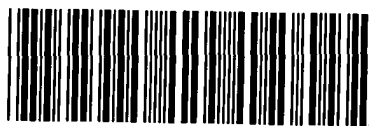

GEOHERMAL INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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GEO THERMAL INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	M Fellowes G Walsh (resigned 30 November 2018) J Walsh N Lawson R Nourse (resigned 29 March 2019) J Lawlor (appointed 29 March 2019)
Company secretary	J Healy
Registered number	05397984
Registered office	Shillingwood House Westwood Way Westwood Business Park Coventry CV4 8JZ
Independent auditors	BDO LLP Statutory Auditor Two Snowhill Birmingham B4 6GA

GEO THERMAL INTERNATIONAL LIMITED

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GEOTHERMAL INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The directors are responsible for preparing 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

Results and dividends

The loss for the year, after taxation, amounted to £380,000 (2017 - loss for the year of £4,291,000).

The directors do not recommend the payment of a dividend (2017 - £Nil).

Directors

The directors who served during the year were:

M Fellowes
G Walsh (resigned 30 November 2018)
J Walsh
N Lawson
R Nourse (resigned 29 March 2019)

GEO THERMAL INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Future developments

The board remains confident about the future trading opportunities of the business. The improving macro-economic environment coupled with 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 optimise the performance of installed heat pump systems through maintenance and monitoring services.

The company has reduced its financial risk in recent years and rationalising the company cost base, whilst investing in business development and marketing to increase the breath of the activity. The continued integration with ESB Smart Energy Services is expected to bring both synergies and new opportunities for the company.

The majority shareholder increased their loan to the company in the year by £430,000 and there is no reason to think that they will not continue to support the company strategy.

Research and development activities

The directors believe that innovation is key to a successful future. Although the company seeks to develop innovative solutions in the delivery of its business contracts, it does not specifically invest in research activity.

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.

GEO THERMAL INTERNATIONAL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Post balance sheet events

On 1 January 2019 all the assets of the company and ongoing contracts were transferred to ESB Innovation UK Limited.

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

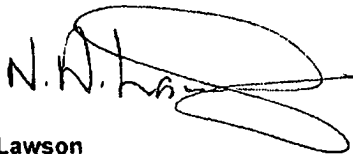
Auditors

On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the directors have appointed BDO LLP as auditor in their place. BDO LLP has indicated its willingness to continue in office.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 23rd September 2019 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'N. Lawson', with a large, sweeping flourish underneath.

N Lawson
Director

GEO THERMAL INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GEO THERMAL INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Geothermal International limited (the 'company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of 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 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

GEO THERMAL INTERNATIONAL LIMITED

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has 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 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, 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

GEOTHERMAL INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GEOTHERMAL INTERNATIONAL LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' 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 for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Fenner (Senior Statutory Auditor)

for and on behalf of
BDO LLP

Statutory Auditor

Two Snowhill
Birmingham
B4 6GA

Date: 23rd September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

GEO THERMAL INTERNATIONAL LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover	4	5,493	4,231
Cost of sales		(4,416)	(3,691)
Gross profit		1,077	540
Administrative expenses		(1,354)	(2,069)
Exceptional administrative expenses		(166)	(2,702)
Operating loss	5	(443)	(4,231)
Income from group undertakings		176	-
Interest receivable and similar income	9	-	2
Interest payable and expenses	10	(60)	(62)
Loss before tax		(327)	(4,291)
Tax on loss	11	(53)	-
Loss for the financial year		(380)	(4,291)

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017 - £Nil).

The notes on pages 11 to 31 form part of these financial statements.

GEO THERMAL INTERNATIONAL LIMITED
REGISTERED NUMBER: 05397984

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Intangible assets	12	-	-	-	-
Tangible assets	13	13	268		
Investments	14	-	-		
			<u>13</u>	<u>268</u>	
Current assets					
Stocks	15	-	258		
Debtors: amounts falling due after more than one year	16	-	279		
Debtors: amounts falling due within one year	16	1,624	1,217		
Cash at bank and in hand	17	539	136		
		<u>2,163</u>	<u>1,890</u>		
Creditors: amounts falling due within one year	18	(3,768)	(3,253)		
Net current liabilities			<u>(1,605)</u>	<u>(1,363)</u>	
Total assets less current liabilities			<u>(1,592)</u>	<u>(1,095)</u>	
Creditors: amounts falling due after more than one year	19	-	(93)		
			<u>(1,592)</u>	<u>(1,188)</u>	
Provisions for liabilities					
Other provisions	22	(289)	(313)		
Net liabilities			<u><u>(1,881)</u></u>	<u><u>(1,501)</u></u>	

GEOHERMAL INTERNATIONAL LIMITED
REGISTERED NUMBER: 05397984

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Capital and reserves			
Called up share capital		2,012	2,012
Profit and loss account		(3,893)	(3,513)
		<u>(1,881)</u>	<u>(1,501)</u>

The company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
23rd September 2019

N. Lawson

N Lawson
Director

The notes on pages 11 to 31 form part of these financial statements.

GEO THERMAL INTERNATIONAL LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2017	2,012	778	2,790
At 1 January 2017	2,012	778	2,790
Comprehensive income for the year			
Loss for the year	-	(4,291)	(4,291)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(4,291)	(4,291)
Total transactions with owners	-	-	-
At 1 January 2018	2,012	(3,513)	(1,501)
At 1 January 2018	2,012	(3,513)	(1,501)
Comprehensive income for the year			
Loss for the year	-	(380)	(380)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(380)	(380)
Total transactions with owners	-	-	-
At 31 December 2018	2,012	(3,893)	(1,881)

The notes on pages 11 to 31 form part of these financial statements.

GEO THERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Geothermal International Limited is a limited liability company incorporated in England and Wales and domiciled in England, 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 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 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 company has used a true and fair override in respect of non-amortisation of goodwill (see note 2.15).

The following principal accounting policies have been applied:

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- 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
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2.3 Going concern

The company actively monitors its upcoming cash requirements and adopts downside sensitivities to assess risk associated with its projected cash position. Although the company is loss making, the management and Board have prepared projections which demonstrate that the company should continue to have sufficient funds to maintain activities for a period of at least twelve months from the date of the audit report on the financial statements for Geothermal International Limited for year ended 31 December 2018. To assess the application of going concern, the directors have considered:

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

The assessment confirmed that the UK government remain committed to the application of geothermal heating. The ongoing support that the company receives from its principal shareholder is expected to continue in 2019 with a greater integration of the activities of the GI Energy business with that of ESB Smart Energy Services anticipated and an agreement to continue to provide the loan required by the business.

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

GEO THERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.4 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.

2.5 Impact of new international reporting standards, amendments and interpretations

IFRS 9

There have been no material impacts on the company's financial statements as a result of adopting IFRS 9 from 01 January 2018.

IFRS 15

There have been no material impacts on the company's financial statements as a result of adopting IFRS 15 from 01 January 2018.

IFRS 16

Management are in the process of assessing the impact of IFRS 16 from 01 January 2019.

2.6 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 Profit and Loss Account.

2.7 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.

2.8 Operating leases: the company as lessee

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

GEOHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.9 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 Profit and Loss Account 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.

2.10 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.

2.11 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 the Profit and Loss Account.

2.12 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Profit and Loss Account 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.

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.13 Taxation

Tax is recognised in the Profit and Loss Account, 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.

2.14 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.

2.15 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 2018

2. Accounting policies (continued)

2.16 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

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 Profit and Loss Account.

2.17 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each Balance Sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.18 Investments

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

2.19 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.

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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;

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; and

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. 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. It is the opinion of the directors that the value of the goodwill is not recoverable in light of the company's performance in the year.

4. Turnover

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

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. Operating loss

The operating loss is stated after charging/(crediting):

	2018 £000	2017 £000
Depreciation of tangible fixed assets	58	94
Profit on sale of tangible fixed assets	(76)	(2)
Impairment of intangible assets	-	(2,588)
Exchange differences	1	27
Defined contribution pension cost	15	17
Cost of stocks recognised as an expense	1,777	880
Auditor remuneration for audit services	15	25
Auditor remuneration for non audit services:		
- taxation services	2	2
- preparation of the financial statements	2	2
Operating lease rentals - land and buildings	85	98
Operating lease rentals - other	37	70
	<u> </u>	<u> </u>

6. Employees

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

	2018 No.	2017 No.
Production	7	18
Administrative	19	23
	<u> </u>	<u> </u>
	<u>26</u>	<u>41</u>

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. Directors' remuneration

	2018	2017
	£000	£000
Directors' emoluments	137	181

During the year retirement benefits were accruing to no directors (2017 - 3) in respect of defined contribution pension schemes. No director's exercised share options in the year (2017 - £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 note 26 related party transactions.

8. Exceptional items

	2018	2017
	£000	£000
Restructuring costs	166	114
Goodwill impairment	-	2,588
	166	2,702

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

9. Interest receivable

	2018	2017
	£000	£000
Bank interest receivable	-	2

10. Interest payable and similar expenses

	2018	2017
	£000	£000
Bank interest payable	-	3
Loan note interest payable	18	41
Hire purchase interest payable	42	18
	60	62

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Taxation

	2018	2017
	£000	£000
Corporation tax		
Group relief (tax losses) - prior year	53	-
Taxation on profit on ordinary activities	53	-

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018	2017
	£000	£000
Loss on ordinary activities before tax	(326)	(4,293)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(62)	(816)
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	-	492
Expenses not deductible for tax purposes	32	(2)
Capital allowances for year in excess of depreciation	-	7
Adjustments to tax charge in respect of prior periods	53	-
Unrelieved tax losses carried forward	-	319
Deferred tax not recognised	30	-
Total tax charge for the year	53	-

Factors that may affect future tax charges

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Taxation (continued)

At 31 December 2018, there are unrecognised deferred tax assets of £2,837,000 (2017 - £2,793,000) related to UK tax losses recoverable (calculated at 17% (2017 - 17%)) and £14,000 (2017 - £13,000) 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.

As at 31 December 2018 there were cumulative tax losses carried forward of £16,206,988 (2017 - £15,880,736).

Each percentage point change in the rate of corporation tax will adjust the value of the unrecognised deferred tax asset by £167,000 (2017 - £164,000).

12. Goodwill

	2018 £000
Cost	
At 1 January 2018	4,708
At 31 December 2018	<u>4,708</u>
Amortisation	
At 1 January 2018	4,708
At 31 December 2018	<u>4,708</u>
Net book value	
At 31 December 2018	<u><u>-</u></u>

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. Tangible fixed assets

	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation			
At 1 January 2018	1,279	28	1,307
Additions	4	3	7
Disposals	(633)	(24)	(557)
At 31 December 2018	<u>650</u>	<u>7</u>	<u>657</u>
Depreciation			
At 1 January 2018	1,017	22	1,039
Charge for the year	55	3	58
Disposals	(430)	(23)	(453)
At 31 December 2018	<u>642</u>	<u>2</u>	<u>644</u>
Net book value			
At 31 December 2018	<u>8</u>	<u>5</u>	<u>13</u>
At 31 December 2017	<u>262</u>	<u>6</u>	<u>268</u>

Included within the net book value of fixed assets is £Nil (2017 - £232,000) of plant and machinery under hire purchase agreements.

GEOHERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Fixed asset investments

	Investments in subsidiary companies £000	Investments in associates £000	Total £000
Cost or valuation			
At 1 January 2018	22	351	373
At 31 December 2018	22	351	373
Impairment			
At 1 January 2018	22	351	373
At 31 December 2018	22	351	373
At 31 December 2018	-	-	-
At 31 December 2017	-	-	-

15. Stocks

	2018 £000	2017 £000
Stock	-	13
Net costs on contract less foreseeable losses	-	245
	-	258

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Debtors

	2018 £000	2017 £000
Due after more than one year		
Trade debtors	-	279
	<u> </u>	<u> </u>
	2018 £000	2017 £000
Due within one year		
Trade debtors	1,098	540
Amounts recoverable on long term contracts	404	554
Other debtors	122	123
	<u> </u>	<u> </u>
	1,624	1,217
	<u> </u>	<u> </u>

17. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	539	136
	<u> </u>	<u> </u>

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Group loans	2,280	1,850
Trade creditors	819	536
Amounts owed to group undertakings	226	226
Corporation tax	53	-
Other taxation and social security	246	204
Obligations under finance lease and hire purchase contracts	-	66
Other creditors	68	63
Accruals and deferred income	76	308
	3,768	3,253

The group loan is secured via a fixed and floating charge over the assets of the company. Interest is settled quarterly in arrears at 0%.

Hire purchase agreements are secured against the assets to which they relate. All obligations under finance lease and hire purchase contracts have been settled during the year.

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

	2018 £000	2017 £000
Obligations under finance leases and hire purchase contracts	-	93

Hire purchase agreements are secured against the assets to which they relate. All obligations under finance lease and hire purchase contracts have been settled during the year.

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

20. Hire purchase and finance leases

Future minimum lease payments for:

	2018 £000	2017 £000
Within one year	-	84
Between 1-5 years	-	119
	<u>-</u>	<u>203</u>

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

	2018 £000	2017 £000
Within one year	-	70
Between 1-5 years	-	87
	<u>-</u>	<u>157</u>

All obligations under finance lease and hire purchase contracts have been settled during the year.

21. Financial instruments

	2018 £000	2017 £000
Financial assets		
Financial assets measured at fair value through profit or loss	539	136
Financial assets that are debt instruments measured at amortised cost	1,600	1,496
	<u>2,139</u>	<u>1,632</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,772)</u>	<u>(3,081)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts recoverable on contracts and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other taxation and social security, amounts owed to group undertakings, obligations under hire purchase contracts, other creditors, accruals and shareholder loans.

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

22. Provisions

	Warranty provision £000	Contract provisions £000	Total £000
At 1 January 2018	104	209	313
Utilised in year	(14)	(10)	(24)
At 31 December 2018	90	199	289

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.

23. 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 2018, no share options were granted (2017 - Nil) and 36,200 (2017 - 22,200) share options were forfeited. There were 450,334 share options outstanding at 31 December 2018 (2017 - 486,534) and 1 scheme member (2017 - 7 members).

Options are exercisable at differing prices. 75,848 options (2017 - 75,848) have an exercise price of £0.125 per share, zero options (2017 - 36,200) have an exercise price of £1.50 per share, zero options (2017 - 3,700) have an exercise price of £10.00 per share, 187,243 options (2017 - 187,243) have an exercise price of £0.10 per share and 187,243 options (2017 - 187,243) 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 7 years and 2 months (2017 - 8 years).

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

24. Contingent liabilities

The company was a subcontractor on a construction project in 2008. The principal contractor on that contract has received a legal claim for £2 million in respect of damages on 28 June 2019. There has not been a formal claim against the company however management are not certain as to the quantification of any partial liability that may fall on them as at the date of approval of these financial statements. The company has an insurance policy in place that currently has an excess of £30,000 and this is currently provided for in these financial statements. Management believe that the insurance policy will cover any potential claims related to this project. Management confirm that claims have been lodged under the relevant insurance policies and that insurers are currently investigating the claims made.

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

25. 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 £15,000 (2017 - £17,000). There were unpaid contributions outstanding at the 31 December 2018 of £3,000 (2017 - £2,000).

26. Commitments under operating leases

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Land and buildings		
Not later than 1 year	48	84
Later than 1 year and not later than 5 years	45	37
Later than 5 years	6	-
	<u>99</u>	<u>121</u>
	2018 £000	2017 £000
Other		
Not later than 1 year	-	37
	<u>-</u>	<u>37</u>

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

27. Related party transactions

During the year, the company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding at 31 December 2018 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 £16,800 (2017 - £16,800) by Freelance Executives Limited.

At 31 December 2018, the company owed Freelance Executives Limited £5,600 (2017 - £5,600).

ESB NovusModus LP - shareholder

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

During the year the company was charged monitoring fees of £10,000 (2017 - £10,000) by ESB NovusModus LP. At 31 December 2018, £30,000 (2017 - £226,000) was owed from the company to ESB NovusModus LP in respect of trading balances and a loan balance transferred.

The company also has a loan agreement with ESB Novusmodus LP. The loan is interest free and repayable on demand. At 31 December 2018, £2,280,000 was outstanding (2017 - £1,850,000).

ESB Innovation UK Limited

A company also under the control of the Electricity Supply Board.

During the year the company was provided services totaling £Nil (2017 - £10,000) from ESB Innovation UK Limited. At 31 December 2018, £Nil (2017 - £2,000) was due from in respect of trading balances.

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.

28. Post balance sheet events

On 1 January 2019 all the assets of the company and ongoing contracts were transferred to ESB Innovation UK Limited.

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

GEO THERMAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

29. Controlling party

The company is a 92.6% subsidiary of ESB Novusmodus LP, part of the Electricity Supply Board group, incorporated in Ireland.

The company's immediate parent undertaking and controlling party is ESB Novusmodus LP, a limited liability partnership, incorporated in the Republic of Ireland.

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.