CLUFF GEOTHERMAL LIMITED

Unaudited
Financial Statements
for the year ended

31 March 2019

Company registration number
07207283

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Directors, officers and advisers

Directors:
G D Percy
C R W Edwards

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Company registration number:
07207283

Directors' Report for the year ended 31 March 2019

The directors present their report and the financial statements of the company for the year ended 31 March 2019.

Principal activity

The principal activity of the company in the year under review was that of exploration and development of a range of geothermal projects worldwide.

A business review is not presented as company has taken the small companies' exemption from doing one.

The company has no qualifying indemnity provisions, and has made no political donations during the year ended 31 March 2019 (2018: £nil).

Going concern

The directors have reviewed the financial position of the company and concluded that it is appropriate to prepare the financial statements on a going concern basis. Further details are provided in the Principal Accounting Policies on pages 10-18.

The directors

The directors who served the company during the year were:
G D Percy
C R W Edwards
P L Younger (resigned 20 April 2018)
P J Dixon-Clarke (resigned 30 September 2018)

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

In preparing this directors' report advantage has been taken of the small companies' exemption.

On behalf of the Board

George Percy

Director

17 December 2019

Company registration number: 07207283

Income Statement for the year ended 31 March 2019

	Notes	2019 US$'000	2018 US$'000
Cost of sales		(329)	(242)
Gross loss		(329)	(242)
Administrative expenses	2	(1,207)	(1,242)
Operating loss	1	(1,536)	(1,484)
Finance costs	4	(792)	(730)
Loss before taxation		(2,328)	(2,214)
Taxation	5	-	-
Loss for the financial year attributable to the company's equity shareholders		(2,328)	(2,214)

Statement of Comprehensive Income for the year ended 31 March 2019

	2019 US$'000	2018 US$'000
Loss for the financial year	(2,328)	(2,214)
Total comprehensive loss for the financial year attributable to the company's equity shareholders	(2,328)	(2,214)

Balance Sheet as at 31 March 2019

	Notes	2019	2018
Assets		**US$'000**	**US$'000**
Non-current assets			
Intangible assets	7	81	423
Property, plant and equipment	8	2,673	2,924
		2,754	3,347
Current assets			
Trade and other receivables	9	311	170
Other current assets	9	4	15
Cash and cash equivalents	10	7	20
		322	205
Total assets		3,076	3,552
Current liabilities			
Trade and other payables	11	(3,380)	(3,506)
		(3,380)	(3,506)
Non-current liabilities			
Borrowings	18	(12,469)	(10,491)
		(12,469)	(10,491)
Total liabilities		(15,849)	(13,997)
Net liabilities		(12,773)	(10,445)
Equity			
Capital and reserves attributable to the company's equity shareholders			
Share capital	20	3	3
Share premium		5,158	5,158
Retained deficit		(17,934)	(15,606)
Total equity		(12,773)	(10,445)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The directors consider that the company is entitled to exemption from audit under section 477 of the Companies Act 2006 and the members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of the financial statements.

The financial statements were approved by the Board of Directors on 17 December 2019 and were signed on its behalf by:

George Percy
Director

Christopher Edwards
Director

Company registration number: 07207283

Statement of Changes in Equity for the year ended 31 March 2019

	Share Capital US$'000	Share premium US$'000	Retained deficit US$'000	Total US$'000
Balance at 1 April 2017	3	5,158	(13,392)	(8,231)
Loss for the year	-	-	(2,214)	(2,214)
Total comprehensive loss	-	-	(2,214)	(2,214)
Balance at 31 March 2018	3	5,158	(15,606)	(10,445)
Balance at 1 April 2018	3	5,158	(15,606)	(10,445)
Loss for the year	-	-	(2,328)	(2,328)
Total comprehensive loss	-	-	(17,934)	(12,773)
Balance at 31 March 2019	3	5,158	(17,934)	(12,773)

Statement of Cash Flows for the year ended 31 March 2019

	Notes	2019 US$'000	2018 US$'000
Cash flow from operating activities			
Loss for the financial year before tax		(2,328)	(2,214)
Finance costs	4	792	730
Foreign exchange loss/(gain)	1	34	(6)
Depreciation	8	252	252
		(1,250)	(1,238)
Changes in working capital			
(Increase)/decrease in trade and other receivables		(134)	4
Increase in trade and other payables		121	270
Net cash used in operating activities		(1,263)	(964)
Cash flow used in investing activities			
Purchase of intangible assets		-	(48)
Purchase of property, plant and equipment		(1)	-
Grants received		343	-
Net cash generated from/(used) in investing activities		342	(48)
Cash flow from financing activities			
Interest paid		(4)	(4)
Decrease in related party payables		-	(13)
New loans		923	923
Net cash generated from financing activities		919	906
Net increase/(decrease) in cash and cash equivalents		2	(106)
Cash and cash equivalents at beginning of financial year		4	122
Effects of exchange rate changes		1	4
Cash and cash equivalents at end of financial year		7	20

Principal Accounting Policies

Basis of preparation

The financial statements of Cluff Geothermal Limited ("the Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the EU, and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below. The principal accounting policies set out below have been consistently applied to all periods presented.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstance, the result of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from this estimate. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed later in this note.

Loss from operations is stated after charging and crediting all items excluding finance income and expenses.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

Going Concern

The financial statements are prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of the approval of these financial statements. The directors have considered the company's financial position, forecast future trading, and expected cash flows.

The company expects to continue to receive financial support from a related party, Hotspur Geothermal Limited. On 17 September 2015 Hotspur Geothermal Limited signed a US$10 million preference share facility with a shareholder of Cluff Geothermal Limited. On 13 November 2015 the board of Hotspur Geothermal Limited approved a US$2 million drawdown request on that facility, the primary use of which is for providing liquidity to Cluff Geothermal Limited. Since then, Hotspur Geothermal Limited has provided a total of US$4.9 million to support the company's cash flow requirements. In addition to this, on 16 February 2018, the first drawdown has been made against a loan made to Hotspur Geothermal of another shareholder for the purpose of providing additional funding for the Group. Since then, a total of US$2.0 million has been availed against that loan.

The company has an outstanding payable to Hotspur Drilling Limited (a related party) of US$3.2 million. On 8 July 2016 Cluff Geothermal Limited repaid US$50,000 of the outstanding monies owed. The company has received a letter of support from Hotspur Drilling Limited which confirms that Hotspur Drilling has no intention of calling for repayment of the remaining balance until at least September 2019.

Having considered the support from related parties and likelihood of being able to raise capital funds, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Revenue recognition

Drilling revenue represents the value of services provided as contractor in respect of contract drilling. Consultancy revenue represents services provided, usually at a pre-agreed daily rate, to third party geothermal projects.

Revenue is recognised to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract for drilling and consultancy services has only been partially completed at the year end, contract revenue represents that proportion of the total contractual consideration commensurate with the value of the service provided to that date.

Grant income

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions have been complied with at year end.

When the grant relates to an expense item, it is recognised as other operating income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, it is recognised as an adjustment to the asset value and subsequently released to the income statement in equal amounts over the expected useful life of the related asset or if considered to be impaired.

Foreign Currency

Both the functional currency and the presentational currency for the company's financial statements is United States Dollars ("US$").

Foreign currency transactions are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities have been translated at rates in effect at the balance sheet date, with any exchange adjustments being charged or credited to the income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'administrative expenses'.

The exchange rate applied at 31 March 2018 was US$1.4017 per £1 sterling (31 March 2017: US$1.2544).

Exploration and evaluation assets

Pre-licence costs associated with exploring or evaluating prospects are written off as incurred to the income statement.

All costs associated with exploring and evaluating prospects within licence areas, including the initial acquisition of the licence, are capitalised on a project-by-project basis pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. When a decision is made to proceed to development, the related expenditures will be transferred to proven projects. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the Company, the related costs will be written off.

The recoverability of exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any provision for impairment losses. Depreciation is provided at the following annual rates in order to write off the cost, less estimated residual value, of each asset on a straight line basis over its estimated useful life of:

Drilling rig	18 years
Drilling equipment	15 years
Office fittings & equipment	3-4 years

The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life.

The carrying value of property plant and equipment is assessed annually and any impairment is charged to the income statement.

Impairment

The carrying amounts of non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in the prior years.

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The company's cash generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairments are recognised in the income statement to the extent that the carrying amount exceeds the assets recoverable amount. The revised carrying amounts are amortised in line with the company's accounting policies.

Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable result for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Financial Instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities carried in the balance sheet include cash and cash equivalents, trade and other receivables and payables and other financial liabilities, including loans. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as finance costs or investment revenue. Financial instruments are offset when the company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial Assets

The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The company did not have any financial assets designated as held to maturity, held for trading or fair value through the profit or loss. Unless otherwise indicated, the carrying amounts of the company's financial assets are a reasonable approximation of their fair values.

The company's accounting policy for each category is as follows:

Loans and receivables

Loans and receivables (including trade receivables) are measured on initial recognition at fair value and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand, deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

The company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial Liabilities

Financial liabilities and equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities, including trade payables, are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet.

The component parts of compound instruments (convertible loan notes) issued by the company are classified as financial liabilities with a separable embedded derivative component in accordance with the substance of the contractual arrangements and the definitions of a financial liability and, where applicable, an equity instrument.

A conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of the company's own equity instruments is an equity instrument. However, where this fixed amount of cash is denominated in a currency other than the functional currency of the company, this is considered a variable amount of cash – and therefore the conversion option is considered to be a separable embedded derivative of the loan instrument.

At the date of issue, the fair value of the embedded derivative conversion option is estimated using a Monte Carlo valuation model. This amount is recognised separately as a financial liability and measured at fair value through the income statement. The residual amount of the loan is then recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

If the terms of borrowings are modified the company determines whether the modification represents a substantial modification under IFRS. A modification is considered substantial if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Borrowings that are considered to be substantially modified are derecognised and transaction costs incurred in respect of such loan modifications are written off to the income statement. Transaction costs arising on modifications of borrowings that do not qualify as substantially modified are deducted from the liability and amortised prospectively through the effective interest rate.

Equity

Financial instruments issued by the company are treated as equity only to the extent that they do not meet the definition of a financial liability. The company's ordinary shares are classified as equity instruments.

Equity comprises the following:

- "Share capital" represents the nominal value of ordinary equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for ordinary equity shares, net of expenses of the share issues.
- "Retained deficit" include all current results as disclosed in the income statement.

For the purposes of the capital management disclosures given in note 18, the company considers its capital to be total equity plus its outstanding loan notes, less cash and cash equivalents.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the significant estimates used in applying the accounting policies of the company that have the most significant effect on the financial statements:

Carrying value of property, plant & equipment
Performing the impairment test for the drilling rig and drilling equipment required estimation of recoverable amount for these assets. Management used internal and external information available to make this assessment. Further information is provided in note 8. Judgements were made for assessing the estimated residual value and appropriate useful life to be used for depreciating property, plant and equipment. Management engaged an expert to assist with estimating residual value and useful life for the drilling rig and other drilling equipment.

Carrying value of receivables
The directors have made a judgement to impair the full amount of receivables held with one counterparty due to their assessment of the unlikely recoverability of this balance. See notes 2 and 9.

International Financial Reporting Standards in Issue But Not Yet Effective

At the date of authorisation of these financial statements, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the company. Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of these financial statements, the following new / revised standards may have an impact going forward (standards not expected to have any impact on the company are not included):

	IASB mandatory effective date (EU mandatory effective date)	EU Endorsement status
New Standards		
Error! Reference source not found.	01-Jan-18	Endorsed
Amendments to Existing Standards		
Error! Reference source not found.	01-Jan-17 and 01-Jan-18	Endorsed
Error! Reference source not found.	01-Jan-18	Endorsed
IFRIC 23 Uncertainty over Income Tax Treatments	01-Jan-19	Endorsed
Amendments to IFRS 9: Prepayment Features with Negative Compensation	01-Jan-19	Endorsed
Annual Improvements to IFRSs (2015-2017 Cycle)	01-Jan-19	Endorsed
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	01-Jan-19	Endorsed
Amendments to References to the Conceptual Framework in IFRS Standards	01-Jan-20	Expected Q4 2019
Amendments to IFRS 3 Business Combinations – Definition of a Business	01-Jan-20	Expected Q4 2019
Definition of Material - Amendments to IAS 1 and IAS 8	01-Jan-20	Expected Q4 2019
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	01-Jan-20	Expected Q4 2019

IFRS 9 "Financial instruments" addresses the classification and measurement of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Management are currently assessing the standard's full impact but believes there may be some impact on the financial instruments held by the company, see further details of the instruments held in note 15.

Notes to the Financial Statements

1. Loss for the year

Loss for the year is stated after charging/(crediting):

	2019 US$'000	2018 US$'000
Depreciation	252	252
Foreign exchange gains:		
- Recognised in administrative expenses	(6)	(6)
Operating lease rentals payable:		
- Land and buildings	43	67

2. Administrative expenses

	2019 US$'000	2018 US$'000
- Employee costs (note 3)	49	51
- Travel	23	172
- Legal & professional	811	741
- Rent, rates & utilities	31	30
- Other	11	62
- Ethiopia branch office costs	-	10
- Other depreciation	40	41
- Exchange loss/ (gain)	34	(6)
- Management recharges	208	287
- Travel costs capitalised	-	(146)
	1,207	1,242

3. Directors and employees

The aggregate payroll costs of the employees, including both management and executive directors, were $49,000 (2018: $51,000)

The average monthly number of persons employed by the company during the year was as follows:

	2019 Number	2018 Number
By activity:		
Operations	-	-
Administration	2	2
	2	2

	2019 US$'000	2018 US$'000
Remuneration of directors		
Emoluments for qualifying services	-	-

The number of directors accruing benefits under money purchase pension scheme arrangements was Nil (2018: Nil).

	2019 US$'000	2018 US$'000
Highest paid director		
Remuneration	-	-

No share options were exercised during any of the financial years presented by the highest paid director.

Key management personnel are identified as the executive directors. Total key management remuneration is:

	2019 US$'000	2018 US$'000
Remuneration of key management personnel		
Emoluments for qualifying services	-	-

4. Finance costs

	2019	2018
	US$'000	US$'000
Loan interest payable	790	726
Bank charges	2	4
	792	730

5. Taxation

Analysis of charge in year

	2019 US$'000	2018 US$'000
Current tax		
United Kingdom		
UK corporation tax credits on losses for the year	-	-
Overseas tax	-	-
Tax charge	-	-

The difference between the expected tax charge/(credit) and the amount (nil) reported in the income statement are explained as follows:

	2019 US$'000	2018 US$'000
Loss before tax	(2,328)	(2,214)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(442)	(421)
Tax effects of:		
Expenses not deductible for tax purposes		
Unrecognised tax losses	442	421
Tax charge	-	-

The company has tax losses of approximately US$12.8 million (2018: $11.3 million) available to offset against future taxable profits.

A deferred tax asset has not been recognised due to the uncertainty regarding recoverability.

6. Investment in subsidiary

On 16 November 2012, the Company incorporated a subsidiary, "Cluff Energy Services Limited", a company incorporated in England and Wales. The Company has taken advantage of the exemption under the Companies Act 2006, section 405, not to consolidate this subsidiary as it has been dormant from the date of incorporation and is not material for the purpose of giving a true and fair view.

7. Intangible assets

	Exploration and evaluation assets US$'000
Cost	
At 31 March 2017	375
Additions	48
At 31 March 2018	423
Receipt of grant	(342)
At 31 March 2019	81
Accumulated Amortisation	
At 31 March 2017	-
Charge	-
At 31 March 2018	-
Charge	-
At 31 March 2019	-
Net book value	
At 31 March 2019	**81**
At 31 March 2018	423
At 31 March 2017	375

The exploration and evaluation asset represents the cumulative direct costs of work undertaken on the Fantale license since it was issued on 15 July 2015, less grants received in relation to the asset.

8. Property, plant and equipment

	Drilling rig US$'000	Drilling equipment US$'000	Vehicles US$'000	Office fittings & equipment US$'000	Total US$'000
Cost					
At 31 March 2017	4,867	1,116	96	41	6,120
Transfer to parent company	-	-	-	(36)	(36)
At 31 March 2018	4,867	1,116	96	5	6,084
Additions	-	-	-	1	1
At 31 March 2019	4,867	1,116	96	6	6,085
Accumulated Depreciation					
At 31 March 2017	2,428	449	30	14	2,921
Charge	167	57	26	2	252
Transfer to parent company	-	-	-	(13)	(13)
	2,595	506	56	3	3,160
At 31 March 2018					
Charge	167	57	26	2	252
At 31 March 2019	2,762	563	82	5	3,412
Net book value					
At 31 March 2019	**2,105**	**553**	**14**	**1**	**2,673**
At 31 March 2018	2,272	610	40	2	2,924
At 31 March 2017	2,439	667	66	18	3,199

Depreciation on the drilling rig and other drilling equipment is included within cost of sales, depreciation on vehicles and office fittings and equipment is included within administrative expenses.

The drilling rig, and associated drilling equipment, were not used during the year ended 31 March 2019 or 2018. The company has no active drilling contracts and the wider drilling market is depressed as a result of the downturn in the oil and gas exploration industry. These factors represent an indicator of impairment, and an impairment test is therefore required by IAS 36.

The directors assessed the recoverable amount of both assets, determined using the fair value less cost of disposal basis. An independent third party was engaged to assist with providing current market prices for similar assets that are offered for sale. The directors applied this information, together with their knowledge and experience, to estimate the fair value of the rig and related equipment.

9. Trade and other receivables and other current assets

	2019 US$'000	2018 US$'000
Trade receivables	-	-
Accrued income	-	-
Other receivables	311	170
Trade and other receivables	311	170

	2019 US$'000	2018 US$'000
Other current assets: prepayments	4	5

The directors consider the carrying value of trade and other receivables is approximate to its fair value.

The amount of receivables past due but not impaired at the balance sheet date is as follows:

	2019 US$'000	2018 US$'000
Receivables past due but not impaired at 31 March	-	-

10. Cash and cash equivalents

	2019 US$'000	2018 US$'000
Cash at bank (GBP)	2	10
Cash at bank (USD)	(5)	6
Cash at bank (ETB)	6	3
Cash at bank (KES)	4	1
	7	20

At March 2019 and 2018 all significant cash and cash equivalents held in USD and GBP were deposited with a major clearing bank in the UK with at least an 'A' rating.

Cash balances held in ETB were deposited with a bank in Ethiopia. The company does not hold material balances in this currency.

11. Trade and other payables

	2019 US$'000	2018 US$'000
Trade payables	88	168
Other payables - related party payables (note 19)	3,222	3,222
Taxation and social security	1	1
Accruals	62	115
	3,373	3,506

The directors consider the carrying value of trade and other payables is approximate to its fair value.

12. Borrowings

	2019 US$'000	2018 US$'000
Secured – at amortised cost		
- Loan notes	6,935	6,420
Unsecured – at amortised cost		
- Other unsecured loan	5,534	4,071
	12,469	10,491
Current	-	-
Non-current	12,469	10,491
	12,469	10,491

Summary of borrowing arrangements:

Loan notes:

The company issued convertible loan notes denominated in Pound Sterling ("GBP") per a loan agreement dated 30 November 2012. On 1 February 2016, a renegotiation of the convertible loan notes was agreed. The relevant terms are:

- The conversion option has been removed.
- The outstanding principal value of £3,313,017 has been redenominated to US$ using a rate of £1:$1.64, as this was the rate prevailing at the date the original loan was made.
- Interest accrues daily, at the end of each financial year the accrued interest is added to the loan principal.
- The interest rate of 8% per annum and late payment rate of 2% remain unchanged.

- The loan, together with all accrued interest, should be repaid by 31 January 2021.

The changes to the terms represent a significant modification to the loan. The carrying value of the loan at the date of renegotiation has been derecognised and the fair value of the new loan recognised.

13. Financial instruments

Classification of financial instruments

The fair value hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.
The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

There are no financial instruments measured at fair value in the balance sheet.

The tables below set out the company's accounting classification of each class of its financial assets and liabilities.

Financial assets

Loans and receivables	**31 March 2019 US$'000**	**31 March 2018 US$'000**
Trade receivables (note 9)	-	-
Accrued income (note 9)	-	-
Cash and cash equivalents (note 10)	7	20
	7	20

All of the above financial assets' carrying values are approximate to their fair values, as at 31 March 2019 and 2018.

Financial liabilities

At 31 March 2018	**Measured at amortised cost US$'000**
Trade payables (note 11)	168
Other payables - related party payables (notes 11 & 19)	3,222
Accruals (note 11)	115
Loans (note 12)	10,491
	13,996

At 31 March 2019	**Measured at amortised cost US$'000**
Trade payables (note 11)	88
Other payables - related party payables (notes 11 & 19)	3,222
Accruals (note 11)	62
Loans (note 12)	12,469
	15,841

All of the above financial liabilities' carrying values approximate to their fair values due to either their short-term nature and / or (in the case of the loans) carrying a market rate of interest, as at 31 March 2019 and 2018.

14. Financial instrument risk exposure and management

The company's operations expose it to degrees of financial risk that include liquidity risk, credit risk, interest rate risk, and foreign currency risk.

This note describes the company's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 9, 10, 11, 12, 13 and 19.

Liquidity risk

Liquidity risk is dealt further below of this note.

Credit risk

The company's credit risk is primarily due to its cash balances and trade receivables. Most of the cash balances are held by Adam & Company, which is part of the RBS group which is in turn is majority owned by the British Government.

The company's total credit risk following this impairment amounts to the total of the sum of the receivables and cash and cash equivalents, being the total of financial assets disclosed in note 15.

Interest rate risk

The company has the following debt:

	2019	**2018**
	US$'000	**US$'000**
Unsecured shareholder debt	Nil	Nil
Shareholder debt secured over company assets	6,935	6,420
Unsecured related party debt	5,534	4,701

The interest on this debt is fixed and therefore interest rate risk is limited.

The balances disclosed above represent the principal plus accrued interest at the year end.

The company's only other exposure to interest rate risk is the interest received on the cash held on deposit, which is immaterial. The company does not have any variable interest-bearing borrowings.

Foreign exchange risk

The company seeks to manage its exchange rate risk through matching its cash balances to the expected currency of its near-to-medium term expenditure. Whilst administrative costs tend to be denominated in GB£, the majority of direct operating and exploration costs are US$ denominated.

At 31 March 2019, of the $7,000 of cash balances held in the balance sheet (2018: $20,000), 23% were held in GB£ (2018: 50%) and 96% in Ethiopian Birr ("ETB") (2018: 15%), with the balance in US$. Whilst the GB£ and US$ balances are held in domestic accounts within the UK, strict currency controls within Ethiopia mean that the ETB balances must be held by an Ethiopian bank within Ethiopia.

The following table indicates the impact of a 5% change in foreign exchange rate on the value of the Sterling cash balances and borrowings at the balance sheet date.

Foreign currency exchange rate sensitivity:	**Year to 31 March 2019**		**Year to 31 March 2018**	
	Impact of 5% rate increase US$'000	**Impact of 5% rate decrease US$'000**	**Impact of 5% rate increase US$'000**	**Impact of 5% rate decrease US$'000**
	£	£	£	£
Loss for year	-	-	-	-
Equity	-	-	-	-

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the company can meet liabilities as they fall due.

The company monitors its levels of working capital to ensure that it can meet its obligations as they fall due. The table below shows the undiscounted cash flows on the company's financial liabilities as at 31 March 2019 and 2018, on the basis of their earliest possible contractual maturity.

	Total	**Within 2 months**	**Within 2-6 months**	**6 – 12 months**	**1-2 years**	**Greater than 2 years**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
At 31 March 2018						
Trade payables	168	168	-	-	-	-
Other payables	3,222	-	-	-	3,222	-
Accruals	115	-	115	-	-	-
Loans	12,804	-	-	-	-	12,804
	16,309	169	115	-	3,222	12,804
At 31 March 2019						
Trade payables	88	88	-	-	-	-
Other payables	3,222	-	-	-	3,222	-
Accruals	62	-	62	-	-	-
Loans	11,477	-	-	-	-	11,477
	14,968	190	67	-	3,235	11,477

15. Capital management

The company's capital management objectives are:

- To ensure the company's ability to continue as a going concern; and
- To provide long-term returns to shareholders

The company defines and monitors capital on the basis of the carrying amount of equity plus its outstanding loan notes, less cash and cash equivalents as presented on the face of the balance sheet and further disclosed in notes 10 and 12.

The Board of Directors monitors the level of capital as compared to the company's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares. The company is not subject to any externally imposed capital requirements.

16. Operating lease arrangements

Operating leases primarily relate to land and buildings.

The company does not have an option to purchase any of the operating leased assets at the expiry of the lease periods.

Payments recognised as an expense during the year	**2019 US$'000**	**2018 US$'000**
Minimum lease payments	43	67
Recharged to Hotspur Geothermal Limited	(43)	(67)

The future minimum lease payments under non-cancellable operating leases are as follows:

Non-cancellable operating lease commitments	**2019 US$'000**	**2018 US$'000**
Not later than 1 year	-	17
	-	17

The company has ended its rental agreement for the office space as of November 2018. Office has been moved into the new registered address of Syon House, London Road, Brentford.

17. Financial commitments

There are no financial commitments. The company's Fantale licence includes documentation of the intended work programme, together with the budgeted expenditure. The company has incurred the budgeted costs, thus no outstanding financial commitments remain.

18. Share capital

Allotted, issued and fully paid

	2019 Number	2019 US$'000	2018 Number	2018 US$'000
Ordinary Shares of 10p each	17,863	3	17,863	3

19. Related party transactions

Director and shareholder loan transactions

The following transactions relating to loans due to the following directors or shareholders in the financial years ended 31 March 2019 and 2018 are included within borrowings (note 16):

Included in note 16 are loans and convertible loans in which directors of the company have a material interest. In the financial year ended 31 March 2019 and 2018, such material interests were as follows:

	2019 US$'000	2018 US$'000
G Percy		
- Non-convertible loan notes	6,935	6,420

Transactions with related companies

During the period Hotspur Drilling Ltd (for which three of the company's directors also serve as directors) paid for services and assets on behalf of the company to the value of US$ 13,000 (2018: US$ 13,000).

On the 6th April 2016, a loan agreement was entered into between Cluff Geothermal Ltd and Hotspur Geothermal Ltd (for which all of the company's directors also serve as directors) relating to transactions entered into during the financial years presented.

These transactions are summarised as follows:

	Transaction values for the year ended 31 March 2018 **US$'000**	Balance outstanding as at 31 March 2018 **US$'000**
Hotspur Drilling Ltd	(13)	3,222
Hotspur Geothermal Ltd loan	1,491	4,071
Hotspur Geothermal Ltd	(5)	-

	Transaction values for the year ended 31 March 2019 **US$'000**	Balance outstanding as at 31 March 2019 **US$'000**
Hotspur Drilling Ltd	-	3,222
Hotspur Geothermal Ltd loan	1,463	5,534
Hotspur Geothermal Ltd	-	-

Key management

Key management personnel are identified as the executive directors. Key management personnel remuneration is disclosed in note 5.

20. Contingent liabilities

The directors are not aware of any contingent liabilities of the company at 31 March 2019 and 2018.

21. Parent undertaking

The company's parent undertaking, Hotspur Geothermal Limited, a company incorporated in United Kingdom, will produce consolidated financial statements for the year ended 31 March 2019 which will be available from www.hotspurgeothermal.com