

TERSUS ENERGY LIMITED

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2016



TERSUS ENERGY LIMITED

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Introduction

These financial statements are for the Company and relate to the year ended 31 December 2016, with comparative figures being for the year ended 31 December 2015.

The Company's principal investments are:

- Its 100 per cent ownership of Envinta Corp. ("Envinta")
- Its approximately 1.3 per cent investment in Zhong Hang (Baoding) Huiteng Wind Power Equipment Company Ltd ("HT Blade"), which is held through its 9.075 per cent partnership interest in Tang Wind Energy LP ("TWELP"), a Texan limited partnership
- Its 12.1 per cent partnership interest in TWE II LP ("TWELP 2"), a Texan limited partnership.

Envinta Corp.

Envinta holds exclusive North American and European license rights in perpetuity to certain energy and environmental information and organisation management software products, which include Energy Challenger and Energy Achiever. It also has North American and European rights to the One2Five Version 2 software product of Energetics Pty Ltd. It licenses these software products, together with selling training and marketing advisory services, to utilities and to major multi-location businesses.

Although Envinta's products and services continue to be well received by its customers, the overall market for Envinta's products appears to be decreasing, as evidenced by the progressive reductions in its annual revenues in recent years. While revenues increased substantially in 2016 to US\$972,000 (2015 – US\$559,000), 2017 revenues are likely to be lower. It is difficult to forecast likely future revenue levels. Envinta makes continuing efforts to generate additional revenue and contain operating costs to ensure that it does not operate at a loss and is able to pay a monthly management fee to the Company to cover the time commitment of Tersus' directors and financial controller.

Despite the efforts in previous years to seek a buyer for the business consistent with the Company's overall strategy of realising investments and minimising running costs, it has not proved possible to find a buyer. The value of Envinta to the Company accordingly continues to be based on its net assets and some appropriate estimate of the present value of future profits, which are not expected to be material. As a consequence, the assessment of the fair value of Envinta has concluded there has been no change in this fair value and, accordingly, the carrying value in the financial statements remains unchanged at £49,743 (2015 - £49,743).

Investment in TWELP

In January 2006 Tersus invested US\$2 million in Tang Wind Energy LP ("TWELP", a Texan limited partnership) as a convertible secured loan that was subsequently converted into a 12.1 per cent. partnership interest.

TWELP owned 100 per cent of Tang Wind Energy LLC ("TWELLC", a Cayman company) which in turn owned 25 per cent. of Zhong Hang (Baoding) Huiteng Wind Power Equipment Company Ltd ("HT Blade"). The remaining 75 per cent of HT Blade was owned and continues to be owned by Chinese State Owned Enterprises. HT Blade manufactures wind blades which it sells to wind turbine manufacturers.

In 2007, an international private equity firm with offices in Shanghai acquired an interest in TWELLC from TWELP in return for US\$20 million. This money was used by TWELP for transaction expenses, TWELP costs and a loan to HT Blade. The balance was retained by TWELP in reserve.

In February 2008, the same private equity investor exercised an option which it was given as part of the 2007 transaction and bought a further stake in TWELLC paying a further US\$20 million to TWELP. That investor then had a shareholding in TWELLC of approximately 42 per cent, with TWELP owning the remaining approximately 58 per cent. Therefore, at that date, TWELLC and the private equity investor owned (indirectly) approximately 14.5 per cent and approximately 10.5 per cent respectively of HT Blade, with Tersus owning (indirectly) an approximately 1.75 per cent stake in HT Blade.

In April 2008, certain limited partners of TWELP sold a 9 per cent interest in TWELP to an international venture capital firm. Included in this transaction was a disposal by Tersus of 25 per cent of its 12.1 per cent interest in TWELP. Tersus received approximately US\$2.19 million in cash in relation to this disposal.

As a result of this disposal Tersus now owns approximately 9 per cent of TWELP resulting in Tersus owning (indirectly) approximately 1.3 per cent of HT Blade.

Your Board does not have direct access to HT Blade and is dependent on TWELP's general partner for information on developments affecting HT Blade. Your Board continues to find it difficult to obtain up to date information from TWELP's general partner. The Board understands HT Blade was loss making in 2011, 2012 and 2013 but has no information on later years.

The Board considers there can only be value in TWELP if circumstances change in relation to HT Blade and the Company is able to benefit from this. Consequently, in view of the considerable uncertainties in relation to both the current and future business performance of HT Blade and the future intentions of the majority shareholders, the value of the Company's investment in TWELP continues to be assessed as zero.

Investment in TWELP 2

Following the sale of the stake in TWELLC in February 2008, TWELP transferred some US\$32 million of cash and receivables in April 2008 into a new partnership TWE II LP ("TWELP 2"), in which Tersus holds 12.1 per cent. partnership interest. This amount represented the US\$40 million received from the private equity investor, less transaction costs and TWELP running costs.

In April 2008, TWELP 2 made a distribution to its partners as a result of which Tersus received approximately US\$1.45 million in cash. The amount of approximately US\$21 million remaining in TWELP 2 was retained to meet its future potential funding needs.

Some US\$12 million of these funds were lent to another Texan partnership connected to the general partner. The Board has been told this amount has been invested by this Texan partnership in projects intended to promote the value of the investment in HT Blade. Your Board has not been able to review the value of these projects nor establish the way in which they were intended to promote the value of the investment in HT Blade nor whether it was appropriate for TWELP 2's funds to be used in this way. Your Board took advice from a Texan firm of lawyers in 2011 following which an audit of TWELP 2 was conducted at the expense of the partnership although, unfortunately, as the general partner did not consult with Tersus on the remit of this audit, it provided no comfort on the appropriateness of the project expenditure nor on the amounts that might be recoverable.

Following further pressure from your Board, the general partner of TWELP 2 made a distribution of US\$4 million from its retained profits in June 2012, of which Tersus received US\$484,000. Your Board considers that further funds should have been distributed to the partners and will continue to put this point to the general partner of the Texan partnership. However, it appears that the remaining cash funds in TWELP 2 have largely been extracted by way of management fees so that the cash funds remaining in TWELP 2 are small and its only asset is the approximately US\$12 million loan referred to previously.

In view of the uncertainties regarding the recoverability of amounts lent by TWELP 2 to the Texan partnership connected to the general partner, no value has been attributed to them when assessing the value of the Company's investment in TWELP 2. Given that the majority of the remaining cash and cash equivalent assets have been disbursed this means that the value of TWELP 2 must be assessed as zero: this is unchanged from the assessment made last year.

Your Board is clearly disappointed with the way in which TWELP 2 has been managed and the use to which the initial US\$32 million has been put. Your Board has had extensive conversations with the Texan firm of lawyers about the possibility of demonstrating a breach of fiduciary responsibility by the general partner of TWELP 2. Your Board will continue to review this situation and attempt to engage in a productive conversation with TWELP 2's general partner.

Future value in TWELP and TWELP 2

The Board is aware of a dispute between the general partner of TWELP and the Chinese State Owned Enterprises, which is currently the subject of legal action in the USA courts, and relates, inter alia, to the management of HT Blade as well as other alleged actions by the Chinese State Owned Enterprises. Your Board believes that the claim relating to HT Blade has been rejected. Any future value in TWELP 2 seems likely to be dependent on other aspects of this legal action being resolved in favour of the general partner or related entities and any part of moneys received being applied towards repayment of the loan due to TWELP 2. The Board has a continuing dispute with the general partner of TWELP 2 regarding its management of TWELP 2's funds. The Board believes that neither the legal action against the Chinese State Owned Enterprises, nor any possible discussions or litigation between the Company and the general partner of TWELP 2 are likely to be settled for some time. Given the considerable uncertainty relating to these, your Board considers they provide no justification for attributing a value to its partnership interest in either TWELP or TWELP 2.

Results for 2017 and operating costs

The profit for the year of £67,068 (2015 - £20,307) includes exchange gains of £69,301 (2015 - £17,893) which are attributable to the increase in the value of the US\$ relative to sterling. The majority of the Company's cash at bank continues to be held in a US\$ denominated bank account. The Company transferred US\$200,000 funds into sterling during the year and a further US\$100,000 after the year end at rates between 1.31 and 1.22 US\$:£ to lock in exchange gains and intends to make further transfers in the medium term.

We have stated previously that one of your Board's objectives is to minimise running costs.

The Company's future running costs are now below £30,000 per annum, excluding any remuneration payable to directors. These running costs comprise the cost of the Company's financial controller as well as company secretarial, insurance, sundry professional costs, travel, office and communication costs.

Directors' remuneration

During the year to 31 December 2016, the two executive directors received emoluments equivalent to £36,000 in aggregate per annum, to reflect their time commitment on matters relating to the Company's affairs and investment portfolio. This remuneration can, of course, be further reduced or stopped at any point where either the time commitment reduces or the funds available make it appropriate to cease these payments. As Chairman, I will continue not to take any remuneration for my time.

TERSUS ENERGY LIMITED

CHAIRMAN'S STATEMENT

Share consolidation

On 29 September 2016, after the annual general meeting gave approval for the consolidation of share capital pursuant to which 5,000 existing ordinary shares of 0.5p were consolidated into one ordinary share of £25, the issued share capital of the Company became 8,810 ordinary shares of £25 each. New share certificates have been sent to shareholders as the existing share certificates ceased to be valid.

Following the aggregation of the fractional entitlements that arose as a result of the share consolidation, 48 ordinary shares of £25 each (0.54% of the number of shares in issue) were registered in the name of ShareGift, a registered charity which accepts "orphan shares".

Future direction of the business

When the Company de-listed in September 2008 your directors stated that your Board's strategy was now to realise investments and to minimise running costs in the meantime. This strategy continues to be followed.

Asset disposals

In my Chairman's statement last year, I referred to possible asset disposals to directors in connection with the continuing process of simplifying the Company's affairs. The disposal of the Company's investment in Envirocontrols Limited was made as envisaged after the year end.

Your Board is still considering the future of the Company's investment in Envinta, given that previous efforts to sell this business to third parties have been unsuccessful.

The disposal of this investment would then leave only the partnership interests in TWELP and TWELP 2 to be resolved, at which point the Company's only remaining asset would be cash. The process of winding up the Company would then be more simple and, hopefully, inexpensive.

John Devaney

Chairman

1 September 2017

TERSUS ENERGY LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report together with the financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

Historically, the principal activities of the Company were to invest in, operate and advise businesses in the renewable energy sector. The principal activity is now to manage the Company's investments with a view to realising the maximum value for shareholders.

BUSINESS REVIEW

A review of the Company's performance and the activities of the Group is contained in the Chairman's statement.

The principal objective of the business is to realise the value of its investments in order to maximise the return to shareholders.

The principal risks associated with this objective are normal business risks applicable to the underlying Envinta business, which is US dollar based, together with the need to maintain sufficient funds to provide enough time for the investments to be optimally realised. The greater part of the Company's cash holdings continue to be in US dollars and the Company has benefitted from sterling's recent weakness. Currency fluctuation remains relevant to the future value of the Company's assets.

STATUTORY MATTERS

As in previous accounting periods, the Company has taken advantage of Companies Act 2006 enabling provisions that allow the Company not to prepare group accounts and to be exempt from the audit of its accounts.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2016 are shown in the Profit and Loss Account on page 12. The profit for the year after tax amounted to £67,038 (2015 – £20,307). The directors are not proposing the payment of a dividend for the year (2015 – nil).

TERSUS ENERGY LIMITED

REPORT OF THE DIRECTORS

DIRECTORS

The directors during the year to 31 December 2016 were:

J F Devaney (Non-executive chairman)
S P Levine (Chief Executive Officer)
D T Wilson (Chief Operating Officer and Finance Director)

John Devaney (71) (Non-executive Chairman)

John has been chairman of EXEL plc and National Express Group PLC and executive chairman of Eastern Electricity plc and has served as a non-executive director on the boards of HSBC Bank Plc and British Steel Plc.

Steven Levine (66) (Chief Executive Officer)

Steve Levine is an energy services executive and attorney with extensive experience developing and financing domestic and international energy projects and managing related businesses. He was previously VP of New Energy, Inc. (now Constellation New Energy), one of the largest US deregulated electricity power retailers. He is a former president of Metro Energy, L.L.C., a private New York City based utility.

David Wilson (69) (Chief Operating Officer and Finance Director)

David Wilson was a director of Hilton International Plc with responsibilities for finance and for identifying and negotiating new business opportunities, and previously a partner in Ernst & Young with responsibility for services to small and medium-sized enterprises.

Directors and their shareholdings

The directors who served during the year and their interests in the shares of the Company as recorded in the register of directors' interests were as follows:

	As at 31 December 2016		As at 31 December 2015	
	Number of ordinary shares of £25 each	Percentage of issued share capital	Number of ordinary shares of 0.5p each	Percentage of issued share capital
J F Devaney	2,337	26.53	11,690,363	26.54
S P Levine	358	4.06	1,793,102	4.07
D T Wilson	2,479	28.14	12,398,033	28.15

No changes in the directors' share interests have taken place between 31 December 2016 and 1 September 2017.

Under the provisions of the Company's Articles of Association D T Wilson shall retire from office at the annual general meeting of the Company and, being eligible, D T Wilson offers himself for re-election.

OTHER MATTERS

All directors have service agreements or letters of appointment. The Company has the power to determine the service agreements on six or twelve months' notice and the letters of appointment on three months' notice without payment of compensation (other than statutory compensation).

The non-executive director retires by rotation in the same manner as the executive directors, in accordance with the Company's Articles of Association.

Communication with shareholders on remuneration matters is largely undertaken by way of this report and the detailed disclosure of remuneration provided by note 8 to the financial statements.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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 Company's 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 and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

VALUATION POLICY

Investment strategy

The Company has a documented investments strategy.

Principles of valuation of fixed asset investments, including subsidiaries

Fixed asset investments are shown at cost, less provision for any permanent impairment of value, where cost includes the associated costs of acquisition.

When considering if there has been a permanent impairment in an investment's value, the directors assess the value of an investment, having regard to the requirement to apply a degree of caution in making the necessary assessments. In making these assessments, the directors use a methodology which is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio.

Investment in Envinta Corp. "Envinta"

The investment in the Company's wholly-owned subsidiary, Envinta, has been assessed having regard to the fact that, although its products and services are well received by its customers, the overall market for its products appears to be diminishing, as evidenced by the progressive reductions in its annual revenues in recent years. While revenue increased substantially in 2016 to US\$972,000, revenue in 2017 is likely to be lower and it is difficult to foresee future revenue levels. It is considered appropriate to continue to base the assessment of the value of the investment on the estimated long run amount of Envinta's net assets attributable to the Company. This assessment includes an estimate of the present value of its future profits, which are not expected to be material. Following completion of this review, it was decided to continue to carry the investment at £49,743, the value assessed as at 31 December 2015. The provision for impairment was accordingly unchanged at £1,005,000.

Investment in TWELP

In 2008, the Company received approximately US\$2.19 million when it disposed of 25 per cent of its then 12.1 per cent interest in TWELP, whose main asset is its indirect minority holding in HT Blade. The Board has been unable to obtain up to date information on developments affecting HT Blade from the general partner of TWELP. It understands HT Blade was loss-making in each of 2011, 2012 and 2013 but has no information on later years. The Board is unaware of any current plans by HT Blade management or the Chinese State Owned Enterprises (the majority shareholders) that would result in any exit opportunities for its minority shareholders. In view of the considerable uncertainties in relation to both the current and future business performance of HT Blade and the future intentions of the majority shareholders, the value of the Company's investment in TWELP has been assessed as zero.

Investment in TWELP 2

The Company received distributions of approximately US\$1.45 million in 2008 and a further US\$484,000 in 2012 (made from the profit on the sale by TWELP of part of its interest in HT Blade). At 31 December 2012, TWELP 2 had cash or cash equivalent assets which, if distributed, would result in a further distribution to the Company of approximately US\$500,000. The general partner declined to make such a distribution and, in the three years up to 31 December 2015, being the latest date for which the Company has received information from the general partner, the general partner disbursed US\$4.5 million as management fees, so reducing TWELP 2's cash or cash equivalent assets to US\$115,000 by that date. The Company does not know what the current cash balances are.

Investment in TWELP 2 (continued)

TWELP 2 also continued to have a loan balance of some US\$12.2 million as at 31 December 2015 relating to a loan to a Texan partnership connected with the general partner. The Company has been unable to establish either why this amount was lent to this partnership or what its realisable value might be. In view of the uncertainties regarding the recoverability of this amount, no value has been attributed to it when assessing the value of the Company's investment in TWELP 2. Accordingly, as in the previous period, the value of the investment has again been assessed at nil.

Future value in TWELP and TWELP 2

The Board is aware of a dispute between the general partner of TWELP and the Chinese State Owned Enterprises, which is currently the subject of legal action in the USA courts, and relates, inter alia, to the management of HT Blade as well as other alleged actions by the Chinese State Owned Enterprises. Your Board believes that the claim relating to HT Blade has been rejected. Any future value in TWELP 2 seems likely to be dependent on other aspects of this legal action being resolved in favour of the general partner or related entities and any part of moneys received being applied towards repayment of the loan due to TWELP 2. The Board has a continuing dispute with the general partner of TWELP 2 regarding its management of TWELP 2's funds. The Board believes that neither the legal action against the Chinese State Owned Enterprises, nor any possible discussions or litigation between the Company and the general partner of TWELP 2 are likely to be settled for some time. Given the considerable uncertainty relating to these, your Board considers they provide no justification for attributing a value to its partnership interest in either TWELP or TWELP 2.

A small share-holding in an AIM-listed company has been valued at the closing price on 31 December 2015. The valuations of the remaining investments, all of which are unlisted, have been assessed as nil on the basis of their estimated realisable amounts and the lack of any cash flows from these investments.

Valuation review procedures

Valuations are prepared by the directors.

GOING CONCERN

The directors confirm they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. There are some uncertainties that are outlined further in note 2 to the financial statements.

ANNUAL GENERAL MEETING

This year's annual general meeting will be held at 2.00 pm on 28 September 2017 at 44 Kensington Park Gardens, London W11 2QT. The notice of meeting is set out on pages 25 and 26 of this document.

Details of the business to be considered at the meeting are given below.

Report and accounts (Resolution 1)

It is a requirement of company law that the annual report and accounts is laid before shareholders in general meeting.

Directors' remuneration report (Resolution 2)

It is a requirement of company law that the directors' remuneration report is laid before shareholders in general meeting.

Re-election of director (Resolution 3)

In accordance with article 92.1 of the articles of association, one-third of the directors retire from office each year. Accordingly, David Wilson offers himself for re-election. His biographical details are given on page 7.

Authority of directors to allot shares (Resolutions 4 and 5)

Resolution 4 asks shareholders, by ordinary resolution, to authorise the directors under section 551 of the Act to allot unissued shares and to grant rights to subscribe for, or to convert any security into, shares in the Company. This authority will, if granted, expire, unless previously revoked, renewed or varied, 15 months after the date of passing the resolution or, if earlier, at the conclusion of next year's annual general meeting, although offers or agreements can be made before the expiry of that period, which might require shares to be allotted or rights granted after the expiry of that period. This authority, if approved, will be limited to shares up to an aggregate nominal amount of £60,000. The directors believe that it is appropriate for them to have the authority proposed in the resolution to enable such allotments to take place if required.

Resolution 5 – disapplication of pre-emption rights for the issue of new shares. If the directors wish to allot new shares and other equity securities for cash, the Act requires that any such shares are offered first to existing shareholders in proportion to their holdings. This is known as shareholders' pre-emption rights. There may be occasions, however, when the directors need the flexibility to finance business opportunities as they arise without offering securities on a pre-emptive basis. The Act allows a limited disapplication of these pre-emption rights in certain circumstances. Therefore, this resolution, which will be proposed as a special resolution, authorises the directors to issue, for cash, up to an aggregate nominal amount of £11,000 in ordinary shares, equivalent to approximately 5 per cent of the issued share capital of the Company. This resolution will be proposed subject to resolution 4 (referred to above) first being carried at the meeting and the authority sought, if granted will be for the same period as that granted under resolution 4.

Voting

A form of proxy is being sent to shareholders for use at the annual general meeting. This should be completed, signed and returned as soon as possible in accordance with the instructions on it, whether or not you intend to come to the annual general meeting. Returning a form of proxy will not prevent you from attending the meeting and voting in person if you wish. A form of proxy should be returned so that it is received not less than 48 hours (excluding non-working days) before the time of the annual general meeting.

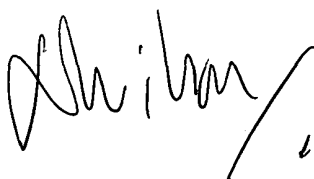
The directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. The directors will be voting in favour of them and unanimously recommend that shareholders do so as well.

BY ORDER OF THE BOARD

D T Wilson

Director and Company Secretary

1 September 2017



TERSUS ENERGY LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	5	44,921	37,296
Administrative expenses	6	20,149	(19,326)
Other interest receivable and similar income	7	2,942	2,533
Provision for impairment of value in investments	11	(974)	(196)
Profit on ordinary activities before taxation	6	<u>67,038</u>	<u>20,307</u>
Taxation	9	<u>-</u>	<u>-</u>
Profit for the year		<u>67,038</u>	<u>20,307</u>
Earnings per share			
Basic and diluted earnings per share (2015 - restated to reflect share consolidation in September 2016)	10	<u>7.61p</u>	<u>2.31p</u>

The accompanying accounting policies and notes form an integral part of these statements.

TERSUS ENERGY LIMITED

COMPANY BALANCE SHEET

As at 31 December 2016

	Note	31 December 2016 £	31 December 2015 £
FIXED ASSETS			
Investments	11	50,036	51,010
		<u>50,036</u>	<u>51,010</u>
Current assets			
Debtors – amounts due within one year	12	5,031	63,602
Cash at bank and in hand		461,799	335,785
		<u>466,830</u>	<u>399,387</u>
Creditors: amounts falling due within one year	13	(44,251)	(44,839)
Net current assets		<u>422,579</u>	<u>354,548</u>
Total assets less current liabilities		<u>472,615</u>	<u>405,558</u>
Capital and reserves			
Called up share capital	14	220,250	220,231
Share option reserve	15	-	297,692
Profit and loss account	15	252,365	(112,365)
Shareholders' funds		<u>472,615</u>	<u>405,558</u>

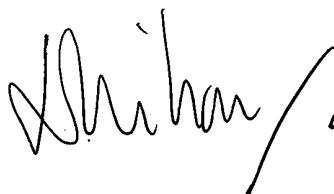
For the year ending 31 December 2016 the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts
- these accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime

The financial statements were approved by the Board of directors on 1 September 2017.

D T Wilson
Director



Company no 5314207

The accompanying accounting policies and notes form an integral part of these statements.

TERSUS ENERGY LIMITED

CASH FLOW STATEMENT

As at 31 December 2016

	2016 £	2015 £
Cash flow from operating activities		
Profit before taxation	67,038	20,307
Adjustments for:		
Provision for impairment of value in investments	974	196
Foreign exchange	(69,301)	(17,891)
Interest receivable	(2,942)	(2,533)
Change in trade and other receivables	66,450	(26,653)
Change in trade and other payables	(588)	6,108
Cash inflow/ (outflow) from operations	<u>61,631</u>	<u>(20,466)</u>
Taxation	-	-
Net cash flow from operating activities	<u>61,631</u>	<u>(20,466)</u>
Cash flows from investing activities		
Issue of ordinary shares	<u>19</u>	<u>-</u>
Net cash from investing activities	<u>19</u>	<u>-</u>
Cash flows from financing activities		
Interest received	<u>8,862</u>	<u>-</u>
Net cash generated from financing activities	<u>8,862</u>	<u>-</u>
Net change in cash and cash equivalents	70,512	(20,466)
Cash and cash equivalents at beginning of year	335,785	340,766
Exchange differences on cash and cash equivalents	<u>55,502</u>	<u>15,485</u>
Cash and cash equivalents at end of year	<u>461,799</u>	<u>335,785</u>
Cash and cash equivalents comprise:		
Cash at bank and in hand	<u>461,799</u>	<u>335,785</u>

The accompanying accounting policies and notes form an integral part of these statements.

TERSUS ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Called-up share capital £	Share option reserve £	Profit and loss account £	Total £
At 31 December 2014	220,231	297,692	(132,672)	385,251
Profit and total comprehensive income for the period			20,307	20,307
At 31 December 2015	220,231	297,692	(112,365)	405,558
Transfer Share option reserve to profit and loss account (a)		(297,692)	297,692	-
Issue of ordinary shares for cash	19			19
Profit and total comprehensive income for the year			67,038	67,038
At 31 December 2016	220,250	-	252,365	472,615

- (a) Following the expiry of all outstanding share options in May 2016, the balance on the Share option reserve was transferred to the Profit and loss account as a reserve movement (see note 15).

The accompanying accounting policies and notes form an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1 COMPANY INFORMATION

The Company is a private limited company, which is incorporated in England and Wales with company registration number 5314207. The address of the registered office of the Company is 44 Kensington Park Gardens, London W11 2QT.

2 BASIS OF PREPARATION

The financial statements relate to the year ended 31 December 2016. The comparative figures relate to the year ended 31 December 2015.

As in the previous three accounting periods, the Company has taken advantage of Companies Act 2006 enabling provisions that allow the Company not to prepare group accounts and to be exempt from the audit of its accounts. The Company continues to obtain advice on taxation from Grant Thornton UK LLP.

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (“FRS 102”) and with the Companies Act 2006. The financial statements have been prepared on the historical costs basis.

The financial statements are presented in sterling, which is the functional currency.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the periods presented, unless otherwise stated.

GOING CONCERN

The Company meets its working capital and operating costs requirements from its cash balances. The nature of the Company’s business is such that there is considerable uncertainty in the amounts and timing of cash flows. For example, remittances of surplus funds from Envinta and any further distributions from TWELP or TWELP 2 are all uncertain as to amount and timing.

Bearing this in mind, the directors have prepared cash flow forecasts for the period to 30 September 2019. The forecasts show that the Company will have adequate resources for this period. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

The financial statements do not include any adjustments or disclosures that would be required if the Company was not a going concern.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Although these estimates are based on management's best knowledge of the amount, event or action, actual results may differ materially from those estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to:

- the assessment of whether there has been any impairment in respect of unlisted investments, which are valued on the bases set out in the Report of the directors
- the assessment of whether there has been any impairment in respect of subsidiaries
- the timing and amount of cash flows.

4 PRINCIPAL ACCOUNTING POLICIES

REVENUE

Revenue is measured at the fair value of the consideration received or receivable from third parties for services provided in the normal course of business, net of value added tax and other sales taxes.

FIXED ASSET INVESTMENTS

Fixed asset investments, including subsidiaries, are shown at cost, less provision for any permanent impairment of value. Cost includes the associated costs of acquisition.

DISPOSAL OF ASSETS

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

TAXATION

Current tax is the tax currently payable based on taxable profits for the period using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the reporting date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the reporting date.

Tax expense or income is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense or income.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise.

TERSUS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

5 TURNOVER

Turnover, which excludes value added tax and other sales taxes, represents the invoiced value of services supplied to third parties, including group companies.

6 PROFIT BEFORE TAX

The profit on ordinary activities before taxation is stated after crediting:

	2016 £	2015 £
Net exchange gains	<u>(69,301)</u>	<u>(17,891)</u>

7 INTEREST RECEIVABLE

	2016 £	2015 £
Interest receivable		
On loan to subsidiary	<u>2,942</u>	<u>2,533</u>
	<u>2,942</u>	<u>2,533</u>

8 DIRECTORS AND EMPLOYEES

The average monthly number of employees of the Company (including directors) during the year was 3 (2015 – 3) and their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	18,000	13,500
Social security costs	-	-
	<u>18,000</u>	<u>13,500</u>

Directors' emoluments

For the year ended 31 December 2016

	Fees £	Benefits in kind £	Total £
Executive Directors			
S P Levine	-	17,968	17,968
D T Wilson	18,000	-	18,000
Non-Executive Director			
J F Devaney	<u>-</u>	<u>-</u>	<u>-</u>
	<u>18,000</u>	<u>17,968</u>	<u>35,968</u>

TERSUS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

8 DIRECTORS AND EMPLOYEES (continued)

Directors' emoluments (continued)

For the year ended 31 December 2015

	Fees £	Benefits in kind £	Total £
Executive Directors			
S P Levine	-	14,720	14,720
D T Wilson	13,500	-	13,500
Non-Executive Director			
J F Devaney	-	-	-
	<u>13,500</u>	<u>14,720</u>	<u>28,220</u>

The benefits in kind for S P Levine, which comprise healthcare costs, were provided by a subsidiary in both years.

The Chairman has not received any remuneration since 31 May 2009.

9 TAXATION

	2016 £	2015 £
Tax charge	<u>-</u>	<u>-</u>

The tax for the year can be reconciled to the accounting loss as follows:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>67,038</u>	<u>20,307</u>
Profit on ordinary activities at the effective standard rate of corporation tax in the UK of 20% (2015 – 20.25%)	13,408	4,112
Effects of:		
Items not deductible for tax purposes/ subject to tax	195	40
Items allowed for/ (brought into) tax in a prior period	32,888	(10,247)
Tax losses (utilised)/ carried forward	<u>(46,491)</u>	<u>6,095</u>
Total tax charge for the year	<u>-</u>	<u>-</u>

The Company has tax losses at 31 December 2016 of approximately £2,329,000 (2015 - £2,560,000). These tax losses will be available to reduce any tax due on future profits.

No deferred tax asset has been recognised due to the uncertainty of the recoverability of the asset and its timing. The asset will be recovered in line with future profits. The unrecognised deferred tax asset of £419,000 (2015 - £512,000) relates to tax losses carried forward.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

10 EARNINGS PER ORDINARY SHARE

The calculation of the basic earnings per share is based on a profit of £67,038 (2015 - £20,307) and the weighted average number of shares in issue of 8,810 (2015 - 8,810). The comparative figure for 2015 has been recalculated on a comparable basis, reflecting the consolidation of shares effected on 29 September 2016 (see note 14).

At 31 December 2015, there were 791,667 share options over ordinary shares of 0.5p outstanding which, if exercised, would potentially have diluted basic earnings per share in the future. These were not included in the calculation of diluted earnings per share for 2015 as the profit per share would have increased. These share options expired without being exercised on 28 May 2016. There are no share options in existence at 31 December 2016. Accordingly, basic and diluted earnings per share for the year ended 31 December 2016 are the same.

11 INVESTMENTS

	Shares in group companies (a)	Investments (b)	Total
Cost	£	£	£
At 31 December 2015	1,054,743	1,943,851	2,998,594
Additions in year	-	-	-
At 31 December 2016	<u>1,054,743</u>	<u>1,943,851</u>	<u>2,998,594</u>
Provision for impairment in value			
At 31 December 2015	(1,005,000)	(1,942,584)	(2,947,584)
Additions in year	-	(974)	(974)
At 31 December 2016	<u>(1,005,000)</u>	<u>(1,943,558)</u>	<u>(2,948,558)</u>
Net book amount			
At 31 December 2016	<u>49,743</u>	<u>293</u>	<u>50,036</u>
At 31 December 2015	<u>49,743</u>	<u>1,267</u>	<u>51,010</u>

- (a) The provision for impairment in the value of the Company's remaining subsidiary is made on the basis of its assessed long-term value. No change in the provision has been made in respect of the investment in Envinta Corp., which is carried at a net book amount of £49,743. The total provision made in respect of this investment is £1,005,000 (2015 - £1,005,000). Information on Envinta Corp. is given below.
- (b) The value of the investment in TWELP has been assessed as nil (2015 - nil) in view of the uncertainty regarding the current and future business performance of HT Blade and the future intentions of the majority shareholders. The value of the investment in TWELP 2 has continued to be assessed as nil (2015 - nil) as there is no indication of the amount, if any, that will be realised for the loan asset in TWELP 2 or of the timing of such realisation. The investment could have a substantial value if the realisable value of the loan asset in TWELP 2 of some US\$12 million were substantial (see page 3), as the Company holds a 12.1% partnership interest in TWELP 2.

TERSUS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

11 INVESTMENTS (continued)

The fixed asset investments include investments in both shares and convertible loans. All investments are unlisted.

The Company had one directly-held subsidiary at the end of the year:

Subsidiary	Country of registration and operation	Class of share	Percentage held	Activities
Envinta Corp.	Delaware, USA	Ordinary	100%	Developer of energy and environmental information software

Envinta Corp. has a financial year end of 31 December. The information below is extracted from its accounts for the years ended 31 December 2016, 31 December 2015 and 31 December 2014:

	2016 US\$	2015 US\$	2014 US\$
Capital and reserves at the financial year end	<u>282,222</u>	<u>103,494</u>	<u>119,486</u>
Revenue for the year	<u>971,731</u>	<u>559,535</u>	<u>544,487</u>
Profit/ (loss) after taxation for the year	<u>178,728</u>	<u>(15,992)</u>	<u>(24,979)</u>

12 DEBTORS

	2016 £	2015 £
Amounts falling due within one year		
Amounts owed by subsidiary companies	1,479	61,297
Prepayments	1,698	1,682
Other debtors	<u>1,854</u>	<u>623</u>
	<u>5,031</u>	<u>63,602</u>

13 CREDITORS

	2016 £	2015 £
Accruals	<u>44,251</u>	<u>44,839</u>
	<u>44,251</u>	<u>44,839</u>

TERSUS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14 CALLED UP SHARE CAPITAL

	2016 £	2015 £
Authorised		
40,000 ordinary shares of £25 each (2015 - 200,000,000 of 0.5p each)	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid		
At 31 December	220,231	220,231
Issued for cash	19	-
At 31 December	<u>220,250</u>	<u>220,231</u>

At 31 December 2015 44,046,376 ordinary shares of 0.5p each were issued and fully paid.

On 29 September 2016, immediately prior to the 2016 annual general meeting, 3,624 ordinary shares of 0.5p were issued at par for cash, so increasing the number of shares in issue to 44,050,000 ordinary shares of 0.5p.

At the 2016 annual general meeting, a resolution authorising the consolidation of share capital pursuant to which 5,000 existing ordinary shares of 0.5p were consolidated into one ordinary share of £25 was approved. Accordingly, the existing shares were consolidated into 8,810 ordinary shares of £25 each.

At 31 December 2016 8,810 ordinary shares of £25 each were issued and fully paid.

Share options

The Company had various share option plans in place at 31 December 2015. All share options outstanding at 31 December 2015 expired on 28 May 2016 without being exercised. The Share Option Plans have been closed as there is no intention to issue share options in future. The Share option reserve, which represents the cumulative expense charged to the profit and loss account in relation to equity settled share option scheme transactions, has accordingly been transferred to the Profit and loss account as a reserve movement.

The movements in the number of share options outstanding up to 28 May 2016 and the weighted average exercise price were as follows:

	2016		2015	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 31 December 2015/ 31 December 2014	791,667	0.500	1,041,667	0.500
Expired	(791,667)	0.500	(250,000)	0.500
Outstanding at 31 December 2016/ 31 December 2015	<u>-</u>	<u>-</u>	<u>791,667</u>	<u>0.500</u>
Thereof exercisable	<u>-</u>	<u>-</u>	<u>791,667</u>	<u>0.500</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

15 RESERVES

Called-up share capital: represents the nominal value of shares that have been issued.

Share option reserve: is the cumulative expense charged to the profit and loss account in relation to equity settled share option scheme transactions. Following the expiry of all outstanding share options on 28 May 2016, the Share option reserve was transferred to the Profit and loss account (see note 14).

Profit and loss account: includes all current and prior period retained profits and losses.

16 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2016 or 31 December 2015.

17 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2016 or 31 December 2015.

18 LONG TERM INCENTIVES

There are arrangements in place to provide long term incentives. The arrangements under which long term incentives have already been granted are summarised below.

Following the expiry of all outstanding share options on 28 May 2016, the Share Option Plans have been closed.

Advisory Income Participation Arrangement

The Company has an Advisory Income Participation Arrangement whose objective is to reward and incentivise those employees and contract personnel who assist the Group in consummating cash-generative transactions with advisory clients. Under this arrangement an amount of 30 per cent of the net cash received by the Group on a transaction (after taking account of the payment of various related expenses to third parties and basic remuneration) may be paid in compensation to employees who had an active role in the transaction, provided that those employees have met certain minimum criteria.

No payments were made in the years to 31 December 2016 or 31 December 2015 under this arrangement.

Investment Gain Participation Arrangement

The Company has an Investment Gain Participation Arrangement whose objective is to reward and incentivise those employees and contract personnel who assist the Group in acquiring, managing or realising an investment. Under this arrangement, an amount of up to 20% per cent of the net realised gain made by the Group on an investment may be made available and allocated amongst the members of the investment management team from time to time. The net gain is calculated after a first return to the Group the amount of which will reflect the amount and type of capital invested and the expected return at the time of investment. Non-refundable advances may be paid where an investment is judged to have secured an increase in value giving rise to an unrealised gain and/or is operating profitably. No such advances have been made to date. Participations granted under this arrangement will normally vest over a period of up to 3 years. No participation rights were granted during the year or in the previous year.

No amounts were earned in the years to 31 December 2016 or 31 December 2015 under this arrangement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

19 RELATED PARTY TRANSACTIONS

The Company provides back office services on a commercial basis to its wholly-owned subsidiary, Envinta Corp.. The amount charged for the year to 31 December 2015 was US\$60,000 (£44,921) (2015 – US\$57,000 (£37,296)).

The Company received payment of £8,862 interest but no payment of loan principal from Envinta Corp. during the year (2015 - no payment of either interest or loan principal). The loan principal has been repaid in full since the year end.

NOTICE OF 2017 ANNUAL GENERAL MEETING OF TERSUS ENERGY LIMITED

Notice is hereby given that the 2017 Annual General Meeting ("AGM") of Tersus Energy Limited (the "Company") will be held at 44 Kensington Park Gardens, London W11 2QT at 2.00 pm on Thursday 28 September 2017 to consider and, if thought fit, to pass the following resolutions ("Resolutions") of which Resolutions 1, 2, 3 and 4 will be proposed as ordinary resolutions and Resolution 5 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1. **TO** receive and adopt the accounts of the Company for the year ended 31 December 2016 and the report of the directors thereon.
2. **TO** receive and adopt the directors' remuneration report for the year ended 31 December 2016.
3. **TO** re-elect David T Wilson who retires from office in accordance with article 92.1 of the Company's articles of association and who, being eligible, offers himself for re-election, as a Director.
4. **THAT** in substitution for any existing authorities, the directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act"), to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £60,000 provided that this authority shall, unless renewed, varied or revoked by the Company, expire 15 months after the date of passing this resolution or at the conclusion of the next annual general meeting of the Company whichever first occurs save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

SPECIAL RESOLUTION

5. **THAT**, subject to the passing of resolution 4, in substitution for any existing authorities, the directors be and are generally empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of the Act) pursuant to the authority conferred by resolution 4, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall:
 - (a) be limited to the allotment of equity securities up to an aggregate nominal amount of £11,000 (representing approximately 5 per cent. of the Company's issued share capital); and
 - (b) (unless previously renewed, varied or revoked by the Company) expire 15 months after the date of passing of this resolution or at the conclusion of the next annual general meeting of the Company whichever first occurs, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

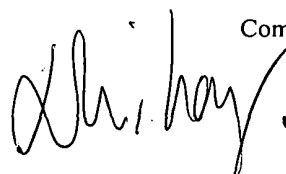
Dated 5 September 2017

Registered office:

44 Kensington Park Gardens
London
W11 2QT

BY ORDER OF THE BOARD

David Wilson
Company Secretary



NOTICE OF 2017 ANNUAL GENERAL MEETING OF TERSUS ENERGY LIMITED

Notes:

Right to Appoint a Proxy

1. Members entitled to attend and vote at the AGM are entitled to appoint some other person(s) of their choice as their proxy to exercise all or any of their rights to attend, speak and vote (on a show of hands and on a poll) on their behalf at the AGM. A proxy need not be a member of the Company, but must attend the meeting to represent you.
2. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to the same shares.
3. A proxy form, which may be used to make such appointment and give proxy instructions, accompanies this notice. If you do not receive a proxy form and believe that you should have one, please contact the Company on + (44) (0)7957 209700 between 9.00 am and 5.30 pm, Monday to Friday. The cost of calls to this mobile number will depend on your telephone provider.

Procedure for Appointing a Proxy

4. If you wish to appoint multiple proxies, please contact the Company using the contact details in note 3 to request additional proxy forms. Alternatively, the proxy form may be photocopied before completion.
5. To be effective, any proxy form must be completed, signed and received by the Company at Tersus Energy Limited, 44 Kensington Park Gardens, London W11 2QT by post or (during normal business hours only) by hand no later than 2.00 pm on 26 September 2017. It should be accompanied by any power of attorney or other authority under which it is signed (or a copy of such power or authority notarially certified or certified in some other way approved by the Company's board of directors).
6. Proxy forms may not be submitted via the Company's website or via any e-mail address set out on the Company's website.
7. The return of a completed proxy form will not prevent a member from attending the AGM and voting in person.
8. In the case of joint holders, the signature of only one of the joint holders is required on the proxy form, but the names of all joint holders should be stated. The vote (whether in person or by proxy) of the first named on the register of members of the Company will be accepted to the exclusion of the other joint holders.
9. In the case of a corporation, the proxy form must be given under its common seal or signed on its behalf by a duly authorised officer or an attorney.

Corporate Representatives

10. A member which is a corporation is entitled to appoint one or more persons to act as the corporate representative or representatives at the meeting and to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual member.

Communication

11. You may not use any electronic address provided either in this notice or any related documents (including the Chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

TERSUS ENERGY LIMITED

SHAREHOLDER INFORMATION

Company registration number 5314207

Registered office 44 Kensington Park Gardens
London
W11 2QT

Directors J F Devaney
(*Non-executive Chairman*)
S P Levine
(*Chief Executive Officer*)
D T Wilson
(*Chief Operating Officer and Finance Director*)

Secretary D T Wilson

Bankers Lloyds Bank
City Office
London

United Kingdom office 44 Kensington Park Gardens
London
W11 2QT

Enquiries:
power@tersusenergy.com

Notification of changes to the Company's Share Register: All correspondence, including share transfer documents where appropriate, should be sent to the Company at:
Tersus Energy Limited,
44 Kensington Park Gardens,
London W11 2QT.