NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies

The financial statements of EuroSite Power Inc. (the 'Company') consolidate its 100% owned subsidiary Company, EuroSite Power Limited ('Limited'), a limited liability Company incorporated and domiciled in the United Kingdom. The trading activities of the Company primarily take place in the United Kingdom. In addition, the consolidation includes results for Limited's 100% Subsidiary, Eurosite Power Holdings Limited ("Holdings"), an entity incorporated in Cyprus, and Holdings' 50% share in a Joint Venture with FCN Energy Logistics Limited, also incorporated in Cyprus.

The consolidated financial statements are prepared in US Dollars ($) which is the functional currency of the Company. The financial statements of Limited are prepared in Sterling (£), which is the functional currency of Limited. The financial statements presented are for the year ended 31 December 2019 (2018: year ended 31 December 2018).

1.1 Basis of preparation of financial statements

The Company financial statements have been prepared in accordance with US GAAP.
The Limited financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.
The Holdings and FCN Energy Logistics financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.
No material adjustments to the financial statements are required for consolidation purposes.

The following principal accounting policies have been applied:

1.2 Going concern

The financial statements are prepared on a going concern basis. For the year ending 31 December 2019 the Company reported a loss of $603,654 and a positive non-GAAP EBITDA of $69,577. The net loss figure is an improvement on prior year of $235,014. Growth in the Company's underlying recurring revenue business model continues, with the Company's fleet of generating assets now of a scale that the directors believe will lead to profitability. With further growth planned, and the Company's existing cash reserves the directors are satisfied that the Company can meet its obligations and liabilities as they fall due for the foreseeable future.

1.3 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, local value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of energy

Revenue from the sale of energy is recognised when all of the following conditions are satisfied:

- revenue is recognised as energy is generated;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.5 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 15 years straight line
Motor vehicles	- 4 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

At each balance sheet date, the Company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impaiment loss, if any. Where it is not possible to estimate the recoverable amount of the asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised as an expense immediately.

1.7 Assets under construction

Assets under the course of construction have been capitalised and will be depreciated when they are brought fully into use.

1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.10 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of profit and loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

1.11 Current and deferred taxation

The tax charge for the year comprises of current and deferred tax.

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or subsequently enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only 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.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

1.12 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans with related parties.

All financial assets and liabilities are initially measured at transaction price and subsequently measureed at amortised cost.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2. Employees

The average monthly number of employees, including directors, during the year was 11 (2018: 8).