REGISTERED NUMBER: 05397984

GEOTHERMAL INTERNATIONAL LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2014

GEOTHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

GEOTHERMAL INTERNATIONAL LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2014

DIRECTORS:	K Drage M Fellowes B Gautier A Jones A Robison
SECRETARY:	N Simpson
REGISTERED OFFICE:	Shillingwood House Westwood Way Westwood Business Park Coventry CV4 8JZ
REGISTERED NUMBER:	05397984
AUDITOR:	Ernst & Young LLP 1 Colmore Square Birmingham B4 6HQ

STRATEGIC REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

The directors present their strategic report for the group for the year ended 30th June 2014.

OBJECTIVES AND STRATEGY

The principal activities of the group, in the year under review, were that of design, installation, control and maintenance of renewable energy solutions incorporating our heritage in geothermal heating and cooling systems and combined heat and power systems.

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

The group 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.

REVIEW OF THE BUSINESS RESULTS

The group reports an improvement in results, which has been led by considerable growth in the US business. This growth, alongside tight cost control across the whole group, has helped to reduce the operating loss of the group. This has been completed against a tough economic backdrop where contracts were secured prior to the recent macro-economic environment improvement.

Despite the sizeable growth of the group's US operations, the directors have fully impaired the goodwill associated with the group's US subsidiary due to uncertainty about the next financial year order book. The business has substantial opportunities but at the present time, limited secured activity for the year ended 30 June 2015.

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

	2014 £'000	2013 £'000	Change %
Group turnover	18,618	9,978	+87%
Group EBITDA	(1,602)	(3,452)	+54%
Equity shareholders' funds	3,207	5,901	-46%
Average number of employees	89	92	-3%

Group turnover is used as a key performance indicator (KPI) as it highlights whether the group has been successful in securing demand for its principal activities. The group has experienced significant growth in its US business and a contraction of turnover in its UK business.

The US growth has been driven by a material contract which included a significant amount of third party activity and was, by consequence, at a lower margin than the group's expected margin. This contract was broadly complete at the end of the financial year and given the absence of similar secured contracts, it is expected that group revenue for the next financial year will not match the current financial year.

The UK business has seen a reduced in turnover in the year as a result of the tough macro economic climate of the past few years, which reduced the number of contracting opportunities within large infrastructure projects. It is expected that UK turnover will improve in the coming financial years as a result of an improved wider economic climate and the sales focus towards implementing renewable solutions into existing buildings.

Group EBITDA is seen as the key indicator of the group as it reports the group's ability to generate cash from operations. The key drivers of the improved group EBITDA has been the completion of the material contract in the group's US business and improved cost control across the wider group. Although the significant growth in revenue is not expected to continue into the next financial year, the directors believe that actions completed over the cost control of the group in the current financial year will reduce the risk of incurring the significant EBITDA losses of the two previous financial years.

Equity shareholders' funds is used as a KPI to demonstrate the financial strength of the group. The current year reduction has been driven by the group's EBITDA loss and the exceptional goodwill impairment of the US operation.

Average number of employees is used as an indicator to measure the cost control of the group. The current year reduction highlights that the group has managed to organise its resources more efficiently and that the growth in turnover has been led from an increased proportion of third party activity.

The directors are satisfied with the progress of the group's financial results but are aware that the group must continue this improvement to remove reliance on securing new sources of finance.

PRINCIPLE RISKS AND UNCERTAINTIES

The directors constantly monitor the risks and uncertainties facing the group with particular reference to the exposure to foreign currency risk, liquidity risk and credit risk. They are confident that there are suitable policies in place and there are no material risks and uncertainties which have not been considered.

The group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to finance the group's operations. The group has various other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from its operations.

During the year no trading in financial instruments was undertaken.

Foreign currency risk
The group is exposed to the relatively stable GBP, US Dollar and Euro currencies. The group benefits from a natural hedge of transacting both sales and costs in US Dollar and Euro.

Liquidity Risk
The group 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.

Credit Risk
Credit risk is limited because of the nature of the group's customers, primarily governmental bodies and large corporations. The group manages competitive trading risk by providing added value and maintaining strong relationships with customers.

FINANCIAL INSTRUMENTS

The group operates a centralised treasury function, which is responsible for managing the liquidity risks associated with the group's activities. The group is exposed to foreign exchange risks and manages these by matching, wherever possible, its contracts for sales and purchases in the same currencies.

The group's principal financial instruments include loans and debt finance instruments, the main purpose of which is to raise finance for the group's operations. In addition, the group has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations.

The group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expenses, whilst ensuring that the group has sufficient liquid resources to meet the operating needs of its businesses.

ON BEHALF OF THE BOARD:

....
M Fellowes - Director

Date: 28 October 2014

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 2014

The directors present their report with the audited financial statements of the company and the group for the year ended 30th June 2014.

DIRECTORS

The directors who have held office during the period from 1st July 2013 to the date of this report are as follows:

B Gautier
M Fellowes
K Drage
A Jones
A Robison

During the year 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 & DIVIDENDS

The consolidated loss for the year, after taxation and minority interests, is £2,714k (2013 – £3,628k loss).

The directors do not recommend the payment of a dividend (2013 – £nil).

RESEARCH & DEVELOPMENT

The group is not heavily involved in significant levels of research and development and no material expenditure was incurred during the year.

FUTURE DEVELOPMENT

The Board remains confident about the future trading opportunities of the business. The improving macro-economic environment should improve the volume and, more significantly, the finance available for complimentary services within capital projects.

The Board expect demand to increases 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.

As part of the global need to meet low carbon targets, the UK government has recently allocated substantial increases in the Renewable Heat Incentive (RHI) for heat-pumps, and this together with the increasing availability of long-term financing for customers, in the opinion of the directors, will further increase demand for the group's products and services.

Although the group's US operations have experienced consider growth over the year ended 30 June 2014, the business enters the year ended 30 June 2015 with limited secured work. The operation continues to develop relationships with customers in the CDM, Geothermal and Service divisions. Notwithstanding recent profitability, its cash flows are variable and it will be critical to its ongoing trading that new orders are secured and/or additional funds raised to meet a forecast cash shortfall. At this time, the directors believe it appropriate to impair the group's US assets whilst actively supporting the operations efforts to secure new contracts.

The pipeline of the group remains lumpy. Although this adds risk to the financial outlook of the group, we are working to increase the breadth of our activity by investing in business development and marketing. We remain confident that the business is well placed to build on the current year growth and ultimately start to generate operating profits.

The group has raised additional investment after the balance sheet date to accommodate the continued growth of the group and shows the commitment of the company's investors to the group's strategy.

GOING CONCERN

The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future. To reach this conclusion the directors have taken into account budgets prepared and the medium term strategic plan, which include current and anticipated contracts with reasonable judgement and estimates.

The group actively monitors its upcoming cash requirements and adopts downside sensitivities to assess the risk associated with its projected cash position. The group has secured additional equity investment after the balance sheet date (reported in the post balance sheet event note in the financial statements). For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE GROUP'S AUDITOR
So far as the directors are aware at the date of approving this report, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

AUDITOR
The auditor, Ernst & Young LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

M Fellowes

....
M Fellowes - Director

Date: 28 October 2014

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS GEOTHERMAL INTERNATIONAL LIMITED

We have audited the financial statements of Geothermal International Limited for the year ended 30 June 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent 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 Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements. 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 group's and of the parent company's affairs as at 30 June 2014 and of the group's loss for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Nigel Meredith (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Birmingham, UK
Date 3 November 2014

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2014

	Notes		2014 £'000		2013 £'000
TURNOVER	2		18,618		9,978
Cost of sales			13,479		6,476
GROSS PROFIT			5,139		3,502
Administrative expenses:					
Before exceptional items		7,126		7,451	
Impairment of intangible assets	6	643		-	
			7,769		7,451
OPERATING LOSS	6		(2,630)		(3,949)
Release of associate provision	12		(27)		-
Interest payable and similar charges	7		44		37
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(2,647)		(3,986)
Tax on loss on ordinary activities	8		(5)		-
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION			(2,642)		(3,986)
Minority interests			(72)		358
DEFICIT FOR THE FINANCIAL YEAR FOR THE GROUP			(2,714)		(3,628)

CONTINUING OPERATIONS

The loss for the financial year after taxation relates to continuing operations.

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the losses for the current or previous financial year.

The notes on pages 14 to 34 form part of these financial statements

GEOTHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

CONSOLIDATED BALANCE SHEET
30TH JUNE 2014

	Notes	£'000	2014 £'000	£'000	2013 £'000
FIXED ASSETS					
Intangible assets	10		2,606		3,578
Tangible assets	11		102		180
Investments	12		23		28
			2,731		3,786
CURRENT ASSETS					
Stocks	13	184		537	
Debtors :	14				
Amounts falling due within one year		3,030		3,723	
Amounts falling due after one year		158		324	
		3,188		4,047	
Cash at bank		1,080		2,702	
		4,452		7,286	
CREDITORS					
Amounts falling due within one year	15	3,175		4,684	
NET CURRENT ASSETS			1,277		2,602
TOTAL ASSETS LESS CURRENT LIABILITIES			4,008		6,388
CREDITORS					
Amounts falling due after more than one year	16		275		291
Provisions for liabilities and charges	20		526		169
Provision for interest in associate	12		-		27
NET ASSETS			**3,207**		**5,901**
CAPITAL AND RESERVES					
Called up share capital	22		435		435
Share premium	23		20,533		20,533
Profit and loss account	23		(17,641)		(14,856)
			3,327		6,112
Minority interests	21		(120)		(211)
SHAREHOLDERS'FUNDS	24		**3,207**		**5,901**

The financial statements were approved by the Board of Directors on 28 October 2014 and were signed on its behalf by:

....

M Fellowes - Director

The notes on pages 14 to 34 form part of these financial statements

COMPANY BALANCE SHEET
30TH JUNE 2014

	Notes	£'000	2014 £'000	2013 restated £'000	£'000
FIXED ASSETS					
Intangible assets	10		2,588		2,824
Tangible assets	11		17		42
Investments	12		-		134
			2,605		3,000
CURRENT ASSETS					
Stocks	13	160		369	
Debtors :	14				
Amounts falling due within one year		1,597		5,047	
Amounts falling due after one year		158		1,054	
		1,755		6,101	
Cash at bank		472		2,103	
		2,387		8,573	
CREDITORS					
Amounts falling due within one year	15	1,401		2,101	
NET CURRENT ASSETS			986		6,472
TOTAL ASSETS LESS CURRENT LIABILITIES			3,591		9,472
CREDITORS					
Amounts falling due after more than one year	16		275		275
Provisions for liabilities and charges	20		300		169
NET ASSETS			**3,016**		**9,028**
CAPITAL AND RESERVES					
Called up share capital	22		435		435
Share premium	23		20,533		20,533
Profit and loss account	23		(17,952)		(11,940)
SHAREHOLDERS'FUNDS	24		**3,016**		**9,028**

The financial statements were approved by the Board of Directors on 28 October 2014 and were signed on its behalf by:

....
M Fellowes - Director

The notes on pages 14 to 34 form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2014

	Notes	2014 £'000	2013 £'000
Net cash outflow from operating activities	28	(1,556)	(3,822)
Returns on investments and servicing of finance	29	(40)	(52)
Capital expenditure	29	6	(72)
Acquisitions and disposals	29	-	(7)
		(1,590)	(3,953)
Financing	29	(1)	2,741
(Decrease) in cash in the period		(1,591)	(1,212)

	Notes	2014 £'000	2013 £'000
Reconciliation of net cash flow to movement in net debt	30		
(Decrease) in cash in the period		(1,591)	(1,212)
Cash inflow from increase in debt and lease financing		1	65
Change in net debt resulting from cash flows		(1,590)	(1,147)
Changes in net debt from non cash flows		-	14,607
Exchange movement		(30)	46
Movement in net debt in the period		(1,620)	13,506
Net debt at 1st July 2013		2,425	(11,081)
Net debt at 30th June 2014		805	2,425

The notes on pages 14 to 34 form part of these financial statements

1. ACCOUNTING POLICIES

Accounting convention
The financial statements have been prepared under the historical cost convention.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies.

Acquisitions are accounted for under the acquisition method. The results of the companies acquired or disposed of are included in the profit and loss account after, or up to the date that control passes.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of section 408 of the Companies Act 2006.

Turnover
The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

In respect of long term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long term contracts and contracts for on-going services is recognised by reference to the value of work carried out to date. 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.

Intangible assets
Intangible assets comprise goodwill, trademarks and development costs.

Amortisation of goodwill is provided from the date of acquisition so as to write off the asset, on a straight line basis over the term of its useful life. The directors have assessed the useful economic life of the group's goodwill as being between 10 and 20 years.

Trademarks and development costs were previously shown at cost less provision for any permanent diminution in value. Such items are now expensed as incurred.

Tangible fixed assets
All tangible assets are recorded at cost. The carrying values of tangible fixed assets are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable.

Depreciation
Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant and machinery:	
Works plant and machinery	- 33.33% per annum on cost
Drilling rigs	- 20% per annum on cost
Motor vehicles	- 30% per annum on cost

1. **ACCOUNTING POLICIES - continued**

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Long term contracts are stated at net cost less forseeable 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.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Results of overseas subsidiaries are translated at the average rate for the year. Assets and liabilities of overseas subsidiaries are translated at the ruling rate at the balance sheet date. Exchange differences are dealt with through reserves.

Hire purchase and leasing commitments
Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter. The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

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

Investments
Investments are stated at cost less provision for any permanent diminution in value.

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. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2014	2013
	£'000	£'000
United Kingdom	5,608	6,441
North America	12,702	3,310
Rest of World	308	227
	18,618	9,978

3. STAFF COSTS

The average number of staff employed by the group during the financial year was:

	2014	2013
	No.	No.
Number of production staff	24	45
Number of administrative staff	65	47
	89	92

The aggregate payroll costs, including directors' emoluments:

	2014	2013
	£'000	£'000
Wages and salaries	5,208	4,910
Social security costs	354	589
	5,562	5,499

4. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

	2014	2013
	£'000	£'000
Aggregate remuneration in respect of qualifying services	420	329

Emoluments earned by the highest paid director in the year amounted to £184k (2013 - £218k).

Retirement benefits are not accruing to any directors under Company pension schemes.

No director's exercised share options in the year (2013 – none).

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.

5. SHARE-BASED PAYMENTS

The company has a share option scheme for certain employees. This scheme is approved under HMRC EMI scheme rules.

In the year ended 30 June 2014, 365,346 share options were granted, 10,250 share options were forfeited and 10,875 share options lapsed. No options were exercised in the year.

There were 363,846 share options outstanding at the end of the year (30 June 2013 – 19,625) and 51 scheme members (2013 – 29).

Options are exercisable at differing prices. 211,696 options have an exercise price of £0.125 per share, 143,450 options have an exercise price of £1.50 per share and 8,700 options have an exercise price of £10.00 per share. The vesting period is dependent on a number of criteria being satisfied and as such cannot be 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. Due to these criteria, in the opinion of the directors, the fair value of these share options are not material.

6. OPERATING LOSS

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

	2014 £'000	2013 £'000
Depreciation - owned assets	73	158
Depreciation - assets on hire purchase contracts	-	28
(Profit) on sale of tangible fixed assets	(17)	(16)
Goodwill amortisation	329	327
Operating lease rentals – land & buildings	356	391
Operating lease rentals – other	9	9
Auditor remuneration for audit services	51	55
Auditor remuneration for non audit services	-	6
Foreign exchange differences	(17)	1

Exceptional items recognised in arriving at operating loss:

	2014	2013
Impairment of intangible assets	643	-

Upon review of current trading conditions, the director's have determined that the goodwill associated with the part of the group's operations should be impaired.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £'000	2013 £'000
Reversal of interest payable on convertible loan	-	(50)
Interest payable	40	80
Net bank interest payable	4	5
Hire purchase	-	2
	44	37

The company exercised its option to convert a convertible loan deed, dated 2nd December 2011, in the sum of £3,250k into preferred share capital at £225 per share on 19th December 2012. Any interest accrued in respect of this convertible loan deed prior to this date was not converted into preferred share capital and was no longer due, and was therefore released.

8. TAXATION

Analysis of the tax credit
The tax charge on the loss on ordinary activities for the year was as follows:

	2014	2013
	£'000	£'000
Current year credit	-	-
Over provision in prior year	(5)	-
Tax on loss on ordinary activities	(5)	-

Factors affecting the tax charge
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2014	2013
	£'000	£'000
Loss on ordinary activities before tax	(2,647)	(3,986)
Loss on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 22.5% (2013 – 23.25%)	(596)	(927)
Effects of:		
Expenses not deductible for tax purposes – UK	157	174
Expenses not deductible for tax purposes – US	79	-
Depreciation in excess of capital allowances	40	64
Unrelieved tax losses – UK	486	689
Tax losses utilised – US	(166)	-
Current year tax credit	-	-

At 30 June 2014, there are unrecognised deferred tax assets related to UK tax losses recoverable (calculated at 20%) of £2,438k (2013 - £2,032k) and related to US tax losses recoverable (calculated at 20%) of £175k (2013 - £323k). There is also depreciation charged in excess of capital allowances of £56k (2013 - £68k). These amounts will only be recognised in the future 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 £133k (UK - £124k, US - £9k).

9. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year, after provision for group related assets of £3,807k (2013 - £426k), was £6,012k (2013 - £2,723k).

10. INTANGIBLE FIXED ASSETS

Group

	Goodwill	Trademarks	Development costs	Totals
	£'000	£'000	£'000	£'000
COST				
At 1st July 2013	5,765	83	53	5,901
Eliminated on Disposal	-	-	(53)	(53)
At 30th June 2014	5,765	83	-	5,848
AMORTISATION				
At 1st July 2013	2,187	83	53	2,323
Amortisation for year	329	-	-	329
Impairment	643	-	-	643
Eliminated on Disposal	-	-	(53)	(53)
At 30th June 2014	3,159	83	-	3,242
NET BOOK VALUE				
At 30th June 2014	2,606	-	-	2,606
At 30th June 2013	3,578	-	-	3,578

Company

	Goodwill
	£'000
COST	
At 1st July 2013 and 30th June 2014	4,708
AMORTISATION	
At 1st July 2013	1,884
Amortisation for year	236
At 30th June 2014	2,120
NET BOOK VALUE	
At 30th June 2014	2,588
At 30th June 2013	2,824

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 the goodwill relates. The directors have made a full provision for impairment over the group's US subsidiaries where they believe there is a credible risk that this business will not generate the future cash flows required to support this balance.

Where no provision is made, it is the opinion of the directors that the value of goodwill is recoverable.

11. TANGIBLE FIXED ASSETS

Group

	Plant and machinery £'000	Motor vehicles £'000	Totals £'000
COST			
At 1st July 2013	1,656	426	2,082
Additions	30	-	30
Disposals	(217)	(132)	(349)
Exchange adjustment	(38)	(1)	(39)
At 30th June 2014	1,431	293	1,724
DEPRECIATION			
At 1st July 2013	1,482	420	1,902
Charge for year	70	3	73
Eliminated on disposal	(198)	(132)	(330)
Exchange adjustment	(22)	-	(22)
At 30th June 2014	1,332	290	1,622
NET BOOK VALUE			
At 30th June 2014	99	3	102
At 30th June 2013	174	6	180

The net book value of tangible fixed assets includes £nil (2013 - £6k) in respect of assets held under hire purchase contracts.

11. **TANGIBLE FIXED ASSETS - continued**

Company

	Plant and machinery £'000	Motor vehicles £'000	Totals £'000
COST			
At 1st July 2013	1,286	415	1,701
Additions	9	-	9
Disposals	(182)	(132)	(314)
At 30th June 2014	1,113	283	1,396
DEPRECIATION			
At 1st July 2013	1,245	414	1,659
Charge for year	32	1	33
Eliminated on disposal	(181)	(132)	(313)
At 30th June 2014	1,096	283	1,379
NET BOOK VALUE			
At 30th June 2014	17	-	17
At 30th June 2013	41	1	42

The net book value of tangible fixed assets includes £nil (2013 - £1k) in respect of assets held under hire purchase contracts.

12. INVESTMENTS

Group

	Interest in associate £'000	Other participating interests £'000	Total £'000
COST			
At 1st July 2013	-	28	28
Exchange adjustment	-	(5)	(5)
Reinstatement of investment previously held as associate	-	22	22
At 30th June 2014	-	45	45
PROVISIONS			
At 1st July 2013	(27)	-	(27)
Released	27	-	27
Reinstatement of investment provision of associate	-	(22)	(22)
At 30th June 2014	-	(22)	(22)
NET BOOK VALUE			
At 30th June 2014	-	23	23
At 30th June 2013	(27)	28	1

Interest in associate
During the year, the directors have determined that the group no longer exercise significant influence over two entities where it owns 40% and 20% of the voting shares respectively. This decision has been taken due to the diminishment of influence the group has over the operating and financial policies of the two entities during the year.

As such, the group has reclassified these investments as other participating interests. These investments have no value to the group and as such, their share of net liabilities included at the 30 June 2013, has been released to Profit & Loss in the year.

		2013 £'000
Share of assets:	Fixed assets	4
	Current assets	29
Share of liabilities:	Share of liabilities due within one year	(60)
	Share of liabilities due after one year or more	-
Share of net liabilities		(27)

12. INVESTMENTS - continued

Company	Shares in Group Undertakings £'000	Interest in Associate £'000	Trade Investments £'000	Total £'000
COST				
At 1st July 2013	2,850	22	-	2,872
Additions	-	-	-	-
Dissolved	(128)	-	-	(128)
Reclassifications	-	(22)	22	-
At 30th June 2014	2,722	-	22	2,744
PROVISIONS				
At 1st July 2013	2,716	22	-	2,738
Provisions	6	-	-	6
Reclassifications	-	(22)	22	-
At 30th June 2014	2,722	-	22	2,744
NET BOOK VALUE				
At 30th June 2014	-	-	-	-
At 30th June 2013	134	-	-	134

12. INVESTMENTS - continued

Held by the company:

Subsidiary undertakings	**Nature of business**	**Group holding**
Geothermal International Espana S.A. (Spain)	Installation of geothermal heating and cooling systems	100% Ordinary
Geothermal International Holdings North America Inc. (USA)	Holding Company	100% Ordinary
Cirrus Energi Limited (UK)	Dormant Company	100% Ordinary
Geothermal International Polska Sp Z.o.o. (Poland)	Dormant Company	89% Ordinary
Participating interests		
Geothermal International Italia S.R.L. (Italy)	Installation of geothermal heating and cooling systems	20% Ordinary
Geothermal International (Magyarorszag) (Hungary)	Dormant Company	40% Ordinary
Geothermal International Hrvatsks d.o.o. (Croatia)	Dormant Company	10% Ordinary

Held by the group:

Subsidiary undertakings	**Nature of business**	**Group holding**
GI Endurant LLC (USA)	Installation of geothermal heating and cooling systems	51% Voting 76% Economic
American Geo Energy LLC (USA)	Dormant Company	51% Voting 76% Economic
Endurant Energy Systems LLC (USA)	Dormant Company	51% Voting 76% Economic
Endurant Energy Construction Services LLC (USA)	Dormant Company	51% Voting 76% Economic
Participating interests		
General Geo Services LLC (USA)	Dormant Company	20% Voting

13. STOCKS

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Stock	120	377	120	269
Net costs on contract less foreseeable losses	64	160	40	100
	184	537	160	369

14. DEBTORS

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Amounts falling due within one year:				
Trade debtors	1,341	2,169	414	817
Amounts owed by group undertakings	-	-	-	2,921
Amounts recoverable on contracts	1,104	1,140	1,104	1,140
Other debtors	585	414	79	169
	3,030	3,723	1,597	5,047
Amounts falling due after one year:				
Trade debtors	158	324	158	324
Amounts owed by group undertakings	-	-	-	730
	158	324	158	1,054

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Obligation under hire purchase contracts	-	1	-	-
Payments on account	27	1,513	27	287
Trade creditors	1,121	1,121	335	784
Amounts owed to group undertakings	-	-	-	131
Corporation Tax	-	5	-	5
Social security and other taxes	189	117	180	97
Other creditors	1,102	465	213	57
Accruals and deferred income	736	1,462	646	740
	3,175	4,684	1,401	2,101

Other creditors for the Group includes £nil (2013 – £304k) in respect of deferred consideration on the acquisition of GI Endurant LLC.

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

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Shareholder loans (see note 17)	275	275	275	275
Other creditors	-	16	-	-
	275	291	275	275

17. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Amounts with no fixed repayment date:				
Shareholder loans	275	275	275	275

Shareholder loans of £275k are classified as having no fixed repayment date. These loans attract an interest rate of 15% / 16% per annum, which is settled quarterly in arrears.

18. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Amounts fully payable:				
Within one year	-	1	-	1

19. OBLIGATIONS UNDER OPERATING LEASES

Annual commitments under non-cancellable operating leases are as follows:

Land & Buildings		**Group**		**Company**
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Leases expiring:				
Within one year	46	-	26	-
One to five years	235	-	105	-
	281	-	131	-

Other		**Group**		**Company**
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Leases expiring:				
Within one year	5	9	5	9
One to five years	67	-	23	-
	72	9	28	9

20. PROVISIONS FOR LIABILITIES

Group	Warranty Provisions	Contract Provisions	Legal Provisions	Total
	£'000	£'000	£'000	£'000
At 1st July 2013	169	-	-	169
Arising in the year	179	181	135	495
Utilised	(138)	-	-	(138)
At 30th June 2014	210	181	135	526

Company	Warranty Provisions	Contract Provisions	Legal Provisions	Total
	£'000	£'000	£'000	£'000
At 1st July 2013	169	-	-	169
Arising in the year	88	181	-	269
Utilised	(138)	-	-	(138)
At 30th June 2014	119	181	-	300

20. PROVISIONS FOR LIABILITIES - continued

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

Legal provisions are reported where the Group considers it possible that a transfer of future economic benefit may result from claims existing at the balance sheet date.

21. MINORITY INTERESTS

Included within the capital of GI Endurant LLC are 4,900 class A units and 2,526 class B units which are not owned by the group. Class A units represent the voting interests in the company and class B units represent the distribution and economic rights in the company. The 2,526 class B shares represent a 24% minority interest holding.

Movement within amounts attributable to minority interests:

	£'000
Minority interest brought forward	(211)
Share of profits for the period	72
Foreign currency retranslation	19
Minority interest carried forward	(120)

22. CALLED UP SHARE CAPITAL

Allotted, issued, called up and fully paid:

Number:	Class:	Nominal value:	2014 £'000	2013 £'000
630,570 (2013 – 630,570)	Ordinary '1' shares	0.793p	5	5
1 (2013 – 1)	Special share	12.5p	-	-
3,439,140 (2013 – 3,439,140)	Ordinary shares	12.5p	430	430
			435	435

Ordinary '1' shares, Special shares and Ordinary shares all rank equally in terms of voting and dividend rights. However, on a return of capital on liquidation or capital reduction or otherwise, the surplus assets of the Company available for distribution among the members shall be distributed amongst the holders of the equity shares (pari passu as if such shares constituted one class of share) save that, in calculating such distribution each Special share shall for such purposes be treated as if it constituted 877,876 Ordinary shares.

23. RESERVES

Group	Profit and loss account £'000	Share premium £'000	Totals £'000
At 1st July 2013	(14,856)	20,533	5,677
Deficit for the year	(2,714)	-	(2,714)
Foreign currency retranslation	(71)	-	(71)
At 30th June 2014 – before Minority interests	(17,641)	20,533	2,892
Minority interests			(120)
At 30th June 2014 – after Minority interests			2,772

Company	Profit and loss account £'000	Share premium £'000	Totals £'000
At 1st July 2013	(11,940)	20,533	8,593
Deficit for the year	(6,012)	-	(6,012)
At 30th June 2014	(17,952)	20,533	2,581

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2014 £'000	2013 £'000
Loss for the financial year	(2,714)	(3,628)
Foreign currency retranslation	(71)	22
Conversion of debt to Preferred shares	-	3,248
Write-off of Preferred share coupon	-	571
Conversion of existing loans to Preferred shares	-	483
New issue of Preferred shares	-	2,318
New issue of Special share	-	110
Reclassification of Preferred shares to Ordinary shares	-	10,684
Net (decrease) / increase in shareholders' funds	(2,785)	13,808
Opening shareholders' funds	6,112	(7,696)
Closing shareholders' funds – before Minority interests	3,327	6,112
Minority interests	(120)	(211)
Closing shareholders' funds – after Minority interests	3,207	5,901

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS - continued

Company	2014	2013
	£'000	£'000
Loss for the financial year	(6,012)	(2,723)
Conversion of debt to Preferred shares	-	3,248
Write-off of Preferred share coupon	-	571
Conversion of existing loans to Preferred shares	-	482
New issue of Preferred shares	-	2,318
New issue of Special share	-	110
Reclassification of Preferred shares to Ordinary shares	-	10,684
Net (decrease) / increase in shareholders' funds	(6,012)	14,690
Opening shareholders' funds	9,028	(5,662)
Closing shareholders' funds	3,016	9,028

25. RELATED PARTY DISCLOSURES

The group does not disclose any transactions or balances between group entities that have been eliminated upon consolidation. The group had the following related party transactions and balances:

Freelance Executives Limited
A company under the influence of Mr M Fellowes.

During the year the company was charged management fees of £184k (2013 - £218k) by Freelance Executives Limited.

At 30 June 2014, the company owed Freelance Executives Limited £19k (2013 – £26k).

B Davidson
B Davidson was a former director of the company until 3 February 2013.

During the period Mr B Davidson was a director, the company was charged rent for office space of £nil (2013 – £23k).

During the period Mr B Davidson was a director, he received interest at 10% per annum on loans made to the company amounting to £nil (2013 - £18k).

Speymill OOD Pension Fund
A company under common influence of Mr B Davidson, until 3 February 2013.

During the period Mr B Davidson was a director, the company was charged rent and service charges of £nil (2013 - £78k) by Speymill OOD Pension Fund.

25. RELATED PARTY DISCLOSURES - continued

Speymill OOD Limited
A company under common influence of Mr B Davidson, until 3 February 2013.

During the period Mr B Davidson was a director, the company made sales to Speymill OOD Limited totalling £nil (2013 - £21k).

During the period Mr B Davidson was a director, the company was charged rent of £nil (2013 - £68k) by Speymill OOD Limited.

Environmental Energies Fund LP
Environmental Energies Fund LP hold 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 £10k (2013 - £10k) by Environmental Energies Fund LP.

At 30 June 2014, £3k (£3k) was owed from the company to Environmental Energies Fund LP.

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 year the company was charged monitoring fees of £12k (2013 - £10k) by ESB NovusModus LP.

At 30 June 2014, £24k (2013 - £12k) was owed from the company to ESB NovusModus LP.

26. POST BALANCE SHEET EVENTS

The group has completed an equity rights issue in September 2014. This rights issue reflected issuing 303,428 Ordinary shares and 1 “Special 2 Share”, which raised £1,500k for the Company.

There are no other post balance sheet events to report.

27. ULTIMATE CONTROLLING PARTY

The company has no ultimate controlling party.

28. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2014 £'000	2013 £'000
Operating loss	(2,630)	(3,949)
Depreciation charges	73	186
(Profit) on disposal of fixed assets	(17)	(16)
Amortisation charge	329	327
Impairment of intangible fixed assets	643	-
Decrease / (increase) in stocks	353	1
Decrease / (increase) in debtors	859	(1,061)
(Decrease) / increase in creditors	(1,166)	690
Net cash outflow from operating activities	(1,556)	(3,822)

29. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2014 £'000	2013 £'000
Returns on investments and servicing of finance		
Interest received	2	3
Interest paid	(42)	(53)
Interest element of hire purchase payments	-	(2)
Net cash outflow for returns on investments and servicing of finance	(40)	(52)
Capital expenditure		
Purchase of tangible fixed assets	(30)	(88)
Sale of tangible fixed assets	36	16
Net cash inflow / (outflow) for capital expenditure	6	(72)
Acquisitions and disposals		
Increase in investment in other participating interests	-	(7)
Net cash outflow for acquisitions and disposals	-	(7)

29. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT - continued

	2014 £'000	2013 £'000
Financing		
Loan repayments in year	-	(40)
Preferred shares issue	-	2,696
Special share issue	-	110
Capital element of hire purchase payment	(1)	(25)
Net cash (outflow) / inflow from financing	(1)	2,741

30. ANALYSIS OF CHANGES IN NET DEBT

	At 1.7.13 £'000	Cash flow £'000	Exchange movement £'000	Other non-cash changes £'000	At 30.6.14 £'000
Net cash:					
Cash at bank	2,701	(1,621)	-	-	1,080
Debt:					
Hire purchase	(1)	1	-	-	-
Debts falling due within one year	-	-	-	-	-
Debts falling due after one year	(275)	-	-	-	(275)
	(276)	1	-	-	(275)
Total	2,425	(1,620)	-	-	805