
GEO THERMAL INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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GEO THERMAL INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	B Gautier M Fellowes S Lawrie N Simpson (resigned 13 October 2016) G Walsh J Walsh N A Lawson (appointed 13 October 2016)
Company secretary	J Healy
Registered number	05397984
Registered office	Shillingwood House Westwood Way Westwood Business Park Coventry CV4 8JZ
Independent auditors	Moore Stephens LLP Chartered Accountants and Statutory Auditor 35 Calthorpe Road Edgbaston Birmingham West Midlands B15 1TS

GEOTHERMAL INTERNATIONAL LIMITED

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GEOTHERMAL INTERNATIONAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report for Geothermal International Limited (the "Company") for the year ended 31 December 2016.

The amounts presented in these financial statements are not fully comparable with the 2015 results due to the shortened trading period in the 31 December 2015 financial statements. For the period ended 31 December 2015 the Company shortened its financial period of account to coincide with the financial close date of the Electricity Supply Board Group of companies, who acquired a controlling stake in the Company on 2 July 2015.

Objectives and strategy

The principal activities of the Company, in the period under review, were that of design, installation, control and maintenance of renewable energy solutions integrating our heritage in geothermal heating and cooling systems with complimentary green technologies.

Our vision is to be recognised as the leading provider of sustainable energy solutions.

The Company has branded its business as GI Energy and is well positioned to deliver efficient energy solutions, provided across a number of technologies, tailored towards larger energy consumers.

The director's believe that it is appropriately situated geographically to take advantage of the key growth markets within this sector and that it is appropriately sized for the markets in which it operates.

Business review

The Company reports a £232,000 reduction in operating losses from a £750,000 increase in revenue (annualised, see analysis below). This continues the trends seen within the business in the past three years.

There has been increased uncertainty in the renewable energy market across this financial period. Despite the challenges inherent within the market of the Company's principal activity, the Company has delivered increased revenue and has improved gross margins.

The Company is focussed upon attracting growth via its two pronged strategy of delivering complex integrated renewable solutions to flagship developments and material carbon and financial savings to commercial clients by deploying single renewable solutions across multiple sites.

Key performance indicators

The directors monitor both financial and non financial key performance indicators on a monthly basis. The Company's key financial performance indicators during the period were as follows:

	2016 reported £000	2015 reported £000	2015 annualised* £000	Change £000
Company turnover	6,464	2,857	5,714	13.1%
Company underlying EBITDA	(772)	(451)	(902)	14.4%
Equity shareholders' funds	2,790	3,518	3,518	(20.7%)
Turnover per employee	109	95	95	14.7%

*Annualised information is calculated by pro-rating the trading period of account to be equivalent to the current year.

GEO THERMAL INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Key performance indicators (continued)

Company turnover is used as a key performance indicator (KPI) as it highlights whether the Company has been successful in securing demand for its principal activities.

The Company has seen a growth in turnover in the period. The Company has experienced an improved level of repeat sales activity, which alongside the growth in the size and volume of tendering opportunities, gives confidence in our expectation of improving turnover in the coming financial years. Our belief is driven from an improved wider economic climate and our innovation to be able to deliver a market leading solution for our customers.

Company underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is seen as the key indicator of the Company as it reports the Company's ability to generate cash from operations. The current period improvement has been led by improved sales revenue, cost control in the business and specifically cost reduction actions that have been undertaken previously. The directors are satisfied that improvement actions in the cost control of the group over the past two years will limit the future exposure to the significant EBITDA losses experienced previously.

The Company is focussed upon growing its activity within its existing cost infrastructure to end reliance on existing sources of equity financing.

Equity shareholders' funds is used as a KPI to demonstrate the financial strength of the Company. The Company will continue to monitor capital standing against its near term forecast projections.

Turnover per employee is used as an indicator to measure the cost control of the Company. 2016 has shown an improvement in this measure increasing from £95,000 to £106,000 per employee.

The directors are satisfied that the Company is now positioned to deliver improved financial results but are aware that the Company must improve performance to remove reliance on securing new sources of finance

Principal risks and uncertainties

The directors have identified the following principal risks facing the Company:

- liquidity risk of the Company being unable to raise finance to meet the Company's requirements;
- competitive pressure in the Company's markets which could affect the profitability available in these markets; and
- credit risk associated to key contracts and customers.

The Company monitors the risks and uncertainties it faces and will mitigate wherever possible.

The Company monitors available funds for upcoming operations and planned activities. Funding comes from the cash flow it generates from customer contracts and if applicable, new and existing investors.

The Company operates a governance framework that will assess the impact of major contract bids prior to the submission of the bid to the customers. This protects the Company against exposure to loss making contracts which could harm the financial stability.

The Company proactively pushes itself towards innovative value-added solutions for which the Company is sized to support; where price is unlikely to be the only criteria in determination of the successful tendering party.

GEOHERMAL INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Principal risks and uncertainties (continued)

The Company actively monitors customers' credit standing and seeks to build strong relationships with a broad customer base to ensure it is not unduly exposed to credit risk. Although the majority of the Company's customers are large corporations, the Company believes that it provides a high quality service to customers and maintaining good relations will protect the Company against risk of a customer failure.

The directors are confident that there are suitable policies in place and there are no material risks and uncertainties which have not been considered.

Financial instruments

The Company's financial instruments comprise cash, loan notes and other items, such as trade debtors and creditors that arise directly from its operations. The main purpose of these instruments is to provide finance for the Company's operations.

No trading in derivatives or financial instruments were undertaken during the period.

The main risks associated to these financial instruments of the Company are liquidity risk and credit risk.

Liquidity Risk

The Company manages working capital alongside treasury in a centralised team to ensure there is high visibility of the upcoming treasury requirements of the Company. As the Company has been reliant upon equity injections, the Company can effectively manage its affairs internally unless a funding requirement is foreseen.

Credit Risk

The Company minimises its credit risk by analysing external credit assessments of its customers. The contractual nature of the Company's activities will allow the Company to monitor the actions of its customers as an indication of potential credit risk associated to the contracts.

This report was approved by the board on 23rd Nov 2017 and signed on its behalf.


S Lawrie
Director

GEO THERMAL INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors

The directors who served during the year were:

B Gautier
M Fellowes
S Lawrie
N Simpson (resigned 13 October 2016)
G Walsh
J Walsh
N A Lawson (appointed 13 October 2016)

During the period the Company had in force an indemnity provision in favour of one or more directors of Geothermal International Limited against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

Results and dividends

The loss for the year, after taxation, amounted to £728,000 (2015 - 6 month period loss of £566,000).

The directors do not recommend the payment of a dividend (2015 - £nil).

Future developments

The Board remains confident about the future trading opportunities of the business. The improving macro-economic environment coupled with regulatory stability surrounding the renewable heat incentive scheme should improve the volume and, more significantly, the finance available for renewable capital projects.

The Board expect demand to increase from customers who:

- Need to find a solution to mitigate significant increases in energy costs;
- Meet their own and legislative requirements with regard to carbon targets;
- Take advantage of the regional and national incentives available; and
- Wish to optimize the performance of installed heat pump systems through maintenance and monitoring services.

As part of the global need to meet low carbon targets, the UK government has recommitted to reducing carbon emissions and continues to support green-heat technologies by the Renewable Heat Incentive (RHI). The RHI tariffs give most benefit to heat-pumps, the heritage of the Company. The increasing awareness of RHI in the market and the availability of finance should increase demand for the Company's products and services.

The Company has considerably reduced its financial risk over the past three years, removing loss making activities and rationalising the Company cost base, whilst investing in business development and marketing to increase the breadth of our activity. We remain confident that the business is well placed to deliver growth and ultimately start to generate operating profits.

The majority shareholder increased their loan to the Company in the year by £1,150,000 thus showing commitment of the investors to the Company strategy.

GEO THERMAL INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Research and development activities

The directors believe that innovation is key to a successful future. Although the company seeks to develop innovative solutions to its contracted activity, it does not specifically invest in research activity. The Company has incurred development costs of £300k in the financial period (6 months ended 31 December 2015 - £150k).

Going concern

The Company actively monitors its upcoming cash requirements and adopts downside sensitivities to assess the risk associated with its projected cash position. Although the operating performance of the Company has continued to improve, the Company remains loss making and has continued to rely upon the introduction of new capital to maintain solvency. To assess the application of going concern, the directors have considered:

- The Company's medium term strategic plan and the associated financial forecasts;
- The approach of UK government to the application of the geothermal heating in the UK; and
- The sentiment of the majority shareholder to supporting the Company.

The financial forecasts highlight that there is a risk that further capital may be required whilst the Company seeks to invest in the longer term market take up of geothermal heat pump led heating and cooling systems. The assessment has also confirmed that UK Government remains committed to the application of geothermal heating and that the Company's majority shareholder is supportive of the Company; by not seeking repayment of the loan due and would consider providing financial support, should the need arise.

As a result of the assessment, the directors continue to adopt the going concern basis in preparing the financial statements.

Matters covered in the strategic report

Information as required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the Group Strategic Report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Moore Stephens LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

GEO THERMAL INTERNATIONAL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

This report was approved by the board on 23rd Mar 2017 and signed on its behalf.



S Lawrie
Director

GEO THERMAL INTERNATIONAL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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;
- 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 the financial statements may differ from legislation in other jurisdictions.

GEOHERMAL INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GEOHERMAL INTERNATIONAL LIMITED

We have audited the financial statements of Geothermal International limited for the year ended 31 December 2016, set out on pages 10 to 36. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 Auditors' 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 Auditors

As explained more fully in the Directors' Responsibilities Statement on page 7, 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 Financial Reporting Council'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 Strategic Report and the Directors' 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 December 2016 and of its profit or 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.

GEO THERMAL INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GEO THERMAL INTERNATIONAL LIMITED (CONTINUED)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on 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 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.

Matters on which we are required to report by exception

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

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

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

Moore Stephens LLP

Paul Fenner (Senior Statutory Auditor)

for and on behalf of
Moore Stephens LLP

Chartered Accountants and Statutory Auditor

35 Calthorpe Road
Edgbaston
Birmingham
West Midlands
B15 1TS

Date: 23 March 2017

GEO THERMAL INTERNATIONAL LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

		Year ended 31 December 2016 £000	6 months ended 31 December 2015 £000
	Note		
Turnover	4	6,464	2,857
Cost of sales		(5,166)	(2,315)
Gross profit		1,298	542
Non exceptional administration expenses		(2,070)	(993)
Underlying EBITDA	5	(772)	(451)
Depreciation charges		(84)	(14)
Exceptional costs	11	-	(79)
Operating loss	5	(856)	(544)
Interest receivable and similar income	8	3	-
Interest payable and expenses	9	(60)	(22)
Loss before tax		(913)	(566)
Tax on loss	10	185	-
Loss for the year		(728)	(566)

There was no other comprehensive income for 2016 (2015 - £Nil).

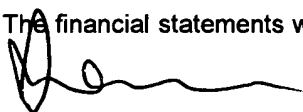
The notes on pages 13 to 36 form part of these financial statements.

GEO THERMAL INTERNATIONAL LIMITED
REGISTERED NUMBER: 05397984

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Intangible assets	12		2,588		2,588
Tangible fixed assets	13		346		128
Investments	14		-		-
			<u>2,934</u>		<u>2,716</u>
Current assets					
Stocks	16	186		183	
Debtors: falling due after one year	17	160		191	
Debtors: falling due within one year	17	2,179		1,883	
Cash at bank and in hand	18	1,029		776	
		<u>3,554</u>		<u>3,033</u>	
Creditors: falling due within one year	19	(3,160)		(1,807)	
Net current assets			<u>394</u>		<u>1,226</u>
Total assets less current liabilities			<u>3,328</u>		<u>3,942</u>
Creditors: falling due after one year	20		(434)		(275)
			<u>2,894</u>		<u>3,667</u>
Provisions for liabilities					
Other provisions	23		(104)		(149)
Net assets			<u>2,790</u>		<u>3,518</u>
Capital and reserves					
Called up share capital	24		2,012		1,713
Profit and loss account	25		778		1,805
Shareholders funds			<u>2,790</u>		<u>3,518</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



23 March 2017

S Lawrie
Director

The notes on pages 13 to 36 form part of these financial statements.

GEO THERMAL INTERNATIONAL LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 July 2015	478	21,968	(19,597)	2,849
Loss for the year	-	-	(566)	(566)
Shares issued during the period	1,235	-	-	1,235
Capital reduction	-	(21,968)	21,968	-
At 1 January 2016	1,713	-	1,805	3,518
Loss for the year	-	-	(728)	(728)
Shares issued during the year	299	-	(299)	-
At 31 December 2016	2,012	-	778	2,790

GEO THERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Authorisation of financial statements and statements of compliance with FRS 101

Geothermal International Limited is a limited liability company incorporated and domiciled in England & Wales, registered number 05397984.

The registered office is Shillingwood House, Westwood Way, Westwood Business Park, Coventry, CV4 8JZ.

The principal activities of the Company are that of design, installation, control and maintenance of renewable energy solutions integrating our heritage in geothermal heating and cooling systems with complementary green technologies.

The functional and presentation currency for the Company during the year was Sterling and the financial statements are rounded to the nearest thousand, except where otherwise stated.

The latest set of accounts filed by the Company were shortened to coincide with the financial close date of the Electricity Supply Board group of companies, who acquired a controlling stake in the Company on 2 July 2015. As a result of this change and the shortened financial trading period, the amounts presented in these financial statements are not fully comparable with the prior year results.

The results of the Company are included within the consolidated financial statements of the Electricity Supply Board, incorporated in the Republic of Ireland. The consolidated financial statements of the Electricity Supply Board are available to the public and may be obtained from www.esb.ie or 27, Lower Fitzwilliam Street, Dublin 2, Ireland.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The Company has used a true and fair override in respect of non-amortisation of goodwill (see note 2.7).

The following principal accounting policies have been applied:

GEO THERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

FRS 101 sets out a reduced disclosure framework for 'qualifying entities' (as defined within that standard) which addresses the financial reporting requirements and disclosure exemptions in the financial statements that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRS").

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of IAS 7 Statement of Cash Flows

2.3 Consolidated financial statements

The Company is exempt by virtue of s.400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

2.4 Changes in accounting policy and disclosures

There are no changes to IFRS effective in 2015 or 2016 which have had a material impact on the Company.

2.5 Going concern

The Company actively monitors its upcoming cash requirements and adopts downside sensitivities to assess the risk associated with its projected cash position. Although the operating performance Company has continued to improve, the Company remains loss making and has continued to rely upon the introduction of new capital to maintain solvency. To assess the application of going concern, the directors have considered:

- the Company's medium term strategic plan and the associated financial forecasts;
- the approach of UK government to the application of the geothermal heating in the UK; and
- the sentiment of the majority shareholder to supporting the Company.

The financial forecasts highlight that there is a risk that further capital may be required whilst the Company seeks to invest in the longer term market take up of geothermal heat pump led heating and cooling systems. The assessment has also confirmed that UK Government remains committed to the application of geothermal heating and that the Company's majority shareholder is supportive of the Company; by not seeking repayment of the loan due and would consider providing financial support, should the need arise.

As a result of the assessment, the directors continue to adopt the going concern basis in preparing the financial statements.

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.6 Revenue and profit recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and that revenue and profit can be reliably measured. Revenue is measured at fair value of consideration receivable, excluding discounts and sales taxes.

Revenue from the installation of renewable energy solutions is recognised by reference to the value of work carried out to date, including estimates of amounts not invoiced. The value of works carried out to date is measured by reference to the stage of completion of individual activities itemised within the installation contract. The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty.

In respect of contracts for maintenance and monitoring services, revenue is recognised across the contracted service period on a daily basis. In instances where paid repairs or remediation works are undertaken, revenue and profit is recognised when the obligations conditional to the repair have been discharged.

2.7 Intangible assets

Intangible assets comprise goodwill. Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

The Companies Act 2006 requires goodwill to be reduced by provisions for amortisation on a systematic basis over its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment.

The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act 2006. The Company is unable to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be reliably predicted, nor can the pattern in which goodwill diminishes be known.

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.8 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.

Computer software is capitalised within tangible fixed assets as the software is deemed to provide the functionality that a number of tangible fixed assets require in order to operate in the manner intended.

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.

The estimated useful lives range as follows:

Plant and machinery	- 3 to 5 years
Motor vehicles	- 3 years

The Company does not charge depreciation on assets under construction. When assets under construction are brought into use, they are transferred to the relevant asset category and depreciation charges are commenced.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.9 Investments

Investments in subsidiaries and associates are held at historic cost less any applicable provision for impairment.

2.10 Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Purchase cost of stock is calculated on a first-in, first-out basis.

Long term contracts are stated at net cost less foreseeable losses, less any applicable payments on account. The amount recorded as turnover in respect of long term contracts is ascertained by reference to the value of the work carried out to date. Attributable profit is recognised as the difference between recorded turnover and related costs.

2.11 Debtors

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

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement: as either, financial assets, financial liabilities or equity instruments.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors. These are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The principal financial assets and liabilities of the Company are as follows:

Trade and other debtors: Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors: Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

2.14 Creditors

- Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Foreign currency translation

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

All differences are taken to the Statement of Comprehensive Income.

GEOHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.16 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Having performed the required assessment the directors have concluded that any share based payment charge would be immaterial to the financial statements.

2.17 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.18 Leased assets: the Company as lessee

Assets held under finance leases, where all the substantial risks and benefits incidental to ownership of the leased item are transferred to the Company, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

2.19 Pension costs

The company runs a defined contribution pension scheme. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to profit or loss.

2.20 Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation due to a past event and that a reliable estimate can be made of a probable outflow of economic benefits that will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects the risks specific to the liability.

GEOHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.21 Taxation

Tax is recognised in profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between amounts used for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised only to the extent that the directors consider that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at tax rates that have been (substantively) enacted at the balance sheet date.

2.22 Exceptional items

The Company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand the financial performance of the Company.

2.23 Development expenditure

Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Research and development tax credits received are treated as grant income and are included within administrative expenses.

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the financial period. However, the nature of estimation means that actual outcomes could differ from those estimates.

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

- **Amounts recoverable on contracts** – the Company applies for contractual revenue on an application basis. Management exercise judgement in making provision against applications with regard to potential disagreements in the stage of completion or disputed contractual sums;
- **Warranty provisions** – the Company completes warranty work upon completed installations. At the financial period end, an estimate of the future liability is calculated using historic performance and management judgement; and
- **Deferred taxation** – management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimated timing and level of future taxable profits together with an assessment of future tax planning strategies.
- **Goodwill** – management judgement is required to determine the future cash flow the Company can derive and the discount factor that should be applied to these cash flows to determine the valuation of goodwill.

4. Turnover

The whole of the turnover is attributable to the one principal activity of the Company.

All turnover arose within the United Kingdom.

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

5. Operating loss

The operating loss is stated after charging:

	Year ended 31 December 2016 £000	6 months ended 31 December 2015 £000
Research & development expenditure	300	150
Depreciation of tangible fixed assets - owned	31	14
Depreciation of tangible fixed assets - leased	53	-
(Profit) on sale of tangible fixed assets	(2)	(36)
Foreign exchange differences	12	1
Defined contribution pension cost	20	8
Cost of stocks recognised as an expense	1,839	622
Auditor remuneration for audit services	14	14
Auditor remuneration for non audit services:		
- taxation services	3	1
- preparation of the financial statements	2	-
Operating lease rentals - land and buildings	91	45
Operating lease rentals - other	69	29

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. Employees

The aggregate payroll costs, including directors' remuneration, were as follows:

	Year ended 31 December 2016 £000	6 months ended 31 December 2015 £000
Wages and salaries	2,616	1,216
Social security costs	286	144
Employer pension costs	20	8
	<u>2,922</u>	<u>1,368</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Year ended 31 December 2016 No.	6 months ended 31 December 2015 No.
Production	23	23
Administrative	36	37
	<u>59</u>	<u>60</u>

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. Directors' remuneration

	Year ended 31 December 2016 £000	6 months ended 31 December 2015 £000
Directors' emoluments	271	65
Amounts paid to third parties in respect of directors' services	20	15
Company contributions to defined contribution pension schemes	1	-
	<u>292</u>	<u>80</u>

During the year retirement benefits were accruing to 3 directors (2015 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £137,000 (2015 - £36,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2015 - £nil).

No director's exercised share options in the period (6 months ended 31 December 2015 – nil).

The service of one of the directors is supplied by another company over which that director exercises significant influence. This is included above and reported within the related party transactions note.

8. Interest receivable

	Year ended 31 December 2016 £000	6 months ended 31 December 2015 £000
Bank interest receivable	<u>3</u>	<u>-</u>

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. Interest payable and similar charges

	Year ended 31 December 2016 £000	6 months ended 31 December 2015 £000
Bank interest payable	5	-
Loan note interest payable	44	22
Hire purchase interest payable	11	-
	<u>60</u>	<u>22</u>

10. Taxation

	Year ended 31 December 2016 £000	6 months ended 31 December 2015 £000
Corporation tax		
Group relief (tax losses)	(185)	-
	<u>(185)</u>	<u>-</u>

GEOTHERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the period is lower than (2015 - *higher than*) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	Year ended 31 December 2016 £000	6 months ended 31 December 2015 £000
Loss on ordinary activities before tax	(913)	(566)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	(183)	(113)
Effects of:		
Expenses not deductible for tax purposes	11	16
Capital allowances for period in excess of depreciation	(33)	(19)
Unrelieved tax losses carried forward	205	116
Tax losses via group relief	(185)	-
Total tax charge for the year/period	(185)	-

Factors that may affect future tax charges

The 2015 Budget on 8 July 2015 announced the UK corporation tax rate will reduce to 19% by 2017 and then to 18% by 2020. These changes are yet to be substantively enacted.

At 31 December 2016, there are unrecognised deferred tax assets of £2,667,000 (2015 - £2,857,000) related to UK tax losses recoverable (calculated at 19% (2015 - 20%)) and £10,000 (2015 - £74,000) relating to depreciation charged in excess of capital allowances. These amounts will only be recognised when the directors consider that the nature and size of the Company's profits make it appropriate to do so.

Each percentage point change in the rate of corporation tax will adjust the value of the unrecognised deferred tax asset by £140,000 (2015 - £144,000).

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. Exceptional items

	Year ended 31 December 2016 £000	6 months ended 31 December 2015 £000
Provision against subsidiary loans	-	40
Legal fees associated to changes of the Company capital structure	-	39
	<u>-</u>	<u>79</u>

The above costs have been disclosed as exceptional as they do not relate to normal operations.

12. Intangible fixed assets

	2016 £000
Cost	
At 1 January 2016 and 31 December 2016	4,708
Amortisation	
At 1 January 2016 and 31 December 2016	2,120
Net book value	
At 1 January 2016 and 31 December 2016	<u>2,588</u>

The directors have performed an impairment review on the value of goodwill, specifically reviewing the future cash generation of the income generating units to which goodwill relates. Where no provision is made, it is the opinion of the directors that the value of the goodwill is recoverable.

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. Tangible fixed assets

	Plant and machinery £000	Motor vehicles £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 January 2016	905	96	65	1,066
Additions	301	2	-	303
Disposals	-	(35)	-	(35)
Transfers between classes	65	-	(65)	-
At 31 December 2016	<u>1,271</u>	<u>63</u>	<u>-</u>	<u>1,334</u>
Depreciation				
At 1 January 2016	847	91	-	938
Charge for the period	82	2	-	84
Disposals	-	(34)	-	(34)
At 31 December 2016	<u>929</u>	<u>59</u>	<u>-</u>	<u>988</u>
Net book value				
At 31 December 2016	<u>342</u>	<u>4</u>	<u>-</u>	<u>346</u>
At 31 December 2015	<u>58</u>	<u>5</u>	<u>65</u>	<u>128</u>

Included within the net book value of £346,000 is £293,000 (2015 - £nil) of plant and machinery under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £53,000 (2015 - £nil).

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. Fixed asset investments

	Investments in subsidiary companies £000	Other investments £000	Total £000
Cost or valuation			
At 1 January 2016 and 31 December 2016	351	22	373
Impairment			
At 1 January 2016 and 31 December 2016	351	22	373
At 31 December 2016	-	-	-

Details of subsidiary undertakings are disclosed in note 15.

15. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Investments are held by the Company unless indicated(*), where they are held by the intermediary holding company Geothermal International Holdings North America Inc.

Name	Class of shares	Group holding	Principal activity
Subsidiary undertakings			
Geothermal International Espana S.A. (Spain)	Ordinary	100 %	Non trading
Geothermal International Holdings North America Inc (USA)	Ordinary	100 %	Dormant
Geothermal International Polska Sp Z.o.o. (Poland)	Ordinary	89 %	Dormant
Other investments			
Geothermal International Italia S.R.L. (Italy)	Ordinary	20 %	Trading
Geothermal International (Magyarország) (Hungary)	Ordinary	40 %	Dormant
Geothermal International Hrvatska d.o.o. (Croatia)	Ordinary	10 %	Dormant
*GI Endurant LLC (USA)	Economic	2.45 %	Trading
*American Geo Energy LLC (USA)	Economic	2.45 %	Dormant
*Endurant Energy Systems LLC (USA)	Economic	2.45 %	Dormant
*Endurant Energy Construction Services LLC (USA)	Economic	2.45 %	Dormant

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

15. Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 December 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate capital and reserves £000	Profit/(loss) £000
Geothermal International Espana S.A. (Spain)#	(35)	-
Geothermal International Holdings North America Inc. (USA)#	(3,947)	-
Geothermal International Polska Sp Z.o.o. (Poland)#	(13)	-
	<u>(3,995)</u>	<u>-</u>

results for the year ended 30 June 2016.

16. Stocks

	2016 £000	2015 £000
Stock	9	21
Net costs on contract less foreseeable losses	177	162
	<u>186</u>	<u>183</u>

GEOTHERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

17. Debtors

	2016 £000	2015 £000
Due after more than one year		
Trade debtors	<u>160</u>	<u>191</u>
	2016 £000	2015 £000
Due within one year		
Trade debtors	1,188	689
Amounts recoverable on long term contracts	871	938
Corporation tax recoverable	-	120
Other debtors	120	136
	<u>2,179</u>	<u>1,883</u>

18. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	<u>1,029</u>	<u>776</u>

19. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	528	900
Other taxation and social security	402	171
Obligations under finance lease and hire purchase contracts	66	-
Other creditors	24	21
Accruals and deferred income	690	415
Shareholder loans (see note 21)	1,450	300
	<u>3,160</u>	<u>1,807</u>

The shareholder loan is secured via a fixed and floating charge over the assets of the Company. Interest is settled quarterly in arrears.

Hire purchase agreements are secured against the assets to which they relate.

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

20. Creditors: Amounts falling due after more than one year

	2016	2015
	£000	£000
Shareholder loans (see note 21)	275	275
Obligations under finance leases and hire purchase contracts	159	-
	<u>434</u>	<u>275</u>

The shareholder loan is secured via a fixed and floating charge over the assets of the Company. Interest is settled quarterly in arrears.

Hire purchase agreements are secured against the assets to which they relate.

21. Loans

Analysis of the maturity of loans is given below:

	2016	2015
	£000	£000
Amounts repayable on demand		
Secured, interest free shareholder loan	1,450	300
Amounts where the Company has the right to repay at any time		
Unsecured shareholder loans	275	275
	<u>1,725</u>	<u>575</u>

The secured shareholder loan is secured via a fixed and floating charge over the assets of the Company. Interest is settled quarterly in arrears.

Unsecured shareholder loans are comprised of a £100,000 loan (2015 - £100,000) which incurs interest at a rate of 15% and a £175,000 loan (2015 - £175,000) which incurs interest at a rate of 16%.

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

22. Hire purchase and finance leases

Future minimum lease payments for:

	2016 £000	2015 £000
Within one year	84	-
Between 1-2 years	84	-
Between 2-5 years	119	-
	<u>287</u>	<u>-</u>

The present value of minimum lease payments is analysed as follows:

	2016 £000	2015 £000
Within one year	76	-
Between 1-2 years	70	-
Between 2-5 years	87	-
	<u>233</u>	<u>-</u>

23. Provisions

	Warranty provision £000	Contract provisions £000	Total £000
At 1 January 2016	88	61	149
Charged to profit or loss	104	-	104
Utilised in year	(88)	(61)	(149)
At 31 December 2016	<u>104</u>	<u>-</u>	<u>104</u>

Contracts and warranty provisions are reported where the Company believes it possible that costs could be incurred in the future from obligations existing at the balance sheet date.

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

24. Share capital

	2016 £000	2015 £000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
3,780,493 Ordinary shares of £0.125 each	473	473
630,570 Ordinary '1' shares of £0.00793 each	5	5
877,876 Ordinary '2' shares of £0.000000014238 each	-	-
117,920 Ordinary '3' shares of £0.000000106004 each	-	-
12,350,000 Ordinary '4' shares of £0.10 each	1,235	1,235
855,969 Ordinary '5' shares of £0.10 each	85	-
855,969 Ordinary '6' shares of £0.25 each	214	-
	2,012	1,713

Ordinary, Ordinary '1', Ordinary '2', Ordinary '3' and Ordinary '4' shares rank equally in terms of voting, dividend rights and returns on capital.

Ordinary '5' and Ordinary '6' shares have equal voting rights however do not have a right to participate in dividends. Both share types have the right to the return on capital but each have a barrier value for the surplus of assets per share to achieve before they are entitled to a right to return on capital. The barriers are set at £0.10 per share for Ordinary '5' shares and £0.25 per share for Ordinary '6' shares. Both share types are redeemable up to the first anniversary of their issue by holders who have not left employment of the company. The directors consider the possibility of these shares being redeemed to be remote and therefore the shares have been classified as equity instruments opposed to debt instruments.

On 2 July 2015:

- The Company re-designed Special '1' 12.5p share as an Ordinary '2' share and subdivided the 1 share of 12.5p to 877,876 shares of £0.00000014238. This equalised the economic rights of the old Special '1' share to rank pari passu with Ordinary and Ordinary '1' shares;
- The Company re-designed Special '2' 12.5p share as an Ordinary '3' share and subdivided the 1 share of 12.5p to 117,920 shares of £0.00000106004. This equalised the economic rights of the old Special '1' share to rank pari passu with Ordinary and Ordinary '1' shares;
- The Company completed the subscription agreement of 12,350,000 Ordinary '4' 10p shares at par to be issued in two equal tranches. The first was subscribed on 2 July 2015. The second on 21 October 2015.

On 26 August 2016:

- The Company issued 855,969 Ordinary '5' £0.10 shares at par. The shares were issued to the directors involved in the day to day running of the Company as part of a management incentive scheme. The issue was funded from distributable reserves.
- The Company issued 855,969 Ordinary '6' £0.25 shares at par. The shares were issued to the directors involved in the day to day running of the Company as part of a management incentive scheme. The issue was funded from distributable reserves.

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

25. Reserves

Share premium account

This reserve records the amount received in respect of share capital in excess of the nominal value of the shares.

Profit and loss account

The profit and loss account reserve relates to accumulated profits less distributions to shareholders.

On 21 October 2015, the Company completed a capital reduction whereby £21,968,000 of share premium was reduced and transferred to distributable reserves.

26. Share based payments

The company has a share option scheme for certain employees. The scheme was established under HMRC EMI scheme rules but disqualified from EMI status on 2 July 2015 as a result of changes in the ownership structure of the company.

In the period ended 31 December 2016, 374,486 share options were granted (2015 - nil). During the period 19,500 share options were forfeited. There were 518,734 share options outstanding at 31 December 2016 (2015 - 163,748) and 21 scheme members (2015 - 25).

Options are exercisable at differing prices. 75,848 options have an exercise price of £0.125 per share, 64,700 options have an exercise price of £1.50 per share, 3,700 options have an exercise price of £10.00 per share, 187,243 options have an exercise price of £0.10 per share and 187,243 options have an exercise price of £0.25 per share. The vesting period is dependent on a number of criteria being satisfied and as such cannot be reliably ascertained. As a result, there is no definitive exercise date.

The options may not be exercised until the company obtains a listing on a recognised stock exchange or receives an acceptable takeover offer. Options are forfeited if the employee leaves the company before the options vest. The options are settled in equity once exercised.

The weighted average outstanding life of the options until they lapse is 8 years and 10 months.

Due to these criteria, in the opinion of the directors, the fair value of these share options are not material.

27. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2015 - £260,000).

28. Pension commitments

The company operates a defined contribution pension scheme for its directors and employees. The assets of the schemes are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £20,000 (2015 - £8,000). There were unpaid contributions outstanding at the 31 December 2016 of £5,000 (2015 - £3,000).

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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29. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Land and buildings		
Not later than 1 year	91	91
Later than 1 year and not later than 5 years	121	212
	212	303
	2016 £000	2015 £000
Other		
Not later than 1 year	66	69
Later than 1 year and not later than 5 years	26	92
	92	161

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

30. Related party transactions

During the period, the Company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding at 31 December 2016 with other related parties, are as follows:

Freelance Executives Limited

A company under the influence of Mr M Fellowes.

During the period the company was charged management fees of £20,000 (6 months ended 31 December 2015 - £15,000) by Freelance Executives Limited.

At 31 December 2016, the company owed Freelance Executives Limited £7,000 (2015 – £3,000).

ESB NovusModus LP - shareholder

ESB NovusModus LP hold a significant shareholder and have the authority to have a representative on the board of directors.

During the period the company was charged monitoring fees of £10,000 (6 months ended 31 December 2015 - £5,000) by ESB NovusModus LP. At 31 December 2016, £20,000 (2015 - £10,000) was owed from the company to ESB NovusModus LP in respect of trading balances.

The Company also has a loan agreement with ESB Novusmodus LP. The loan is interest free and repayable on demand. At 31 December 2016, £1,450,000 was outstanding (2015 – £300,000).

Key management personnel

The directors consider there to be no key management personnel other than the directors themselves. Director's remuneration has been disclosed in note 7.

31. Controlling party

On 2 July 2015, the company became a 92.6% subsidiary of ESB Novusmodus LP, part of the Electricity Supply Board group, incorporated in Ireland.

From 2 July 2015, the Company's immediate parent undertaking and controlling party is ESB Novusmodus LP, a limited liability partnership, incorporated in the Republic of Ireland.

From 2 July 2015, the Company's ultimate parent company is the Electricity Supply Board, incorporated in the Republic of Ireland. The consolidated financial statements of the Electricity Supply Board are available to the public and may be obtained from www.esb.ie or 27 Fitzwilliam Street, Dublin 2, Ireland.