

REGISTERED NUMBER: 05397984

GEO THERMAL INTERNATIONAL LIMITED
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013

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GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

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FOR THE YEAR ENDED 30TH JUNE 2013**

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GEO THERMAL INTERNATIONAL LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 30TH JUNE 2013

DIRECTORS:

K Drage
M Fellowes
B Gautier
A Jones
A Robison

SECRETARY:

A A Hobday

REGISTERED OFFICE:

141-143 Albany Road
Earlsdon
Coventry
CV5 6ND

REGISTERED NUMBER:

05397984

AUDITORS:

Ernst & Young LLP
1 Colmore Square
Birmingham
B4 6HQ

GEOHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2013

The directors present their report with the financial statements of the company and the group for the year ended 30th June 2013

RESULTS AND DIVIDENDS

The consolidated loss for the year, after taxation and minority interests, is £3,628,070 (2012 £4,945,452 loss) No dividends will be distributed for the year ended 30th June 2013 (2012 - £nil)

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the group in the year under review were that of design and installation of renewable energy solutions including geothermal heating and cooling systems, combined heat and power systems, and the operating maintenance and servicing of installations

The group's key financial performance indicators during the year were as follows

	2013 £	2012 £	Change %
Group turnover	9,978,442	11,521,900	-13%
Group operating loss	(3,948,953)	(3,942,031)	+0%
Loss after tax and minority interests	(3,628,070)	(4,945,452)	+27%
Equity shareholders' funds / (deficit)	5,900,557	(7,549,557)	+178%
Average number of employees	91	104	-13%

The turnover of the group was lower in the year as some contracts existing at the beginning of the year were completed and new projects awarded had yet to commence. Gross profits improved for the period as the group concentrated on securing contracts with higher margins and managed down its direct costs of operations. Administrative costs increased for the year as part of the restructuring and refinancing of the group in the period, including increased investment in the sales and business development activities. Overall employee numbers reduced reflecting increased efficiency in the support functions within the business. As a consequence of the above and notwithstanding a reduction in turnover, the operating loss was held at the same level as last year.

On 19th December 2012, Geothermal International Ltd entered into an agreement with the holder of convertible loan notes made to the Company, whereby the total value of £3.25m was converted into new shares. On 12th April 2013, Geothermal International Limited raised an investment of £3.306m by way of an issue of new shares of which £2.806m was paid by way of cash and £0.500m by way of conversion of existing shareholder loans. As part of the new investment, a restructure of the share capital base of the company was undertaken, this simplified the share structure such that previous investments by way of shares would no longer be classified as long-term debt but as part of shareholders' funds. The value classified as equity that had previously been classified as debt totalled £10.286m. The new investments from the company's existing investors leaves the business well positioned to invest in its future growth.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 2013**

Outlook

The year under review has been challenging and the macro-economic environment remains tough in both our UK and international markets. However the Board remains confident about the future trading of the business as demand 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, and take advantage of the regional and national incentives available. As part of the need to meet low carbon targets in the economy as a whole the UK government has recently announced 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. The group has also rebranded its business as GI Energy and the directors believe, with the skills within the businesses, this will help in the re-positioning of the group as an efficient energy solutions provider across a number of technologies.

Going concern

The directors are satisfied that the company 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 company regards the current cash in hand as adequate in terms of liquidity for its needs. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Principal risks and uncertainties

The directors constantly monitor the risks and uncertainties facing the company 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 Company's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to finance the Company's operations. The Company 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

There are limited exposures to the US Dollar and Euro, despite high volatility across the currency markets. This is due to the benefit of a natural hedge from both sales and costs being transacted in US Dollar and Euro.

Liquidity Risk

The Company has sufficient available funds for operations and planned activities. Funding comes from the cash flow it generates from customer contracts and new and existing investors.

Credit Risk

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

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 2013**

DIRECTORS

The directors who have held office during the period from 1st July 2012 to the date of this report are as follows

B Gautier

G Le Sueur – resigned 6th August 2013

M Fellowes

K Drage – appointed 25th April 2013

A Jones – appointed 23rd May 2013

B Davidson – resigned 3rd February 2013

A Robison – appointed 6th August 2013

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

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.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 2013**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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, 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 auditors, Ernst & Young LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


M Fellowes - Director

Date 29 November 2013

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 2013 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 27. 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 Statement of Directors' Responsibilities set out on page 5, 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 (APB'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 undertaking'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 Directors' report 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 the 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 undertaking's affairs as at 30 June 2013 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF GEOTHERMAL INTERNATIONAL LIMITED - CONTINUED

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 undertaking, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent undertaking 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 *2 December 2013*

GEOHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2013**

		2013		2012	
	Notes	£	£	£	£
TURNOVER	2		9,978,442		11,521,900
Cost of sales			<u>(6,476,702)</u>		<u>(8,170,006)</u>
GROSS PROFIT			3,501,740		3,351,894
Administrative expenses			<u>(7,450,693)</u>		<u>(7,293,925)</u>
OPERATING LOSS	5		(3,948,953)		(3,942,031)
Interest payable and similar charges	6		<u>(36,637)</u>		<u>(816,730)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(3,985,590)		(4,758,761)
Tax on loss on ordinary activities	7		<u>-</u>		<u>(53,479)</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION			(3,985,590)		(4,812,240)
Minority interests			<u>357,520</u>		<u>(133,212)</u>
DEFICIT FOR THE FINANCIAL YEAR FOR THE GROUP			<u>(3,628,070)</u>		<u>(4,945,452)</u>

CONTINUING OPERATIONS

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

The notes on pages 15 to 37 form part of these financial statements

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30TH JUNE 2013**

	2013	2012
	£	£
LOSS FOR THE FINANCIAL YEAR	(3,628,070)	(4,945,452)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	(3,628,070)	(4,945,452)
Prior year adjustment to 2012 opening reserves (note 9)	-	(2,310,957)
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	<u>(3,628,070)</u>	<u>(7,256,409)</u>

The notes on pages 15 to 37 form part of these financial statements

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**CONSOLIDATED BALANCE SHEET
30TH JUNE 2013**

		2013		2012	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	10		3,577,896		3,904,493
Tangible assets	11		180,316		273,159
Investments	12		<u>27,867</u>		<u>19,845</u>
			3,786,079		4,197,497
CURRENT ASSETS					
Stocks	13	537,455		538,075	
Debtors	14				
Amounts falling due after one year		323,768		391,777	
Amounts falling due within one year		3,722,835		2,593,738	
Cash at bank		<u>2,701,575</u>		<u>3,867,496</u>	
		7,285,633		7,391,086	
CREDITORS					
Amounts falling due within one year	15	<u>(4,852,245)</u>		<u>(4,708,703)</u>	
NET CURRENT ASSETS			<u>2,433,388</u>		<u>2,682,383</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			6,219,467		6,879,880
CREDITORS					
Amounts falling due after more than one year	16		(291,414)		(14,401,941)
Provision for interest in associate	12		(27,496)		(27,496)
NET ASSETS / (LIABILITIES)			<u>5,900,557</u>		<u>(7,549,557)</u>

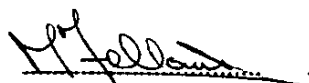
The notes on pages 15 to 37 form part of these financial statements

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

CONSOLIDATED BALANCE SHEET - continued
30TH JUNE 2013

		2013		2012	
	Notes	£	£	£	£
CAPITAL AND RESERVES					
Called up share capital	21		434,892		25,731
Share premium	22		20,533,182		3,528,654
Profit and loss account	22		(14,856,650)		(11,250,581)
			6,111,424		(7,696,581)
Minority interests	20		(210,867)		146,639
SHAREHOLDERS'					
FUNDS / (DEFICIT)	26		<u>5,900,557</u>		<u>(7,549,557)</u>

The financial statements were approved by the Board of Directors on 29 November 2013 and were signed on its behalf by



M Fellowes - Director

The notes on pages 15 to 37 form part of these financial statements

GEOHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**COMPANY BALANCE SHEET
30TH JUNE 2013**

		2013		2012	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	10		2,823,696		3,059,616
Tangible assets	11		42,468		173,048
Investments	12		<u>134,282</u>		<u>425,402</u>
			3,000,446		3,658,066
CURRENT ASSETS					
Stocks	13	369,497		512,665	
Debtors	14				
Amounts falling due after one year		323,768		391,777	
Amounts falling due within one year		5,777,302		4,698,356	
Cash at bank		<u>2,102,812</u>		<u>2,874,395</u>	
		8,573,379		8,477,193	
CREDITORS					
Amounts falling due within one year	15	<u>(2,271,198)</u>		<u>(3,690,912)</u>	
NET CURRENT ASSETS			<u>6,302,181</u>		<u>4,786,281</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			9,302,627		8,444,347
CREDITORS					
Amounts falling due after more than one year	16		<u>(275,000)</u>		<u>(14,107,109)</u>
NET ASSETS / (LIABILITIES)			<u>9,027,627</u>		<u>(5,662,762)</u>

The notes on pages 15 to 37 form part of these financial statements

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**COMPANY BALANCE SHEET - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

		2013		2012	
	Notes	£	£	£	£
CAPITAL AND RESERVES					
Called up share capital	21		434,892		25,731
Share premium	22		20,533,182		3,528,654
Profit and loss account	22		<u>(11,940,447)</u>		<u>(9,217,147)</u>
SHAREHOLDERS' FUNDS / (DEFICIT)					
	26		<u>9,027,627</u>		<u>(5,662,762)</u>

The financial statements were approved by the Board of Directors on 29 November 2013 and were signed on its behalf by


M Fellowes - Director

The notes on pages 15 to 37 form part of these financial statements

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2013**

		2013		2012	
	Notes	£	£	£	£
Net cash outflow from operating activities	1		(3,821,803)		(2,289,139)
Returns on investments and servicing of finance	2		(52,173)		(375,016)
Capital expenditure	2		(72,226)		(36,633)
Acquisitions and disposals	2		<u>(7,372)</u>		<u>(441,618)</u>
			(3,953,574)		(3,142,406)
Financing	2		<u>2,741,408</u>		<u>9,083,415</u>
(Decrease)/increase in cash in the period			<u>(1,212,166)</u>		<u>5,941,009</u>
Reconciliation of net cash flow to movement in net debt	3				
(Decrease)/increase in cash in the period			(1,212,166)		5,941,009
Cash inflow/(outflow) from increase in debt and lease financing			65,172		(9,083,415)
Change in net debt resulting from cash flows			<u>(1,146,994)</u>		<u>(3,142,406)</u>
Changes in net debt from non cash flows			14,607,109		(471,079)
Exchange movement			<u>46,245</u>		<u>(38,383)</u>
Movement in net debt in the period			13,506,360		(3,651,868)
Net debt at 1st July			<u>(11,081,000)</u>		<u>(7,429,132)</u>
Net debt at 30th June			<u>2,425,360</u>		<u>(11,081,000)</u>

The notes on pages 15 to 37 form part of these financial statements

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2013**

**1 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM
OPERATING ACTIVITIES**

	2013	2012
	£	£
Operating loss	(3,948,953)	(3,942,031)
Depreciation charges	186,448	291,391
(Profit)/loss on disposal of fixed assets	(15,980)	848
Amortisation charge	327,201	568,632
Decrease/(increase) in stocks	620	(45,594)
(Increase)/decrease in debtors	(1,061,088)	1,011,694
Increase/(decrease) in creditors	<u>689,949</u>	<u>(174,079)</u>
Net cash outflow from operating activities	<u>(3,821,803)</u>	<u>(2,289,139)</u>

**2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW
STATEMENT**

	2013	2012
	£	£
Returns on investments and servicing of finance		
Interest received	3,359	-
Interest paid	(53,652)	(368,984)
Interest element of hire purchase payments	<u>(1,880)</u>	<u>(6,032)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(52,173)</u>	<u>(375,016)</u>
Capital expenditure		
Purchase of tangible fixed assets	(88,206)	(36,633)
Sale of tangible fixed assets	<u>15,980</u>	<u>-</u>
Net cash outflow for capital expenditure	<u>(72,226)</u>	<u>(36,633)</u>
Acquisitions and disposals		
Purchase of capital in group undertaking	-	(441,618)
Increase in investment in other participating interests	<u>(7,372)</u>	<u>-</u>
Net cash outflow for acquisitions and disposals	<u>(7,372)</u>	<u>(441,618)</u>

GEOTHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2013**

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

	2013	2012
	£	£
Financing		
Loan repayments in year	(40,000)	(50,000)
Preferred shares issue	2,696,845	9,201,030
Special share issue	109,735	-
Capital element of hire purchase payment	<u>(25,172)</u>	<u>(67,615)</u>
Net cash inflow from financing	<u>2,741,408</u>	<u>9,083,415</u>

3 ANALYSIS OF CHANGES IN NET DEBT

	At 1 7 12 £	Cash flow £	Exchange movement £	Other non-cash changes £	At 30 6 13 £
Net cash					
Cash at bank	3,867,496	(1,212,166)	46,245	-	2,701,575
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Debt					
Hire purchase	(26,387)	25,172	-	-	(1,215)
Debts falling due within one year	(815,000)	40,000	-	500,000*	(275,000)
Debts falling due after one year	<u>(14,107,109)</u>	<u>-</u>	<u>-</u>	<u>14,107,109**</u>	<u>-</u>
	<u>(14,948,496)</u>	<u>65,172</u>	<u>-</u>	<u>14,607,109</u>	<u>(276,215)</u>
Total	<u>(11,081,000)</u>	<u>(1,146,994)</u>	<u>46,245</u>	<u>14,607,109</u>	<u>2,425,360</u>

* Conversion of shareholder loans to Preferred shares – subsequently converted to Ordinary shares

** Conversion of Preferred shares to Ordinary shares

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

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 and goodwill on consolidation is capitalised and written off between 10 and 20 years following acquisition. 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, respectively. 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. Goodwill is written off between 10 and 20 years. Trademarks and development costs were shown at cost less provision for any permanent diminution in value before a decision was taken in 2012 to expense all such items in the future.

Tangible fixed assets

All tangible assets are initially recorded at cost. The carrying values of tangible fixed assets are reviewed for impairment when events or 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

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 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 (REGISTERED NUMBER: 05397984)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30TH JUNE 2013

1 ACCOUNTING POLICIES - continued

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 held as fixed assets 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.

	2013 £	2012 £
United Kingdom	6,440,891	8,914,781
Overseas	<u>3,537,551</u>	<u>2,607,119</u>
	<u>9,978,442</u>	<u>11,521,900</u>

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

3 STAFF COSTS

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

	2013	2012
	No	No
Number of production staff	45	51
Number of administrative staff	37	43
Number of management staff	10	10
	<u>92</u>	<u>104</u>

The aggregate payroll costs, including directors' emoluments

	2013	2012
	£	£
Wages and salaries	4,910,347	5,950,300
Social security costs	<u>588,590</u>	<u>256,684</u>
	<u>5,498,937</u>	<u>6,206,984</u>

4 DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	2013	2012
	£	£
Remuneration receivable	<u>329,134</u>	<u>342,917</u>

Remuneration of highest paid director

	2013	2012
	£	£
Total remuneration	<u>218,096</u>	<u>136,667</u>

	2013	2012
	No	No
Number of directors in respect of whose qualifying services shares were receivable under long term incentive schemes	<u>0</u>	<u>1</u>

GEOHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013****5 OPERATING LOSS**

The operating loss is stated after charging

	2013	2012
	£	£
Depreciation - owned assets	157,716	250,137
Depreciation - assets on hire purchase contracts	28,732	41,254
Goodwill amortisation	327,201	432,861
Trademarks amortisation	-	82,771
Development costs amortisation	-	53,000
Auditors' remuneration for audit services	55,100	29,500
Auditors' remuneration for tax services	6,000	16,431
Foreign exchange differences	<u>664</u>	<u>29,330</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£	£
Preferred share coupon	-	570,715
Reversal of interest payable on convertible loan	(49,825)	-
Interest payable	79,572	230,174
Net bank interest payable	5,010	9,809
Hire purchase	<u>1,880</u>	<u>6,032</u>
	<u>36,637</u>	<u>816,730</u>

The company exercised its option to convert a convertible loan deed, dated 2nd December 2011, in the sum of £3,250,000 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.

7 TAXATION**Analysis of the tax charge**

The tax charge on the loss on ordinary activities for the year was as follows

	2013	2012
	£	£
Current tax		
UK corporation tax	-	-
Under provision in prior year	<u>-</u>	<u>53,479</u>
Tax on loss on ordinary activities	<u>-</u>	<u>53,479</u>

GEOTHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

7 TAXATION - continued

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

	2013	2012
	£	£
Loss on ordinary activities before tax	<u>(3,985,590)</u>	<u>(4,758,761)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012 - 24%)	(926,650)	(1,142,103)
Effects of		
Expenses not deductible for tax purposes	174,451	284,721
Depreciation in excess of capital allowances	63,666	70,029
Unrelieved tax losses	<u>688,533</u>	<u>840,832</u>
Current tax charge	<u>-</u>	<u>53,479</u>

At 30 June 2013, there are unrecognised deferred tax assets in respect of tax losses recoverable of £2,414,466 (2012 £2,104,911) and depreciation charged in excess of capital allowances of £78,189 (2012 £72,490). 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.

The main rate of UK corporation tax is scheduled to fall to 21% from 1 April 2014 and to 20% from 1 April 2015. Each percentage point deduction in the rate of UK corporation tax will reduce the value of the unrecognised deferred tax asset by £108,376. The impact of these changes will be reported when the rate changes are subsequently enacted.

8 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 was £2,723,300 (2012 - £4,128,390).

9 PRIOR YEAR ADJUSTMENT

The prior year adjustment to the 2012 opening reserves arose from a change in the treatment of the recognition of revenue on long term contracts. This adjustment arose as a result of both a change in accounting policy and a correction of a fundamental error in the accounting of Amounts Recoverable on Contracts in previous years.

GEOHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

10 INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Trademarks £	Development costs £	Totals £
COST				
At 1st July 2012	5,764,378	82,771	53,000	5,900,149
Exchange difference	604	-	-	604
At 30th June 2013	<u>5,764,982</u>	<u>82,771</u>	<u>53,000</u>	<u>5,900,753</u>
AMORTISATION				
At 1st July 2012	1,859,885	82,771	53,000	1,995,656
Amortisation for year	327,201	-	-	327,201
At 30th June 2013	<u>2,187,086</u>	<u>82,771</u>	<u>53,000</u>	<u>2,322,857</u>
NET BOOK VALUE				
At 30th June 2013	<u>3,577,896</u>	<u>-</u>	<u>-</u>	<u>3,577,896</u>
At 30th June 2012	<u>3,904,493</u>	<u>-</u>	<u>-</u>	<u>3,904,493</u>

Company

	Goodwill £
COST	
At 1st July 2012 and 30th June 2013	<u>4,707,929</u>
AMORTISATION	
At 1st July 2012	1,648,313
Amortisation for year	<u>235,920</u>
At 30th June 2013	<u>1,884,233</u>
NET BOOK VALUE	
At 30th June 2013	<u>2,823,696</u>
At 30th June 2012	<u>3,059,616</u>

The directors have performed an impairment review on the value of goodwill. Trading in the UK in its subsidiaries based in the United States are making good progress, however the recovery of the goodwill value is dependent on winning new contracts. In the opinion of the directors the value of goodwill is recoverable.

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013****11 TANGIBLE FIXED ASSETS****Group**

	Plant and machinery £	Motor vehicles £	Totals £
COST			
At 1st July 2012	1,558,626	465,083	2,023,709
Additions	88,206	-	88,206
Disposals	(4,227)	(39,925)	(44,152)
Exchange differences	12,949	605	13,554
	<u>1,655,554</u>	<u>425,763</u>	<u>2,081,317</u>
At 30th June 2013			
DEPRECIATION			
At 1st July 2012	1,321,657	428,893	1,750,550
Charge for year	156,327	30,121	186,448
Eliminated on disposal	(4,227)	(39,925)	(44,152)
Exchange differences	7,917	238	8,155
	<u>1,481,674</u>	<u>419,327</u>	<u>1,901,001</u>
At 30th June 2013			
NET BOOK VALUE			
At 30th June 2013	<u>173,880</u>	<u>6,436</u>	<u>180,316</u>
At 30th June 2012	<u>236,969</u>	<u>36,190</u>	<u>273,159</u>

The net book value of tangible fixed assets includes £5,925 (2012 - £34,657) in respect of assets held under hire purchase contracts

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

11 TANGIBLE FIXED ASSETS - continued

Company

	Plant and machinery £	Motor vehicles £	Totals £
COST			
At 1st July 2012	1,271,062	455,187	1,726,249
Additions	19,614	-	19,614
Disposals	(4,227)	(39,925)	(44,152)
At 30th June 2013	<u>1,286,449</u>	<u>415,262</u>	<u>1,701,711</u>
DEPRECIATION			
At 1st July 2012	1,127,245	425,956	1,553,201
Charge for year	122,067	28,127	150,194
Eliminated on disposal	(4,227)	(39,925)	(44,152)
At 30th June 2013	<u>1,245,085</u>	<u>414,158</u>	<u>1,659,243</u>
NET BOOK VALUE			
At 30th June 2013	<u>41,364</u>	<u>1,104</u>	<u>42,468</u>
At 30th June 2012	<u>143,817</u>	<u>29,231</u>	<u>173,048</u>

The net book value of tangible fixed assets includes £1,104 (2012 - £27,843) in respect of assets held under hire purchase contracts

12 INVESTMENTS

Group

	Provision for interest in associate £	Interest in other participating interests £
COST		
At 1st July 2012	(27,496)	19,845
Exchange differences	-	650
Increase in investment	-	7,372
At 30th June 2013	<u>(27,496)</u>	<u>27,867</u>
NET BOOK VALUE		
At 30th June 2013	<u>(27,496)</u>	<u>27,867</u>
At 30th June 2012	<u>(27,496)</u>	<u>19,845</u>

GEOHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013****12 INVESTMENTS - continued****Group****Provision for interest in associate**

The group's aggregate share of associates at the year end is as follows The associates did not trade during 2013 or 2012

	2013 £	2012 £
Loss before tax	-	-
Taxation	-	-
Loss after tax	<u>-</u>	<u>-</u>
Share of assets		
Fixed assets	4,287	4,287
Current assets	28,117	28,117
Share of liabilities		
Share of liabilities due within one year	(59,900)	(59,900)
Share of liabilities due after one year or more	-	-
Share of net liabilities	<u>(27,496)</u>	<u>(27,496)</u>

Interest in other participating interests

GI Endurant LLC has an investment in Gateway Energy Services Group LLC and the increase in investment has been funded by a reduction in the amount of the invoices billed to Gateway for development work under their contract

Company

	Shares in group undertakings £	Interest in associate £	Totals £
COST			
At 1st July 2012	2,850,160	22,136	2,872,296
Additions	<u>-</u>	<u>-</u>	<u>-</u>
At 30th June 2013	<u>2,850,160</u>	<u>22,136</u>	<u>2,872,296</u>
PROVISIONS			
At 1st July 2012	2,424,758	22,136	2,446,894
Provision for year	<u>291,120</u>	<u>-</u>	<u>291,120</u>
At 30th June 2013	<u>2,715,878</u>	<u>22,136</u>	<u>2,738,014</u>
NET BOOK VALUE			
At 30th June 2013	<u>134,282</u>	<u>-</u>	<u>134,282</u>
At 30th June 2012	<u>425,402</u>	<u>-</u>	<u>425,402</u>

GEOHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

12 INVESTMENTS - continued

	Country of incorporation	Holding	Proportion of holding	Nature of business
Subsidiary undertakings				
Held by the company				
Geothermal International Espana S A	Spain	Ordinary shares	100%	Installation of geothermal heating and cooling systems
Geothermal Heating (International) Limited	England	Ordinary shares	100%	Dormant
G H I Installations Limited	England	Ordinary shares	100%	Dormant
Geothermal Limited	England	Ordinary shares	100%	Dormant
Waterfurnace Europe Limited	England	Ordinary shares	100%	Dormant
Geothermal International (Ireland) Limited	England	Ordinary shares	100%	Dormant
Geothermal International Energy Management Solutions Limited	England	Ordinary shares	100%	Dormant
Cirrus Energi Limited	England	Ordinary shares	100%	Dormant
Geothermal International Polska Sp Z o o	Poland	Ordinary shares	90%	Dormant
Geothermal International Holdings North America Inc	America	Ordinary shares	100%	Holding company
Geothermal International Asia Limited	Hong Kong	Ordinary shares	100%	Dormant
Held by the group				
GI Endurant LLC	America	Class A voting units	51%	Installation of geothermal heating and cooling systems
		Class B non-voting units	76%	
American Geo Energy LLC	America	Voting rights	76%	Dormant
Endurant Energy Systems LLC	America	Voting rights	76%	Dormant
Endurant Energy Construction Services LLC	America	Voting rights	76%	Dormant

GEOHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

12 INVESTMENTS - continued

	Country of incorporation	Holding	Proportion of holding	Nature of business
Associate undertakings				
Held by the company				
Geothermal International Italia S R L	Italy	Ordinary shares	20%	Installation of geothermal heating and cooling systems
Geothermal International (Magyarország)	Hungary	Ordinary shares	40%	Dormant
Geothermal International Hrvatski (Croatia) d o o	Croatia	Ordinary shares	10%	Dormant
Held by the group				
General Geo Services LLC (North America)	America	Voting rights	15.2%	Dormant

13 STOCKS

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Stock	377,781	415,468	269,282	384,402
Net costs less foreseeable losses	<u>159,674</u>	<u>122,607</u>	<u>100,215</u>	<u>128,263</u>
	<u>537,455</u>	<u>538,075</u>	<u>369,497</u>	<u>512,665</u>

14 DEBTORS

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Amounts falling due within one year				
Trade debtors	2,168,906	1,307,470	817,039	688,000
Amounts owed by group undertakings	-	-	3,651,518	2,935,581
Amounts recoverable on contracts	1,140,206	911,976	1,140,206	911,976
Other debtors	<u>413,723</u>	<u>374,292</u>	<u>168,539</u>	<u>162,799</u>
	<u>3,722,835</u>	<u>2,593,738</u>	<u>5,777,302</u>	<u>4,698,356</u>

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

14 DEBTORS - continued

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Amounts falling due after one year				
Trade debtors	<u>323,768</u>	<u>391,777</u>	<u>323,768</u>	<u>391,777</u>

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Shareholder loans (see note 17)	-	815,000	-	815,000
Hire purchase contracts (see note 18)	1,215	26,387	-	21,920
Payments on account	1,513,253	401,557	286,909	401,557
Trade creditors	1,121,430	1,750,550	783,648	1,319,369
Amounts owed to group undertakings	-	-	130,636	128,006
Corporation Tax	5,246	5,269	5,269	5,269
Social security and other taxes	116,549	309,253	97,281	292,678
Other creditors	465,022	294,832	57,170	-
Accruals and deferred income	<u>1,629,530</u>	<u>1,105,855</u>	<u>910,285</u>	<u>707,113</u>
	<u>4,852,245</u>	<u>4,708,703</u>	<u>2,271,198</u>	<u>3,690,912</u>

Other creditors for the Group includes £304,478 in respect of deferred consideration on the acquisition of GI Endurant LLC

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Shareholder loans (see note 17)	275,000	14,107,109	275,000	14,107,109
Other creditors	<u>16,414</u>	<u>294,832</u>	<u>-</u>	<u>-</u>
	<u>291,414</u>	<u>14,401,941</u>	<u>275,000</u>	<u>14,107,109</u>

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

17 LOANS

An analysis of the maturity of loans is given below

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Amounts falling due within one year or on demand				
Shareholder loans	-	815,000	-	815,000
	-	815,000	-	815,000
Amounts falling due between one and two years				
Convertible loan	-	3,250,000	-	3,250,000
Amounts falling due between two and five years				
Preferred shares	-	10,857,109	-	10,857,109
Amounts with no fixed repayment date				
Shareholder loans	275,000	-	275,000	-

Details of shares shown as liabilities are as follows

	2013	2012
	£	£
87,323 Preferred shares of 12 5p each	-	10,915
Preferred share premium	-	10,375,115
Cash received during the year on issue of preferred shares	-	10,386,030
Preferred share issue costs	-	(99,636)
Preferred share coupon	-	570,715
	-	10,857,109

On 2nd December 2011 87,323 Preferred shares were issued at a total issue price of £10,386,030
These Preferred shares attracted a coupon rate of 10%

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

17 LOANS - continued

Contained within the 2012 balance is the sum of £3,250,000 for which a convertible loan deed was made on 2nd December 2011. The company exercised its option to convert the loan into 14,444 preferred shares at £225 per share on 19th December 2012.

On 6th August 2012 the company repaid £40,000 of existing shareholder loans.

On 12th April 2013 the company issued 3,171,522 preferred shares with a nominal value of 12 5p for a total consideration of £3,196,845 of which £2,696,845 was by way of cash and £500,000 by conversion of existing shareholder loans.

The remaining shareholder loans of £275,000 are now classified as having no fixed repayment date. These loans attract an interest rate of 15% per annum, which is settled quarterly in arrears.

On 12th April 2013 3,273,289 Preferred shares of 12 5p each in the capital of the Company were re-classified as 3,273,289 Ordinary shares of 12 5p each such that previous investments would no longer be classified as long-term debt, but as part of shareholders' funds.

18 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

Group

	Hire purchase contracts	
	2013	2012
	£	£
Net obligations repayable		
Within one year	<u>1,215</u>	<u>26,387</u>

Company

	Hire purchase contracts	
	2013	2012
	£	£
Net obligations repayable		
Within one year	<u>-</u>	<u>21,920</u>

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013****19 OBLIGATIONS UNDER OPERATING LEASES**

Annual commitments under non-cancellable operating leases are as follows

	2013 £	Other 2012 £
Group		
Operating leases which expire		
Within one year	9,455	13,526
In two to five years	-	9,455
In over five years	-	-
	<u>9,455</u>	<u>22,981</u>
Company		
Operating leases which expire		
Within one year	-	13,526
In two to five years	-	9,455
In over five years	-	-
	<u>9,455</u>	<u>22,981</u>

20 MINORITY INTERESTS

Included within the capital of GI Endurant LLC is 4,900 class A units and 2,526 class B units which have the following rights. Class A units represent the voting interests in the company and class B units represent the distribution rights in the company

Movement within amounts attributable to minority interests

	£
Minority interest brought forward	146,639
Share of losses for period	(357,520)
Foreign currency retranslation	<u>14</u>
Minority interest carried forward	<u>(210,867)</u>

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013****21 CALLED UP SHARE CAPITAL**

Allotted, issued, called up and fully paid Number	Class	Nominal value	2013 £	2012 £
630,570 (2012 - NIL)	Ordinary '1' shares	0 793p	5,000	-
1 (2012 - NIL)	Special shares	12 5p	-	-
3,439,140 (2012 - 160,000)	Ordinary shares	12 5p	429,892	20,000
NIL (2012 - 40,000)	A Ordinary shares	12 5p	-	5,000
NIL (2012 - 5,851)	C Ordinary non-voting shares	12 5p	-	731
			<u>434,892</u>	<u>25,731</u>

On 19th December 2012 the company exercised its option to convert £3,250,000 of debt owing into 14,444 Preferred shares

On 12th April 2013 the company issued 3,171,522 Preferred shares with a nominal value of 12 5p for a total consideration of £3,196,845 of which £2,696,845 was by way of cash and £500,000 by conversion of existing loans from shareholders. On the same day one Special share of 12 5p was created and issued for a cash consideration of £109,734

On 12th April 2013 40,000 A Ordinary shares of 12 5p each were consolidated into a single A Ordinary share of £5,000 in the capital of the Company and subsequently re-classified as an Ordinary '1' share, then subdivided into 630,570 Ordinary '1' shares of £0 00793 each. 5,851 C Ordinary shares of 12 5p each were re-classified as 5,851 Ordinary shares of 12 5p. Finally, 3,273,289 Preferred shares of 12 5p each in the capital of the Company were re-classified as 3,273,289 Ordinary shares of 12 5p each.

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.

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

22 RESERVES

Group

	Profit and loss account £	Share premium £	Totals £
At 1st July 2012	(11,250,581)	3,528,654	(7,721,927)
Conversion of debt to Preferred shares	-	3,248,195	3,248,195
Write-off of Preferred share coupon	-	570,715	570,715
Conversion of shareholder loans to Preferred shares	-	482,483	482,483
New issue of Preferred shares	-	2,317,922	2,317,922
New issue of Special share	-	109,734	109,734
Reclassification of Preferred shares to Ordinary shares	-	10,275,479	10,275,479
	(11,250,581)	20,533,182	9,282,601
Deficit for the year	(3,628,070)	-	(3,628,070)
Foreign currency retranslation	22,001	-	22,001
At 30th June 2013 – before Minority interests	<u>(14,856,650)</u>	<u>20,533,182</u>	5,676,532
Minority interests			(210,867)
At 30th June 2013 – after Minority interests			<u>5,465,665</u>

Company

	Profit and loss account £	Share premium £	Totals £
At 1st July 2012	(9,217,147)	3,528,654	(5,688,493)
Conversion of debt to Preferred shares	-	3,248,195	3,248,195
Write-off of Preferred share coupon	-	570,715	570,715
Conversion of shareholder loans to Preferred shares	-	482,483	482,483
New issue of Preferred shares	-	2,317,922	2,317,922
New issue of Special share	-	109,734	109,734
Reclassification of Preferred shares to Ordinary shares	-	10,275,479	10,275,479
	(9,217,147)	20,533,182	11,316,035
Deficit for the year	<u>(2,723,300)</u>	-	<u>(2,723,300)</u>
At 30th June 2013	<u>(11,940,447)</u>	<u>20,533,182</u>	<u>8,592,735</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

23 RELATED PARTY DISCLOSURES

B Davidson - Director

During the period Mr B Davidson was a director, the company paid him £22,500 rent for office space adjacent to Head Office in Coventry, UK (2012 £30,900)

During the period Mr B Davidson was a director, he received interest at 10% per annum on loans made to the company amounting to £18,025 (2012 - £33,370)

At 30th June 2013 the amount owed to Mr B Davidson was £nil (2012 - £328,302)

Speymill OOD Pension Fund

A company under the common influence of Mr B Davidson

During the period Mr B Davidson was a director, the company was charged rent and service charges of £78,000 (2012 - £210,000) by Speymill OOD Pension Fund

At 30th June 2013 the company owed Speymill OOD Pension Fund £36,000 (2012 - £42,000).

Speymill OOD Limited

A company under the common influence of Mr B Davidson

During the year the company made sales to Speymill OOD Limited totalling £20,927 (2012 - £2,630)

During the period Mr B Davidson was a director, the company was charged rent, storage and installation charges of £67,792 (2012 - £98,269) by Speymill OOD Limited

At 30th June 2013 the company owed Speymill OOD Limited £951 (2012 - £3,051)

Environmental Energies Fund LP - shareholder

During the year loans made to the company of £3,250,000 were converted into preferred shares

At 30th June 2013 the company owed Environmental Energies Fund LP £nil (2012 - £3,299,825)

During the year the company was charged monitoring fees of £10,000 (2012 - £10,000) by Environmental Energies Fund LP

GEOHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

23 RELATED PARTY DISCLOSURES - continued

ESB NovusModus LP - shareholder

During the year the company was charged monitoring fees of £10,000 (2012 - £10,000) by ESB NovusModus LP

Geothermal International North America LLC – subsidiary company

During the year the company loaned Geothermal International North America LLC £296,031 and charged interest of £251,029 on loan balances outstanding

At 30th June 2013 £2,686,917 was owed to the company by Geothermal International North America LLC (2012 - £2,139,857)

GI Endurant LLC – subsidiary company

During the year the company undertook a number of transactions on behalf of GI Endurant LLC amounting to £278,971 and charged interest of £64,438 on loan balances outstanding

At 30th June 2013 £963,203 was owed to the company by GI Endurant LLC (2012 - £619,794)

24 POST BALANCE SHEET EVENTS

There are no post balance sheet events to report

25 ULTIMATE CONTROLLING PARTY

The company has no ultimate controlling party

GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013****26 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****Group**

	2013	2012
	£	£
Loss for the financial year	(3,628,070)	(4,945,452)
Foreign currency retranslation	22,001	(23,684)
Conversion of debt to Preferred shares	3,248,195	-
Write-off of Preferred share coupon	570,715	-
Conversion of existing loans to Preferred shares	482,483	-
New issue of Preferred shares	2,317,922	-
New issue of Special share	109,734	-
Reclassification of Preferred shares to Ordinary shares	10,275,479	-
Share capital movements	<u>409,161</u>	<u>-</u>
Net increase in shareholders' funds	13,807,620	(4,969,136)
Opening shareholders' funds	<u>(7,696,196)</u>	<u>(2,727,060)</u>
Closing shareholders' funds – before Minority interests	6,111,424	(7,696,196)
Minority interests	(210,867)	146,639
Closing shareholders' funds – after Minority interests	<u>5,900,557</u>	<u>(7,549,557)</u>

Company

	2013	2012
	£	£
Loss for the financial year	(2,723,300)	(4,128,390)
Conversion of debt to Preferred shares	3,248,195	-
Write-off of Preferred share coupon	570,715	-
Conversion of existing loans to Preferred shares	482,483	-
New issue of Preferred shares	2,317,922	-
New issue of Special share	109,734	-
Reclassification of Preferred shares to Ordinary shares	10,275,479	-
Share capital movements	<u>409,161</u>	<u>-</u>
Net increase in shareholders' funds	14,690,389	(4,128,390)
Opening shareholders' funds	<u>(5,662,762)</u>	<u>(1,534,372)</u>
Closing shareholders' funds	<u>9,027,627</u>	<u>(5,662,762)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH JUNE 2013**

27 SHARE-BASED PAYMENTS

The company has a share option scheme for certain employees. As part of the conditions for the investment in December 2011 existing option holders agreed to replace their old options (which were cancelled) with new options in a revised scheme. This scheme is approved under HMRC EMI scheme rules.

At the year-end there are 29 scheme members. Options are exercisable at a price of £10 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 share options do not have a fair value.

In the year ended 30 June 2013 300 employee share options lapsed. There were 19,625 employee share options outstanding at the end of the year (30 June 2012 – 19,925).

No options were exercised in the year.