

**GEO THERMAL INTERNATIONAL LIMITED**  
**REPORT OF THE DIRECTORS AND**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

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**GEOTHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**

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FOR THE YEAR ENDED 30TH JUNE 2012**

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# **GEOHERMAL INTERNATIONAL LIMITED**

## **COMPANY INFORMATION FOR THE YEAR ENDED 30TH JUNE 2012**

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**DIRECTORS:** B Gautier  
G Le Sueur  
M Fellowes

**SECRETARY:** A A Hobday

**REGISTERED OFFICE:** 141-143 Albany Road  
Earlsdon  
Coventry  
CV5 6ND

**REGISTERED NUMBER:** 05397984

**AUDITORS:** Keens Shay Keens Limited  
Christchurch House  
Upper George Street  
Luton  
Bedfordshire  
LU1 2RS

# **GEOTHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2012**

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The directors present their report with the financial statements of the company and the group for the year ended 30th June 2012

### **PRINCIPAL ACTIVITY**

The principal activity of the group in the year under review was that of design and installation of geothermal heating and cooling systems

### **REVIEW OF BUSINESS**

The period under review has been one of significant change for the business. On 2nd December 2011 Geothermal International Limited raised an investment of €9.9m in the form of redeemable convertible preferred shares. Additionally holders of loans in the amount of £1.735m converted their loans into redeemable convertible preferred shares. The accounting treatment of these redeemable convertible preferred shares means that the total investment has been shown as long-term debt on the balance sheet.

This investment eliminated bank borrowings in the UK, provided working capital for our core UK business, and provided investment for our US and Spanish businesses.

In the US, we acquired a Combined Heat and Power (CHP) business Endurant Energy LLC and merged it with our existing US operation to form GI Endurant LLC. These businesses are now fully integrated and have completed their first major heat pump installation projects.

### **Balance Sheet Review and Accounting Policies**

A new revenue recognition policy has been adopted (see Note 1 in the notes to the accounts) which more accurately matches project costs to the revenues being recognised on installation jobs. During the course of this work, a fundamental error in the accounting of Amounts Recoverable on Contracts was identified.

The impact of this review has been that company Turnover and Cost of Goods Sold in the year to 30th June 2011 have been reduced by £1.855m and increased by £0.456m respectively, increasing losses for that year by £2.311m.

Along with the prior year impact, a number of further adjustments were made to the Company balance sheet at 30th June 2012. Provisions were made against the recoverability of trade debtors and retentions of £0.296m, as were provisions for costs to be incurred during project warranty periods of £0.169m. Provisions against investments in associates and subsidiaries, and against inter-company debts, were made totalling a further £0.391m.

### **Outlook**

Whilst the year under review has been very challenging and the macro-economic environment remains tough in both our UK and international markets, the Board remains confident about the future trading of the business. Under new leadership, the business has secured significant new contracts with one of the UKs' major supermarket chains, a new contract signed in Spain, and a number of significant contracts won in North America.

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30TH JUNE 2012**

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**Subsequent Events**

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 would no longer be classified as long-term debt but as part of shareholders' funds (see Note 23 Post Balance Sheet Events). This new investment from the company's existing investors leaves the business well positioned to invest in its future growth.

**DIVIDENDS**

No dividends will be distributed for the year ended 30th June 2012.

**DIRECTORS**

The directors who have held office during the period from 1st July 2011 to the date of this report are as follows:

C Davidson - resigned 2nd December 2011  
T D Chadwick - resigned 27th April 2012  
K J Drage - resigned 2nd December 2011  
J P G Sherriff - resigned 2nd December 2011  
A A Hobday - resigned 2nd December 2011  
M W Mathieson - resigned 21st December 2011  
B Gautier - appointed 2nd December 2011  
G Le Sueur - appointed 23rd March 2012  
M Fellowes - appointed 22nd May 2012

B Davidson ceased to be a director after 30th June 2012 but prior to the date of this report.

**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'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 2012**

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**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,
- 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.

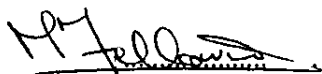
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

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 auditors are 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 auditors are aware of that information.

**AUDITORS**

The auditors, Keens Shay Keens Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**



M Fellowes - Director

Date

25/4/13

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GEOTHERMAL INTERNATIONAL LIMITED**

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We have audited the financial statements of Geothermal International Limited for the year ended 30th June 2012 on pages seven to thirty six. 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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 30th June 2012 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GEOTHERMAL INTERNATIONAL LIMITED

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### 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



Mr G P C Saunders (Senior Statutory Auditor)  
for and on behalf of Keens Shay Keens Limited  
Christchurch House  
Upper George Street  
Luton  
Bedfordshire  
LU1 2RS

Date 26 April 2013



**GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)****CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30TH JUNE 2012**

		2012		2011 as restated	
	Notes	£	£	£	£
<b>TURNOVER</b>	2		11,521,900		6,381,153
Cost of sales			<u>8,170,006</u>		<u>7,222,854</u>
<b>GROSS PROFIT/(LOSS)</b>			3,351,894		(841,701)
Distribution costs		21,954		71,414	
Administrative expenses		<u>7,271,971</u>		<u>5,950,767</u>	
			<u>7,293,925</u>		<u>6,022,181</u>
			(3,942,031)		(6,863,882)
Other operating income			<u>-</u>		<u>1,477</u>
<b>GROUP OPERATING LOSS</b>	5		(3,942,031)		(6,862,405)
Share of operating loss in Associates			-		(40,901)
Interest receivable and similar income			<u>-</u>		<u>125</u>
			(3,942,031)		(6,903,181)
Interest payable and similar charges	6		<u>816,730</u>		<u>242,157</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			(4,758,761)		(7,145,338)
Tax on loss on ordinary activities	7		<u>53,479</u>		<u>(19,969)</u>
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>			(4,812,240)		(7,125,369)
Minority interest - equity			<u>133,212</u>		<u>(441,292)</u>
<b>DEFICIT FOR THE FINANCIAL YEAR FOR THE GROUP</b>			<u>(4,945,452)</u>		<u>(6,684,077)</u>

**CONTINUING OPERATIONS**

None of the group's activities were acquired or discontinued during the current year or previous year

The notes on pages 15 to 36 form part of these financial statements

**GEOTHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012	2011
	£	as restated £
<b>LOSS FOR THE FINANCIAL YEAR</b>	(4,945,452)	(6,684,077)
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	(4,945,452)	(6,684,077)
Prior year adjustment	Note 9	
	(2,310,957)	(833,625)
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT</b>	(7,256,409)	(7,517,702)

The notes on pages 15 to 36 form part of these financial statements

**GEOHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)****CONSOLIDATED BALANCE SHEET  
30TH JUNE 2012**

		2012		2011 as restated	
	Notes	£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	10		3,904,493		3,488,276
Tangible assets	11		273,159		435,582
Investments	12				
Interest in associate			(27,496)		(29,476)
Other investments			<u>19,845</u>		<u>-</u>
			4,170,001		3,894,382
<b>CURRENT ASSETS</b>					
Stocks	13	538,075		492,481	
Debtors	14	2,985,515		2,529,832	
Cash at bank		<u>3,867,496</u>		<u>35,761</u>	
			7,391,086		3,058,074
<b>CREDITORS</b>					
Amounts falling due within one year	15	<u>4,708,703</u>		<u>6,334,319</u>	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			<u>2,682,383</u>		<u>(3,276,245)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			6,852,384		618,137
<b>CREDITORS</b>					
Amounts falling due after more than one year	16		(14,401,941)		(3,776,939)
<b>MINORITY INTERESTS</b>	19		<u>(146,639)</u>		<u>431,742</u>
<b>NET LIABILITIES</b>			<u>(7,696,196)</u>		<u>(2,727,060)</u>

The notes on pages 15 to 36 form part of these financial statements

**GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**

**CONSOLIDATED BALANCE SHEET - continued**  
**30TH JUNE 2012**

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		2012		2011	
				as restated	
	Notes	£	£	£	£
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20		25,731		25,731
Share premium	21		3,528,654		3,528,654
Profit and loss account	21		<u>(11,250,581)</u>		<u>(6,281,445)</u>
<b>SHAREHOLDERS' FUNDS</b>	25		<u>(7,696,196)</u>		<u>(2,727,060)</u>

The financial statements were approved by the Board of Directors on 25/4/13 and were signed on its behalf by

  
M Fellowes - Director

The notes on pages 15 to 36 form part of these financial statements

**GEOTHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**

**COMPANY BALANCE SHEET  
30TH JUNE 2012**

		2012		2011 as restated	
	Notes	£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	10		3,059,616		3,295,553
Tangible assets	11		173,048		402,936
Investments	12		<u>425,402</u>		<u>628,202</u>
			3,658,066		4,326,691
<b>CURRENT ASSETS</b>					
Stocks	13	512,665		481,243	
Debtors	14	5,090,133		3,501,241	
Cash at bank		<u>2,874,395</u>		<u>373</u>	
		8,477,193		3,982,857	
<b>CREDITORS</b>					
Amounts falling due within one year	15	<u>3,690,912</u>		<u>6,072,000</u>	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			<u>4,786,281</u>		<u>(2,089,143)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			8,444,347		2,237,548
<b>CREDITORS</b>					
Amounts falling due after more than one year	16		<u>14,107,109</u>		<u>3,771,920</u>
<b>NET LIABILITIES</b>			<u>(5,662,762)</u>		<u>(1,534,372)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20		25,731		25,731
Share premium	21		3,528,654		3,528,654
Profit and loss account	21		<u>(9,217,147)</u>		<u>(5,088,757)</u>
<b>SHAREHOLDERS' FUNDS</b>	25		<u>(5,662,762)</u>		<u>(1,534,372)</u>

The financial statements were approved by the Board of Directors on  
were signed on its behalf by

25/4/13

and

  
M Fellowes - Director

The notes on pages 15 to 36 form part of these financial statements

**GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2012**

		2012		2011 as restated	
	Notes	£	£	£	£
<b>Net cash outflow from operating activities</b>	1		(2,289,139)		(1,731,706)
<b>Returns on investments and servicing of finance</b>	2		(375,016)		(132,333)
<b>Taxation</b>			-		142,814
<b>Capital expenditure</b>	2		(36,633)		(15,961)
<b>Acquisitions and disposals</b>	2		<u>(441,618)</u>		<u>(9,725)</u>
			(3,142,406)		(1,746,911)
<b>Financing</b>	2		<u>9,083,415</u>		<u>1,332,858</u>
<b>Increase/(decrease) in cash in the period</b>			<u>5,941,009</u>		<u>(414,053)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>	3				
Increase/(decrease) in cash in the period		5,941,009		(414,053)	
Cash inflow from increase in debt and lease financing		<u>(9,083,415)</u>		<u>(1,332,858)</u>	
Change in net debt resulting from cash flows			(3,142,406)		(1,746,911)
New finance leases			-		(11,117)
Changes in net debt from non cash flows			(471,079)		-
Exchange movement			<u>(38,383)</u>		<u>-</u>
<b>Movement in net debt in the period</b>			(3,651,868)		(1,758,028)
<b>Net debt at 1st July</b>			<u>(7,429,132)</u>		<u>(5,671,104)</u>
<b>Net debt at 30th June</b>			<u>(11,081,000)</u>		<u>(7,429,132)</u>

The notes on pages 15 to 36 form part of these financial statements

**GEOTHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2012**

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

	2012	2011 as restated
	£	£
Operating loss	(3,942,031)	(6,862,405)
Depreciation charges	291,391	243,115
Loss/(profit) on disposal of fixed assets	848	(3,288)
Amortisation charge	568,631	336,892
Increase in stocks	(45,594)	(27,384)
Decrease in debtors	1,011,694	3,880,041
(Decrease)/increase in creditors	<u>(174,078)</u>	<u>701,323</u>
<b>Net cash outflow from operating activities</b>	<b><u>(2,289,139)</u></b>	<b><u>(1,731,706)</u></b>

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

	2012	2011 as restated
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	-	125
Interest paid	(269,348)	(106,994)
Interest element of hire purchase payments	(6,032)	(25,464)
Finance costs	<u>(99,636)</u>	<u>-</u>
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b><u>(375,016)</u></b>	<b><u>(132,333)</u></b>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(36,633)	(22,634)
Sale of tangible fixed assets	<u>-</u>	<u>6,673</u>
<b>Net cash outflow for capital expenditure</b>	<b><u>(36,633)</u></b>	<b><u>(15,961)</u></b>
<b>Acquisitions and disposals</b>		
Purchase of capital in group undertaking	(783,075)	(9,725)
Cash acquired from group undertaking	<u>341,457</u>	<u>-</u>
<b>Net cash outflow for acquisitions and disposals</b>	<b><u>(441,618)</u></b>	<b><u>(9,725)</u></b>

The notes on pages 15 to 36 form part of these financial statements

**GEOTHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2012**

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

	2012 £	2011 as restated £
<b>Financing</b>		
New loans in year	-	1,550,000
Loan repayments in year	(50,000)	-
Preferred shares issue	9,201,030	-
Capital element of hire purchase payment	<u>(67,615)</u>	<u>(217,142)</u>
<b>Net cash inflow from financing</b>	<u><u>9,083,415</u></u>	<u><u>1,332,858</u></u>

**3 ANALYSIS OF CHANGES IN NET DEBT**

	At 1 7 11 £	Cash flow £	Exchange movement £	Other non-cash changes £	At 30 6 12 £
<b>Net cash</b>					
Cash at bank	35,761	3,870,118	(38,383)		3,867,496
Bank overdraft	<u>(2,070,891)</u>	<u>2,070,891</u>	<u>-</u>		<u>-</u>
	<u>(2,035,130)</u>	<u>5,941,009</u>	<u>(38,383)</u>		<u>3,867,496</u>
<b>Debt</b>					
Hire purchase	(94,002)	67,615	-	-	(26,387)
Debts falling due within one year	(1,550,000)	50,000	-	685,000	(815,000)
Debts falling due after one year	<u>(3,750,000)</u>	<u>(9,201,030)</u>	<u>-</u>	<u>(1,156,079)</u>	<u>(14,107,109)</u>
	<u>(5,394,002)</u>	<u>(9,083,415)</u>	<u>-</u>	<u>(471,079)</u>	<u>(14,948,496)</u>
<b>Total</b>	<u><u>(7,429,132)</u></u>	<u><u>(3,142,406)</u></u>	<u><u>(38,383)</u></u>	<u><u>(471,079)</u></u>	<u><u>(11,081,000)</u></u>

The notes on pages 15 to 36 form part of these financial statements



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012**

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**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.

**Intangible assets**

Intangible assets comprise of trademarks. These are shown at cost less provision for any permanent diminution in value.

**Tangible fixed assets**

All tangible assets are initially recorded at cost.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

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**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

**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.

**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.

	2012	2011 as restated
	£	£
United Kingdom	8,914,781	5,314,851
Overseas	<u>2,607,119</u>	<u>1,066,302</u>
	<u>11,521,900</u>	<u>6,381,153</u>

**GEOHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

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**3 STAFF COSTS**

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

	2012	2011 as restated
	No	No
Number of production staff	63	38
Number of administrative staff	21	36
Number of management staff	11	17
	<u>95</u>	<u>91</u>

The aggregate payroll costs of the above were

	2012	2011 as restated
	£	£
Wages and salaries	5,950,300	3,645,653
Social security costs	256,684	409,182
	<u>6,206,984</u>	<u>4,054,835</u>

**4 DIRECTORS' REMUNERATION**

The directors' aggregate remuneration in respect of qualifying services were

	2012	2011 as restated
	£	£
Remuneration receivable	<u>342,917</u>	<u>610,000</u>

Remuneration of highest paid director

	2012	2011 as restated
	£	£
Total remuneration	<u>136,667</u>	<u>130,000</u>

	2012	2011 as restated
	No	No
Number of directors in respect of whose qualifying services shares were receivable under long term incentive schemes	<u>1</u>	<u>5</u>

**GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30TH JUNE 2012****5 OPERATING LOSS**

The operating loss is stated after charging/(crediting)

	2012	2011 as restated
	£	£
Depreciation - owned assets	250,137	221,442
Depreciation - assets on hire purchase contracts	41,254	115,450
Goodwill amortisation	432,861	243,115
Trademarks amortisation	82,771	-
Development costs amortisation	53,000	-
Auditors' remuneration	29,500	29,500
Auditors' remuneration for non audit work	16,431	11,860
Foreign exchange differences	<u>29,330</u>	<u>(101,433)</u>

**6 INTEREST PAYABLE AND SIMILAR CHARGES**

	2012	2011 as restated
	£	£
Preferred share coupon	570,715	-
Interest payable	230,174	72,322
Bank interest payable	9,809	144,371
Hire purchase	<u>6,032</u>	<u>25,464</u>
	<u>816,730</u>	<u>242,157</u>

**7 TAXATION****Analysis of the tax charge/(credit)**

The tax charge/(credit) on the loss on ordinary activities for the year was as follows

	2012	2011 as restated
	£	£
Current tax		
UK corporation tax	-	(19,969)
Under/(over) provision in prior year	<u>53,479</u>	<u>-</u>
Tax on loss on ordinary activities	<u>53,479</u>	<u>(19,969)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30TH JUNE 2012**

**7 TAXATION - continued**

**Factors affecting the tax charge/(credit)**

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

	2012	2011 as restated
	£	£
Loss on ordinary activities before tax	<u>(4,758,761)</u>	<u>(7,145,338)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2011 - 26%)	(1,142,103)	(1,857,788)
Effects of		
Expenses not deductible for tax purposes	284,721	72,978
Capital allowances in excess of depreciation	-	(42,423)
Depreciation in excess of capital allowances	70,029	-
Unrelieved tax losses	<u>840,832</u>	<u>1,807,264</u>
Current tax charge/(credit)	<u>53,479</u>	<u>(19,969)</u>

**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 £4,128,390 (2011 - £5,825,477)

**9 PRIOR YEAR ADJUSTMENT**

The prior year adjustment arises from a change in the treatment of the recognition of revenue on long term contracts. This adjustment has arisen 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**10 INTANGIBLE FIXED ASSETS**

**Group**

	Goodwill £	Trademarks £	Development costs £	Totals £
<b>COST</b>				
At 1st July 2011	4,862,300	-	53,000	4,915,300
Additions	883,292	82,771	-	966,063
Transfer on acquisition	18,786	-	-	18,786
At 30th June 2012	<u>5,764,378</u>	<u>82,771</u>	<u>53,000</u>	<u>5,900,149</u>
<b>AMORTISATION</b>				
At 1st July 2011	1,427,024	-	-	1,427,024
Amortisation for year	432,861	82,771	53,000	568,632
At 30th June 2012	<u>1,859,885</u>	<u>82,771</u>	<u>53,000</u>	<u>1,995,656</u>
<b>NET BOOK VALUE</b>				
At 30th June 2012	<u>3,904,493</u>	<u>-</u>	<u>-</u>	<u>3,904,493</u>
At 30th June 2011	<u>3,435,276</u>	<u>-</u>	<u>53,000</u>	<u>3,488,276</u>

**Company**

	Goodwill £
<b>COST</b>	
At 1st July 2011 and 30th June 2012	<u>4,707,929</u>
<b>AMORTISATION</b>	
At 1st July 2011	1,412,376
Amortisation for year	<u>235,937</u>
At 30th June 2012	<u>1,648,313</u>
<b>NET BOOK VALUE</b>	
At 30th June 2012	<u>3,059,616</u>
At 30th June 2011	<u>3,295,553</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**11 TANGIBLE FIXED ASSETS**

**Group**

	Plant and machinery £	Motor vehicles £	Totals £
<b>COST</b>			
At 1st July 2011	1,279,351	469,129	1,748,480
Additions	87,569	-	87,569
Disposals	-	(4,613)	(4,613)
Exchange differences	(7,422)	567	(6,855)
Transfer on acquisition	199,128	-	199,128
	<u>-</u>	<u>-</u>	<u>-</u>
At 30th June 2012	<u>1,558,626</u>	<u>465,083</u>	<u>2,023,709</u>
<b>DEPRECIATION</b>			
At 1st July 2011	937,933	374,965	1,312,898
Charge for year	233,617	57,774	291,391
Eliminated on disposal	-	(3,765)	(3,765)
Exchange differences	(624)	(81)	(705)
Transfer on acquisition	150,731	-	150,731
	<u>-</u>	<u>-</u>	<u>-</u>
At 30th June 2012	<u>1,321,657</u>	<u>428,893</u>	<u>1,750,550</u>
<b>NET BOOK VALUE</b>			
At 30th June 2012	<u>236,969</u>	<u>36,190</u>	<u>273,159</u>
At 30th June 2011	<u>341,418</u>	<u>94,164</u>	<u>435,582</u>

The net book value of tangible fixed assets includes £31,982 (2011 - £207,495) in respect of assets held under hire purchase contracts

**GEOTHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**11 TANGIBLE FIXED ASSETS - continued**

**Company**

	Plant and machinery £	Motor vehicles £	Totals £
<b>COST</b>			
At 1st July 2011	1,234,429	458,187	1,692,616
Additions	36,633	-	36,633
Disposals	-	(3,000)	(3,000)
At 30th June 2012	<u>1,271,062</u>	<u>455,187</u>	<u>1,726,249</u>
<b>DEPRECIATION</b>			
At 1st July 2011	916,693	372,987	1,289,680
Charge for year	210,552	55,669	266,221
Eliminated on disposal	-	(2,700)	(2,700)
At 30th June 2012	<u>1,127,245</u>	<u>425,956</u>	<u>1,553,201</u>
<b>NET BOOK VALUE</b>			
At 30th June 2012	<u>143,817</u>	<u>29,231</u>	<u>173,048</u>
At 30th June 2011	<u>317,736</u>	<u>85,200</u>	<u>402,936</u>

The net book value of tangible fixed assets includes £23,041 (2011 - £196,449) in respect of assets held under hire purchase contracts

**12 INVESTMENTS**

**Group**

	Interest in associate £	Interest in other participating interests £	Totals £
<b>COST</b>			
At 1st July 2011	(29,476)	-	(29,476)
Exchange differences	1,980	-	1,980
Transfer on acquisition	-	19,845	19,845
At 30th June 2012	<u>(27,496)</u>	<u>19,845</u>	<u>(7,651)</u>
<b>NET BOOK VALUE</b>			
At 30th June 2012	<u>(27,496)</u>	<u>19,845</u>	<u>(7,651)</u>
At 30th June 2011	<u>(29,476)</u>	<u>-</u>	<u>(29,476)</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30TH JUNE 2012**

**12 INVESTMENTS - continued**

**Group**

**Interest in associate**

The group's aggregate share of associates at the year end is as follows

	2012	2011 as restated
	£	£
Loss before tax	-	(40,901)
Taxation	-	-
Loss after tax	<u>-</u>	<u>(40,901)</u>
Share of assets		
Fixed assets	4,287	4,596
Current assets	28,117	30,142
Share of liabilities		
Share of liabilities due within one year	(59,900)	(64,214)
Share of liabilities due after one year or more	-	-
Share of net liabilities	<u>(27,496)</u>	<u>(29,476)</u>

**Company**

	Shares in group undertakings £	Interest in associate £	Totals £
<b>COST</b>			
At 1st July 2011	2,843,931	22,136	2,866,067
Additions	<u>6,229</u>	<u>-</u>	<u>6,229</u>
At 30th June 2012	<u>2,850,160</u>	<u>22,136</u>	<u>2,872,296</u>
<b>PROVISIONS</b>			
At 1st July 2011	2,237,865	-	2,237,865
Provision for year	<u>186,893</u>	<u>22,136</u>	<u>209,029</u>
At 30th June 2012	<u>2,424,758</u>	<u>22,136</u>	<u>2,446,894</u>
<b>NET BOOK VALUE</b>			
At 30th June 2012	<u>425,402</u>	<u>-</u>	<u>425,402</u>
At 30th June 2011	<u>606,066</u>	<u>22,136</u>	<u>628,202</u>

**GEOTHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**12 INVESTMENTS - continued**

	Country of incorporation	Holding	Proportion of holding	Nature of business
<b>Subsidiary undertakings</b>				
<b>Held by the company</b>				
Geothermal International Espana S A	Spain	Ordinary shares	100%	Installation of geothermal heating and cooling systems
GI Endurant LLC	America	Class A voting units Class B non-voting units	51% 76%	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
<b>Held by the group</b>				
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

**GEOTHERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**12 INVESTMENTS - continued**

	Country of incorporation	Holding	Proportion of holding	Nature of business
<b>Associate undertakings</b>				
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 Hrvatsks (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**

	<b>Group</b>		<b>Company</b>	
	2012	2011 as restated	2012	2011 as restated
	£	£	£	£
Stock	415,468	492,481	384,402	481,243
Net costs less foreseeable losses	<u>122,607</u>	<u>-</u>	<u>128,263</u>	<u>-</u>
	<u>538,075</u>	<u>492,481</u>	<u>512,665</u>	<u>481,243</u>

**14 DEBTORS**

	<b>Group</b>		<b>Company</b>	
	2012	2011 as restated	2012	2011 as restated
	£	£	£	£
Amounts falling due within one year				
Trade debtors	1,307,470	839,644	688,000	893,159
Amounts owed by group undertakings	-	-	2,935,581	977,403
Amounts recoverable on contract	911,976	935,410	911,976	935,410
Other debtors	<u>374,292</u>	<u>153,342</u>	<u>162,799</u>	<u>115,085</u>
	<u>2,593,738</u>	<u>1,928,396</u>	<u>4,698,356</u>	<u>2,921,057</u>

**GEO THERMAL INTERNATIONAL LIMITED (REGISTERED NUMBER: 05397984)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**14 DEBTORS - continued**

	<b>Group</b>		<b>Company</b>	
	2012	2011	2012	2011
		as restated		as restated
	£	£	£	£
Amounts falling due after more than one year				
Trade debtors	<u>391,777</u>	<u>601,436</u>	<u>391,777</u>	<u>580,184</u>
Aggregate amounts	<u>2,985,515</u>	<u>2,529,832</u>	<u>5,090,133</u>	<u>3,501,241</u>

**15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	2012	2011	2012	2011
		as restated		as restated
	£	£	£	£
Bank loans and overdrafts (see note 17)	-	2,070,891	-	2,065,262
Other loans (see note 17)	815,000	1,550,000	815,000	1,550,000
Hire purchase contracts (see note 18)	26,387	67,063	21,920	63,513
Payments on account	401,557	-	401,557	-
Trade creditors	1,750,550	1,731,895	1,319,369	1,698,487
Amounts owed to group undertakings	-	-	128,006	128,006
Tax	5,269	(54,858)	5,269	5,269
Social security and other taxes	127,166	154,360	113,829	138,228
VAT	182,087	138,632	178,849	137,368
Other creditors	-	271,287	-	-
Accruals and deferred income	<u>1,400,687</u>	<u>405,049</u>	<u>707,113</u>	<u>285,867</u>
	<u>4,708,703</u>	<u>6,334,319</u>	<u>3,690,912</u>	<u>6,072,000</u>

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

	<b>Group</b>		<b>Company</b>	
	2012	2011	2012	2011
		as restated		as restated
	£	£	£	£
Other loans (see note 17)	14,107,109	3,750,000	14,107,109	3,750,000
Hire purchase contracts (see note 18)	-	26,939	-	21,920
Other creditors	<u>294,832</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>14,401,941</u>	<u>3,776,939</u>	<u>14,107,109</u>	<u>3,771,920</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

**16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - continued**

**Convertible loans**

Contained within the other creditors 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 preferred share capital at £225 per share on 19th December 2012.

**17 LOANS**

An analysis of the maturity of loans is given below

	<b>Group</b>		<b>Company</b>	
	2012	2011	2012	2011
	£	as restated £	£	as restated £
Amounts falling due within one year or on demand				
Bank overdrafts	-	2,070,891	-	2,065,262
Other loans	<u>815,000</u>	<u>1,550,000</u>	<u>815,000</u>	<u>1,550,000</u>
	<u>815,000</u>	<u>3,620,891</u>	<u>815,000</u>	<u>3,615,262</u>
Amounts falling due between one and two years				
No description	<u>3,250,000</u>	<u>3,750,000</u>	<u>3,250,000</u>	<u>3,750,000</u>
Amounts falling due between two and five years				
Preferred shares	<u>10,857,109</u>	<u>-</u>	<u>10,857,109</u>	<u>-</u>

Details of shares shown as liabilities are as follows

	2012	2011
	£	as restated £
87,323 preferred shares of 12 5p each	10,915	-
Preferred share premium	<u>10,375,115</u>	<u>-</u>
Cash received during the year on issue of preferred shares	10,386,030	-
Preferred share issue costs	(99,636)	-
Preferred share coupon	<u>570,715</u>	<u>-</u>
	<u>10,857,109</u>	<u>-</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30TH JUNE 2012**

**17 LOANS - continued**

The preferred shares are redeemable at the issue price at the option of the shareholder anytime after the fifth anniversary of the investment date and have accordingly been classified as a financial liability. Shareholders are entitled to a preferred share coupon at 8% per annum, payable on redemption. These shares carry full voting rights and rank pari passu with ordinary shares on winding up.

**18 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS**

**Group**

	Hire purchase contracts	
	2012	2011 as restated
	£	£
Net obligations repayable		
Within one year	26,387	67,063
Between one and five years	-	26,939
	<u>26,387</u>	<u>94,002</u>

**Company**

	Hire purchase contracts	
	2012	2011 as restated
	£	£
Net obligations repayable		
Within one year	21,920	63,513
Between one and five years	-	21,920
	<u>21,920</u>	<u>85,433</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30TH JUNE 2012**

**19 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 bought forward	(431,742)
Share of losses for period	(133,579)
Provision against minority interest debtor	2,477
Minority interest net gain on capital contributions	425,698
Changes in minority interest ownership during the year	291,174
Foreign currency retranslation	(7,389)
Minority interest carried forward	<u>146,639</u>

**20 CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid Number	Class	Nominal value	2012 £	2011 as restated £
NIL (2011 - 112,000)	Ordinary 'A' shares	12 5p	-	14,000
NIL (2011 - 58,000)	Ordinary 'B' shares	12 5p	-	7,250
NIL (2011 - 30,000)	Ordinary 'C' shares	12 5p	-	3,750
NIL (2011 - 5,851)	Ordinary 'D' non-voting shares	12 5p	-	731
160,000 (2011 - NIL)	Ordinary shares	12 5p	20,000	-
40,000 (2011 - NIL)	A Ordinary shares	12 5p	5,000	-
5,851 (2011 - NIL)	C Ordinary non-voting shares	12 5p	<u>731</u>	<u>-</u>
			<u>25,731</u>	<u>25,731</u>

On 2nd December 2011 the company reclassified the ordinary 'A', ordinary 'B' and ordinary 'C' shares into ordinary and A ordinary shares on a one for one basis.

On 2nd December 2011 the company reclassified the ordinary 'D' non-voting shares into C Ordinary non-voting shares on a one for one basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30TH JUNE 2012**

**21 RESERVES**

**Group**

	Profit and loss account £	Share premium £	Totals £
At 1st July 2011	(3,970,488)	3,528,654	(441,834)
Prior year adjustment	<u>(2,310,957)</u>	<u>-</u>	<u>(2,310,957)</u>
	(6,281,445)	3,528,654	(2,752,791)
Deficit for the year	(4,945,452)	-	(4,945,452)
Foreign currency retranslation	<u>(23,684)</u>	<u>-</u>	<u>(23,684)</u>
At 30th June 2012	<u>(11,250,581)</u>	<u>3,528,654</u>	<u>(7,721,927)</u>

**Company**

	Profit and loss account £	Share premium £	Totals £
At 1st July 2011	(2,777,800)	3,528,654	750,854
Prior year adjustment	<u>(2,310,957)</u>	<u>-</u>	<u>(2,310,957)</u>
	(5,088,757)	3,528,654	(1,560,103)
Deficit for the year	<u>(4,128,390)</u>	<u>-</u>	<u>(4,128,390)</u>
At 30th June 2012	<u>(9,217,147)</u>	<u>3,528,654</u>	<u>(5,688,493)</u>

**22 RELATED PARTY DISCLOSURES**

**B Davidson**

A director

During the year the company paid £30,900 (2011 - £26,000) rent to Mr B Davidson

During the year Mr B Davidson received interest at 10% per annum on loans made to the company amounting to £33,370

At 30th June 2012 the amount owed to Mr B Davidson was £328,302 (2011 - £393,095)



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30TH JUNE 2012**

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**22 RELATED PARTY DISCLOSURES - continued**

**A A Hobday**

A director

During the period in which Mr A Hobday was a director the company paid £11,750 (2011 - £10,071) for professional services fees

**K J Drage**

A director

During the period Mr K Drage was a director he received interest at 8% per annum on loans made to the company amounting to £1,333

**Speymill OOD Pension Fund**

A company under the common influence of Mr B Davidson

During the year the company was charged rent and service charges of £210,000 (2011 - £140,000) by Speymill OOD Pension Fund

At 30th June 2012 the company owed Speymill OOD Pension Fund £42,000 (2011 - £122,757)

**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 £2,630 (2011 - £24,075)

During the year the company was charged rent, storage and installation charges of £98,269 (2011 - £84,332) by Speymill OOD Limited

At 30th June 2012 the company owed Speymill OOD Limited £3,051 (2011 - £2,229)

**Environmental Energies Fund LP**

A shareholder

During the year Environmental Energies Fund LP loaned the company a further £650,000

During the year Environmental Energies Fund LP received interest at 8% per annum on loans made to the company amounting to £29,825

During the year loans made to the company of £1,000,000 were converted into preferred shares

At 30th June 2012 the company owed Environmental Energies Fund LP £3,299,825 (2011 - £3,620,000)

During the year the company was charged monitoring fees of £10,000 (2011 - £nil) by Environmental Energies Fund LP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30TH JUNE 2012**

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**22 RELATED PARTY DISCLOSURES - continued**

**ESB NovusModus LP**

A shareholder

During the year the company was charged monitoring fees of £10,000 (2011 - £nil) by ESB NovusModus LP

**Geothermal International North America LLC**

A subsidiary company

During the year the company undertook a number of transactions on behalf Geothermal International America LLC these amounted to £327,081

During the year the company converted £557,348 owed by Geothermal International North America LLC into capital of Geothermal International North America LLC

**GI Endurant LLC**

A subsidiary company

At 30th June 2012 £619,794 was owed to the company by GI Endurant LLC

**23 POST BALANCE SHEET EVENTS**

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 the same day, 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

**24 ULTIMATE CONTROLLING PARTY**

The company was under the control of Mr B Davidson until 2nd December 2011, from this date there were no controlling parties

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30TH JUNE 2012

25 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

**Group**

	2012	2011 as restated
	£	£
Loss for the financial year	(4,945,452)	(6,684,077)
Foreign currency retranslation	<u>(23,684)</u>	<u>40,859</u>
<b>Net reduction of shareholders' funds</b>	<b>(4,969,136)</b>	<b>(6,643,218)</b>
Opening shareholders' funds (originally £(416,103) before prior year adjustment of £(2,310,957))	<u>(2,727,060)</u>	<u>3,916,158</u>
<b>Closing shareholders' funds</b>	<b><u>(7,696,196)</u></b>	<b><u>(2,727,060)</u></b>

**Company**

	2012	2011 as restated
	£	£
Loss for the financial year	<u>(4,128,390)</u>	<u>(5,825,477)</u>
<b>Net reduction of shareholders' funds</b>	<b>(4,128,390)</b>	<b>(5,825,477)</b>
Opening shareholders' funds (originally £776,585 before prior year adjustment of £(2,310,957))	<u>(1,534,372)</u>	<u>4,291,105</u>
<b>Closing shareholders' funds</b>	<b><u>(5,662,762)</u></b>	<b><u>(1,534,372)</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30TH JUNE 2012**

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**26 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. 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.

In the year ended 30 June 2012 7,450 employee share options were granted to replace existing share options, new share options were granted of 12,700 and 225 lapsed. There were 19,925 employee share options outstanding at the end of the year (30 June 2011 - 19,800).

No options were exercised in the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30TH JUNE 2012**

**27 BUSINESS COMBINATIONS**

On 5th December 2011 100% of the issued share capital of Endurant Energy LLC was acquired for a total estimated consideration of £1,372,889. This acquisition has been accounted for by the acquisition method of accounting.

The profit after taxation of Endurant Energy LLC for the period from the beginning of its financial year up to the date of acquisition was as follows:

	£
1st July 2011 to date of acquisition	<u>155,881</u>

The operating assets and liabilities of the acquisition made during the year are detailed below. No adjustment was required to the book values of the assets and liabilities of the business acquired.

	Book value at date of acquisition £
Fixed Assets	
Intangible assets	18,791
Tangible assets	35,848
Investments	14,410
Current assets	
Debtors	1,419,625
Cash at bank	<u>341,457</u>
Total assets	<u>1,830,131</u>
Liabilities	
Trade creditors	133,094
Other creditors	<u>936,341</u>
	<u>1,069,435</u>
Net assets	760,696
Goodwill	<u>612,193</u>
	<u>1,372,889</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30TH JUNE 2012**

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**27 BUSINESS COMBINATIONS - continued**

	£
Satisfied by	
Cash	581,495
Contingent deferred cash consideration	<u>621,657</u>
	1,203,152
Cost of acquisition	<u>169,737</u>
	<u><u>1,372,889</u></u>

On the date of acquisition the voting capital of Endurant Energy LLC was transferred into a subsidiary, GI North America LLC, which was 60% owned by the group. The group then merged GI North America LLC with Endurant Energy LLC to create GI Endurant LLC in return for an increase in voting capital of 20% to 80%.

The loss after taxation of GI Endurant LLC for the period from the date of acquisition to the balance sheet date included in the consolidated accounts was £570,090.