

COMPANY REGISTRATION NUMBER 04197700

**GEOHERMAL HEATING (INTERNATIONAL)
LIMITED**

ACCOUNTS

FOR

30TH JUNE 2003



GEO THERMAL HEATING (INTERNATIONAL) LIMITED
ACCOUNTS
YEAR ENDED 30TH JUNE 2003

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GEO THERMAL HEATING (INTERNATIONAL) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr B Davidson
Mr C Davidson
Mr A A Hobday
Mr A D Howley
Mr I J Howley
Mr J C Raeburn

Company secretary

Mr A A Hobday

Registered office

143 Albany Road
Coventry
Warwickshire
CV5 6ND

Auditors

Keens Shay Keens Limited
Chartered Accountants
& Registered Auditors
Christchurch House
Upper George Street
Luton
Beds
LU1 2RS

GEOTHERMAL HEATING (INTERNATIONAL) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30TH JUNE 2003

The directors present their report and the accounts of the company for the year ended 30th June 2003.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the design and installation of geothermal heating and cooling systems.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 30 June 2003	At 1 July 2002
Mr B Davidson	Ordinary 'A'	51,999	51,999
Mr C Davidson	Ordinary 'A'	—	—
Mr A M Corner	Ordinary 'B'	3,000	3,000
Mr A A Hobday	Ordinary 'A'	1	1
Mr A D Howley	Ordinary 'A'	24,000	16,000
Mr I J Howley	Ordinary 'A'	<u>24,000</u>	<u>16,000</u>

Mr A M Corner resigned as a director on 30th June 2003.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those accounts, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. The directors 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.

AUDITORS

A resolution to re-appoint Keens Shay Keens Limited as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

GEOTHERMAL HEATING (INTERNATIONAL) LIMITED

THE DIRECTORS' REPORT *(continued)*

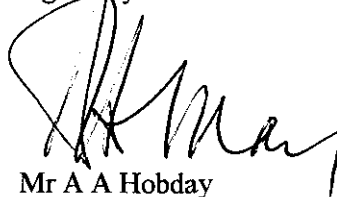
YEAR ENDED 30TH JUNE 2003

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office:
143 Albany Road
Coventry
Warwickshire
CV5 6ND

Signed by order of the directors



Mr A A Hobday
Company Secretary

Approved by the directors on 29th April 2004

GEOHERMAL HEATING (INTERNATIONAL) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 30TH JUNE 2003

We have audited the accounts on pages 6 to 12 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

GEOHERMAL HEATING (INTERNATIONAL) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 30TH JUNE 2003

OPINION

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30th June 2003 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



KEENS SHAY KEENS LIMITED
Chartered Accountants
& Registered Auditors

Christchurch House
Upper George Street
Luton
Beds
LU1 2RS

29th April 2004

GEOHERMAL HEATING (INTERNATIONAL) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30TH JUNE 2003

	Note	Year to 30 Jun 03 £	Period from 10 Apr 01 to 30 Jun 02 £
TURNOVER	2	105,868	32,740
Cost of sales		96,242	14,164
GROSS PROFIT		9,626	18,576
Distribution costs		13,403	4,566
Administrative expenses		157,015	104,375
OPERATING LOSS	3	(160,792)	(90,365)
Interest payable		311	13
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(161,103)	(90,378)
Tax on loss on ordinary activities		—	—
LOSS FOR THE FINANCIAL YEAR		(161,103)	(90,378)
Balance brought forward		(90,378)	—
Balance carried forward		(251,481)	(90,378)


The notes on page 6 form part of these accounts.

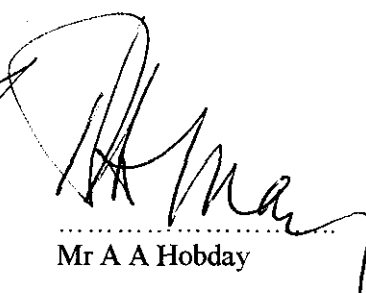
GEOHERMAL HEATING (INTERNATIONAL) LIMITED**BALANCE SHEET****30TH JUNE 2003**

	Note	2003 £	£	2002 £	£
FIXED ASSETS					
Intangible assets	4		21,706		9,600
Tangible assets	5		10,315		10,984
			<u>32,021</u>		<u>20,584</u>
CURRENT ASSETS					
Stocks		11,834		5,195	
Debtors	6	34,019		18,824	
Cash at bank and in hand		491		201	
		<u>46,344</u>		<u>24,220</u>	
CREDITORS: Amounts falling due within one year	7	<u>95,720</u>		<u>32,182</u>	
NET CURRENT LIABILITIES			<u>(49,376)</u>		<u>(7,962)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(17,355)</u>		<u>12,622</u>
CREDITORS: Amounts falling due after more than one year	8		131,126		—
			<u>(148,481)</u>		<u>12,622</u>
CAPITAL AND RESERVES					
Called-up share capital	10		103,000		103,000
Profit and loss account			<u>(251,481)</u>		<u>(90,378)</u>
(DEFICIENCY)/SHAREHOLDERS' FUNDS (including non-equity interests)			<u>(148,481)</u>		<u>12,622</u>

These accounts have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These accounts were approved by the directors on the 29th April 2004 and are signed on their behalf by:


 Mr B Davidson


 Mr A A Hobday

The notes on page 7 form part of these accounts.

GEOTHERMAL HEATING (INTERNATIONAL) LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 30TH JUNE 2003**

1. ACCOUNTING POLICIES**Basis of accounting**

The accounts have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

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

Research and development

Research and development costs incurred during the year are to be written off against sales orders placed in the following years.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

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

Improvements to leasehold property	- 50% per annum on cost
Plant and machinery	- 33.33% per annum on cost
Fixtures and fittings	- 33.33% per annum on cost
Equipment	- 33.33% per annum on cost

Stocks

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

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Foreign currencies

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

GEOHERMAL HEATING (INTERNATIONAL) LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 30TH JUNE 2003****2. TURNOVER**

Overseas turnover amounted to 15.57% (2002 - 18.85%) of the total turnover for the year.

3. OPERATING LOSS

Operating loss is stated after charging:

	Year to 30 Jun 03	Period from 10 Apr 01 to 30 Jun 02
	£	£
Directors' emoluments	66,044	48,660
Amortisation	7,600	—
Depreciation of owned fixed assets	6,026	1,917
Auditors' fees	2,500	2,500

4. INTANGIBLE FIXED ASSETS

	Research and Development £
COST	
At 1st July 2002	9,600
Additions	19,706
At 30th June 2003	29,306
AMORTISATION	
Charge for the year	7,600
At 30th June 2003	7,600
NET BOOK VALUE	
At 30th June 2003	21,706
At 30th June 2002	9,600

GEOTHERMAL HEATING (INTERNATIONAL) LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2003

5. TANGIBLE FIXED ASSETS

	Improvements to leasehold property £	Plant and Machinery £	Fixtures and Fittings £	Equipment £	Total £
COST					
At 1 July 2002	4,684	2,335	630	5,252	12,901
Additions	—	1,556	1,525	2,276	5,357
At 30 June 2003	<u>4,684</u>	<u>3,891</u>	<u>2,155</u>	<u>7,528</u>	<u>18,258</u>
DEPRECIATION					
At 1 July 2002	408	386	158	965	1,917
Charge for the year	2,342	1,022	449	2,213	6,026
At 30 June 2003	<u>2,750</u>	<u>1,408</u>	<u>607</u>	<u>3,178</u>	<u>7,943</u>
NET BOOK VALUE					
At 30 June 2003	<u>1,934</u>	<u>2,483</u>	<u>1,548</u>	<u>4,350</u>	<u>10,315</u>
At 30 June 2002	<u>4,276</u>	<u>1,949</u>	<u>472</u>	<u>4,287</u>	<u>10,984</u>

6. DEBTORS

	2003 £	2002 £
Trade debtors	12,339	3,141
Directors current accounts	—	966
Other debtors	21,680	14,717
	<u>34,019</u>	<u>18,824</u>

7. CREDITORS: Amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	9,998	2,922
Trade creditors	34,447	12,037
Other taxation and social security	19,992	6,535
Other creditors	31,283	10,688
	<u>95,720</u>	<u>32,182</u>

8. CREDITORS: Amounts falling due after more than one year

	2003 £	2002 £
Other creditors	<u>131,126</u>	<u>—</u>

GEOTHERMAL HEATING (INTERNATIONAL) LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 30TH JUNE 2003**

9. RELATED PARTY TRANSACTIONS

During the year the company was under the control of B Davidson who was a Director of the company and is also a Director of Speymill OOD Limited, a trustee of Speymill Retirement Benefit Scheme, and a director of Geothermal Limited.

A Hobday who was also a director during the year is also a director of Geothermal Limited.

J C Raeburn who was also a Director during the year is also a Director of Raeburn Drilling and Geotechnical Limited.

During the year transactions with related parties arose as follows:

The company were charged £9,434 (2002 - £1,410) by Speymill Retirement Benefit Scheme for rent and services charges.

The company paid costs on behalf of Geothermal Limited of £7,270.

Sales of £33,721 (2002 - £5,875) were made to Raeburn Drilling and Geotechnical Limited and sales of £nil (2002 - £16,939) were made to Speymill OOD Limited.

Purchases of £850 (2002 - £nil) were made from Raeburn Drilling and Geotechnical Limited.

The company was charged by Speymill OOD Limited, £29,510 in respect of the costs of research and development and equipment purchased.

£7,500 (2002 - £3,925) was invoiced by A A Hobday in respect of professional services rendered.

At the end of the year balances with related parties were:

£7,270 owed to the company by Geothermal Limited (2002 - £nil).

£1,550 owed to the company by A M Corner (2002 - £966).

£21,978 owed to B Davidson by the company (2002 - £4,800).

£nil owed to C Davidson by the company (2002 - £2,388).

£6,719 owed to Speymill Retirement Benefit Scheme by the company (2002 - £705).

£33,748 owed to Speymill OOD Limited by the company.

£10,000 owed to Raeburn Drilling and Geotechnical Limited.

£26,400 owed to I Howley by the company.

£39,000 owed to B Howley by the company.

GEO THERMAL HEATING (INTERNATIONAL) LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 30TH JUNE 2003****10. SHARE CAPITAL****Authorised share capital:**

	2003	2002
	£	£
100,000 Ordinary 'A' shares of £1 each	100,000	100,000
20,000 Ordinary 'B' shares of £1 each	20,000	20,000
	<u>120,000</u>	<u>120,000</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary 'A' shares of £1 each	100,000	100,000	100,000	100,000
Ordinary 'B' shares of £1 each	3,000	3,000	3,000	3,000
	<u>103,000</u>	<u>103,000</u>	<u>103,000</u>	<u>103,000</u>