and loss reserves	3,390,115	-

Reconciliation of changes in loss for the previous financial period

	2022 £
Adjustments to prior year	
Change in accounting policy - development costs	(3,390,115)
Loss as previously reported	(3,774,253)
Loss as adjusted	(7,164,368)

Reconciliation of changes in equity - company

	1 April 2021 £	31 March 2022 £
Adjustments to prior year		
Change in accounting policy - development costs	1,803,121	-
Equity as previously reported	(1,412,506)	7,646,792
Equity as adjusted	390,615	7,646,792
Analysis of the effect upon equity		
Profit and loss reserves	1,803,121	-

Reconciliation of changes in loss for the previous financial period

	2022 £
Adjustments to prior year	
Change in accounting policy - development costs	(1,803,121)
Loss as previously reported	(3,343,830)
Loss as adjusted	(5,146,951)

SMARTER GRID SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

33 Prior period adjustment

(Continued)

Notes to reconciliation

The financial statements for the year ended 31 March 2022 have been restated in order to reflect management's decision to change Smarter Grid Solutions Limited ("the group") accounting policy in respect of the capitalisation of development costs.

Previously, development expenditure was charged to the profit and loss account in the year incurred. Development expenditure meeting the recognition criteria is now capitalised as an intangible asset and amortised over its useful life.

This reverts to the previous accounting policy used within the group. In the prior year, following the group's acquisition by the Mitsubishi Electric Power Products, Inc, management elected to change the accounting policy to expense development expenditure to the profit in loss in line with the accounting policy of Mitsubishi Electric Corporation group.

As Mitsubishi Electric Power Products, Inc, developed its understanding of the group's business and with finance available to facilitate a new approach to development, a wider group decision was taken to capitalise development costs in line with the new strategy.

The directors are satisfied that this change in accounting policy provides the users of the financial statements with more relevant and reliable information as the development strategy has been facilitated by investment from the parent, Mitsubishi Electric Group.

The group had previously accounted for development costs as intangible assets and has brought these back through the opening position as at 1st April 2021.

These development costs related to older platforms which the group developed and was the driver of revenue throughout the group. Following the prior year acquisition by Mitsubishi Electric Corporation, the funding now available to the group has facilitated a strategic shift in the business and has allowed for new products to be completely redeveloped for the business. Due to this change in strategy, resulting in a shift from development of products on a platform basis to development of products on a feature basis, the features of the previous intangible assets capitalised could not be separated from the overall platform and the costs previously capitalised have been impaired in the prior year at the point the new group strategy was approved.

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