

**GEO THERMAL INTERNATIONAL LIMITED**

**ACCOUNTS**

**FOR**

**30TH JUNE 2010**

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# **GEO THERMAL INTERNATIONAL LIMITED**

## **ACCOUNTS**

**YEAR ENDED 30TH JUNE 2010**

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# **GEOHERMAL INTERNATIONAL LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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### **The board of directors**

Mr B Davidson  
Mr C Davidson  
Mr T-D Chadwick  
Mr K J Drage  
Mr J P G Sherriff  
Mr A A Hobday  
Mr J C Raeburn  
Mr M W Mathieson

### **Company secretary**

Mr A A Hobday

### **Registered office**

143 Albany Road  
Coventry  
West Midlands  
CV5 6ND

### **Auditor**

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

### **Bankers**

Yorkshire Bank plc  
Ricoh Arena  
Phoenix Way  
Coventry  
West Midlands  
CV6 6GE

# GEOTHERMAL INTERNATIONAL LIMITED

## THE DIRECTORS' REPORT

### YEAR ENDED 30TH JUNE 2010

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The directors have pleasure in presenting their report and the accounts of the group for the year ended 30th June 2010

#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

##### Management Focus

The principal activity of the Group continued to be that of the design and installation of geothermal heating and cooling systems. Management has focused on laying the foundations for future growth, recognising that we have a very strong service offering and an unrivalled position in our key markets. While these activities have generated losses in the financial year we believe we have moved the business to a new level in terms of our market potential.

During the period we launched Cirrus Energi Limited, a business that targets residential and social housing. Significant further investment has been made developing our international activities. In particular we have formed a strategic partnership with the Spanish utility, Gas Natural Fenosa, to install ground source heat pumps (GSHPs) for their customers. This relationship should ultimately result in our Group owning a 49% stake in a manufacturing facility dedicated to producing heat pumps for the Spanish market. In addition we formed new ventures in North America and China. It is our intention to exploit our leadership in GSHP technology and develop new markets in close cooperation with strong local partners. Both North America and China offer huge market opportunities and our partners give us a substantial local competitive advantage. Finally, as part of our ongoing drive for excellence we were awarded ISO 9001 status after the year end.

##### Operational Performance

The profit and loss account shows Group turnover down by 1% year on year reflecting continued challenging macroeconomic conditions in our markets. In the UK, turnover was down 10%, but international sales were up by 204% at over £900,000. The delayed introduction by the government of the Renewable Heat Incentive (RHI) has deferred decision making by some of our customers. We estimate contracts that we are close to in the UK - worth in excess of £3.6m - have been deferred. In Europe, one major contract for the new Karolinska Hospital in Sweden, worth in excess of £3.5m has also been deferred. We remain confident that we are still the leading contender for the project. In Spain we started work on the country's largest ever heat pump installation at Cuenca railway station. This contract alone is worth just under €800,000 and gives us high visibility in this as yet undeveloped market.

We are pleased to confirm that the RHI was subsequently introduced in March 2011, along with a government fund of £860m, to support the deployment of GSHPs in the UK. The subsidy is especially beneficial for commercial installations and in the two months since the announcement we have seen new order intake in excess of £4m.

Our Group gross margins have suffered during the year, falling from 43% to 28%. Two factors lie behind this decline. First, our Spanish subsidiary generated gross margins of only 24%. We expect these to climb as volumes rise. Second, in the UK we have kept direct costs at similar levels to last year despite a slowdown in sales activity. This is because we remain confident in the medium term prospects of our business and because of the substantial costs associated with raising and lowering staff levels.

# GEOTHERMAL INTERNATIONAL LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 30TH JUNE 2010

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### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW *(continued)*

#### Expansion Costs

Cirrus Energi Limited generated a loss for the year of £289,197. This business was in part funded by the £1.0m cash injection in March 2010 from existing shareholders, including SSE Ventures. After the year end Cirrus Energi was aggregated into our core business and secured its first major contract, worth over £0.5m, and by October 2010 it was running profitably.

During the year to June 2010 we incurred significant costs associated with our international expansion. We can specifically identify £69,505 of costs directly related to management activities in China, which have been taken in this year's profit and loss account.

After taking into account the impact of the delayed contracts, the losses from our new housing business and costs associated with our international expansion the overall Group loss for the year was £1,329,055. We have utilised circa £545,000 of tax losses to generate a repayment of £150,000, leaving tax losses of £375,000 to be carried forward.

#### Balance Sheet

The balance sheet shows that the Group's financial position in year end net asset terms is £4,749,782 compared to £4,064,119 in the prior year. Although we have incurred losses of £1.3m, we have also attracted £1.0m of new cash into the business and at the same time converted a long term loan of £1.54m into ordinary non-voting "D" shares.

#### Outlook

Climate change is a critical issue on both national and international agendas and more emphasis is being placed on the adoption of energy efficiency to meet carbon reduction targets. Our Group is the leading provider of geothermal-based solutions and will be boosted by the Renewable Heat Incentive, as well as supportive planning legislation in the UK. The economics apply equally well in international markets, with similar drivers creating favourable conditions in Europe, Asia and North America.

### RESULTS AND DIVIDENDS

The loss for the year amounted to £1,329,055. The directors have not recommended a dividend.

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The directors do not consider that the financial risk management objectives and policies are material for the assessment of the assets, liabilities, financial position and profit or loss of the group.

**GEOHERMAL INTERNATIONAL LIMITED****THE DIRECTORS' REPORT** *(continued)***YEAR ENDED 30TH JUNE 2010**

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**DIRECTORS**

The directors who served the company during the year were as follows

Mr B Davidson  
Mr C Davidson  
Mr T D Chadwick  
Mr K J Drage  
Mr H Murray-Philipson  
Mr J P G Sherriff  
Mr A A Hobday  
Mr J C Raeburn  
Mr M W Mathieson

Mr H Murray-Philipson retired as a director on 31st March 2010

**DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts 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 accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing those accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the group's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

# GEOTHERMAL INTERNATIONAL LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30TH JUNE 2010

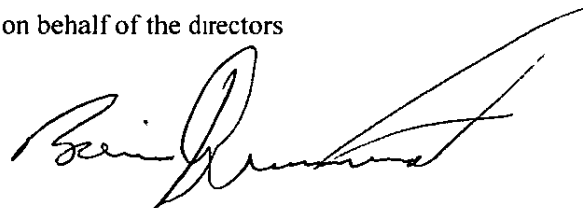
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### AUDITOR

Keens Shay Keens Limited are deemed to be re-appointed under section 487(2) of the Companies Act 2006

Registered office  
143 Albany Road  
Coventry  
West Midlands  
CV5 6ND

Signed on behalf of the directors



Mr B Davidson  
Director

Approved by the directors on 18<sup>th</sup> May 2011

**GEOTHERMAL INTERNATIONAL LIMITED****INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
GEOTHERMAL INTERNATIONAL LIMITED****YEAR ENDED 30TH JUNE 2010**

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We have audited the group and parent company accounts ("the accounts") of Geothermal International Limited for the year ended 30th June 2010 on pages 8 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**SCOPE OF THE AUDIT OF THE ACCOUNTS**

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

**OPINION ON ACCOUNTS**

In our opinion the accounts

- give a true and fair view of the state of the group's and parent company's affairs as at 30th June 2010 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts.



# GEOTHERMAL INTERNATIONAL LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GEOTHERMAL INTERNATIONAL LIMITED *(continued)*

YEAR ENDED 30TH JUNE 2010

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### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company accounts are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



MR G P C SAUNDERS (Senior Statutory Auditor)  
For and on behalf of  
KEENS SHAY KEENS LIMITED  
Chartered Accountants  
& Statutory Auditor

Christchurch House  
Upper George Street  
Luton  
Beds  
LU1 2RS

19 May 2011.

**GEOTHERMAL INTERNATIONAL LIMITED****PROFIT AND LOSS ACCOUNT****YEAR ENDED 30TH JUNE 2010**

	Note	2010 £	2009 £
<b>GROUP TURNOVER (including share of associate)</b>	<b>2</b>	8,691,835	8,780,654
Less Share of associate turnover	<b>11</b>	(129,020)	(12,851)
<b>Group Turnover</b>		<u>8,562,815</u>	<u>8,767,803</u>
Cost of sales		6,190,967	4,920,027
<b>GROSS PROFIT</b>		<u>2,371,848</u>	<u>3,847,776</u>
Distribution costs		57,865	60,833
Administrative expenses		3,654,110	3,504,186
Other operating income		(3,012)	—
<b>OPERATING (LOSS)/PROFIT</b>	<b>3</b>	(1,337,115)	282,757
Share of associate operating profit/loss	<b>11</b>	4,705	(44,018)
<b>TOTAL OPERATING LOSS/PROFIT: GROUP AND SHARE OF ASSOCIATES</b>		<u>(1,332,410)</u>	<u>238,739</u>
Interest receivable		29	22,241
Interest payable and similar charges	<b>6</b>	(150,494)	(194,392)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(1,482,875)</u>	<u>66,588</u>
Tax on (loss)/profit on ordinary activities	<b>7</b>	153,820	(105,912)
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>(1,329,055)</u>	<u>(39,324)</u>
Minority interests		—	(18,052)
<b>LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>	<b>8</b>	(1,329,055)	(21,272)
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u>(1,329,055)</u>	<u>(21,272)</u>

All of the activities of the group are classed as continuing

The group has no recognised gains or losses other than the results for the year as set out above

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account

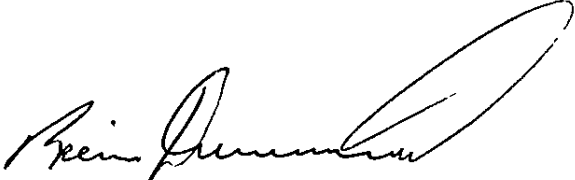
The notes on pages 14 to 27 form part of these accounts

**GEO THERMAL INTERNATIONAL LIMITED****GROUP BALANCE SHEET****30TH JUNE 2010**

	Note	2010 £	2009 £
<b>FIXED ASSETS</b>			
Intangible assets	9	4,549,216	3,957,916
Tangible assets	10	743,989	835,262
Investments	11	4,364	10,275
		<u>5,297,569</u>	<u>4,803,453</u>
<b>CURRENT ASSETS</b>			
Stocks	12	465,097	871,319
Debtors	13	6,587,576	6,174,203
Cash at bank		48,864	62,907
		<u>7,101,537</u>	<u>7,108,429</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>3,813,891</u>	<u>2,922,924</u>
<b>NET CURRENT ASSETS</b>		<u>3,287,646</u>	<u>4,185,505</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>8,585,215</u>	<u>8,988,958</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	<u>3,835,433</u>	<u>4,924,839</u>
		<u>4,749,782</u>	<u>4,064,119</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	18	25,731	25,000
Share premium account	19	3,528,654	1,483,079
Profit and loss account	19	1,195,397	2,556,040
<b>SHAREHOLDERS' FUNDS</b>	20	<u>4,749,782</u>	<u>4,064,119</u>

These accounts were approved by the directors and authorised for issue on  
and are signed on their behalf by

18th May 2011

  
Mr B Davidson  
Director


The notes on pages 14 to 27 form part of these accounts

**GEOTHERMAL INTERNATIONAL LIMITED****BALANCE SHEET****30TH JUNE 2010**

	Note	2010 £	2009 £
<b>FIXED ASSETS</b>			
Intangible assets	9	4,364,574	3,766,345
Tangible assets	10	721,248	805,384
Investments	11	392,027	391,977
		<u>5,477,849</u>	<u>4,963,706</u>
<b>CURRENT ASSETS</b>			
Stocks	12	463,379	864,069
Debtors	13	6,674,543	6,215,949
Cash at bank		493	62,907
		<u>7,138,415</u>	<u>7,142,925</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>3,656,101</u>	<u>2,988,427</u>
<b>NET CURRENT ASSETS</b>		<u>3,482,314</u>	<u>4,154,498</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>8,960,163</u>	<u>9,118,204</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	<u>3,835,433</u>	<u>4,924,839</u>
		<u>5,124,730</u>	<u>4,193,365</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	18	25,731	25,000
Share premium account	19	3,528,654	1,483,079
Profit and loss account	19	1,570,345	2,685,286
<b>SHAREHOLDERS' FUNDS</b>		<u>5,124,730</u>	<u>4,193,365</u>

These accounts were approved by the directors and authorised for issue on  
and are signed on their behalf by

*18th May 2011*

  
Mr B Davidson  
Director

Company Registration Number 5397984

The notes on pages 14 to 27 form part of these accounts

**GEOTHERMAL INTERNATIONAL LIMITED****GROUP CASH FLOW STATEMENT****YEAR ENDED 30TH JUNE 2010**

	Note	2010 £	2009 £
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>		22,209	(1,110,476)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received	29		22,241
Interest paid	(121,840)		(164,222)
Interest element of hire purchase	(28,654)		(30,170)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		(150,465)	(172,151)
<b>TAXATION</b>		(130,779)	(93,651)
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire intangible fixed assets	(855,000)		—
Payments to acquire tangible fixed assets	(155,615)		(226,968)
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>		(1,010,615)	(226,968)
<b>ACQUISITIONS AND DISPOSALS</b>		—	(109,588)
<b>CASH OUTFLOW BEFORE FINANCING</b>		(1,269,650)	(1,712,834)
<b>FINANCING</b>			
Issue of equity share capital	731		—
Share premium on issue of equity share capital	499,269		—
Capital element of hire purchase	(235,173)		(255,756)
Net (outflow)/inflow from other long-term creditors	350,000		50,000
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING</b>		614,827	(205,756)
<b>DECREASE IN CASH</b>		(654,823)	(1,918,590)

The notes on pages 14 to 27 form part of these accounts

**GEO THERMAL INTERNATIONAL LIMITED****GROUP CASH FLOW STATEMENT****YEAR ENDED 30TH JUNE 2010****RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2010 £	2009 £
Operating (loss)/profit	(1,337,115)	282,757
Associate companies	4,705	34,248
Foreign currency retranslation	(25,677)	(5,793)
Amortisation	263,700	235,396
Depreciation	356,337	334,357
Decrease/(increase) in stocks	406,222	(413,898)
Increase in debtors	(235,670)	(434,493)
Increase/(decrease) in creditors	589,707	(1,143,088)
Net cash outflow from operating activities	<u>22,209</u>	<u>(1,110,476)</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2010 £	2009 £
Decrease in cash in the period	(654,823)	(1,918,590)
Cash outflow in respect of hire purchase	235,173	255,756
Net cash outflow from/(inflow) from other long-term creditors	<u>(350,000)</u>	<u>(50,000)</u>
Change in net debt resulting from cash flows	(769,650)	(1,712,834)
Changes in net debt from non cash flows	(1,296,306)	—
New finance leases	(109,449)	(356,269)
Movement in net debt in the period	<u>417,207</u>	<u>(2,069,103)</u>
Net debt at 1 July 2009	(6,088,311)	(4,019,208)
Net debt at 30 June 2010	<u>(5,671,104)</u>	<u>(6,088,311)</u>

**GEOTHERMAL INTERNATIONAL LIMITED**  
**GROUP CASH FLOW STATEMENT**  
**YEAR ENDED 30TH JUNE 2010**

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**ANALYSIS OF CHANGES IN NET DEBT**

	At 1 Jul 2009 £	Cash flows £	Other changes £	At 30 Jun 2010 £
Net cash				
Cash in hand and at bank	62,907	(14,043)	–	48,864
Overdrafts	(1,029,161)	(640,780)	–	(1,669,941)
	<u>(966,254)</u>	<u>(654,823)</u>	<u>–</u>	<u>(1,621,077)</u>
Debt				
Debt due after 1 year	(4,696,306)	(350,000)	1,296,306	(3,750,000)
Hire purchase agreements	(425,751)	235,173	(109,449)	(300,027)
	<u>(5,122,057)</u>	<u>(114,827)</u>	<u>1,186,857</u>	<u>(4,050,027)</u>
Net debt	<u>(6,088,311)</u>	<u>(769,650)</u>	<u>1,186,857</u>	<u>(5,671,104)</u>

# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

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### 1. ACCOUNTING POLICIES

#### **Basis of accounting**

The accounts have been prepared under the historical cost convention

#### **Basis of consolidation**

The consolidated accounts incorporate the accounts of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over 20 years following acquisition. The results of the companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of section 408 of the Companies Act 2006.

#### **Turnover**

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

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

#### **Development costs**

Development costs are capitalised in accordance with SSAP 13 and deferred over future periods to which they are expected to produce economic benefits. This deferral results in an amortisation charge over ten years, allocated to each accounting period over which the processes and systems are expected to be used based on the total sales that the processes and systems are expected to generate in that period.

#### **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:

##### **Plant and machinery**

Works plant and machinery	- 33 33% per annum on cost
Drilling rigs	- 20% per annum on cost
Motor vehicles	- 30% per annum on cost



# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

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### 1. ACCOUNTING POLICIES *(continued)*

#### **Stocks**

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

#### **Hire purchase agreements**

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis

#### **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

#### **Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

### 2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the group

An analysis of turnover is given below

	2010	2009
	£	£
United Kingdom	7,661,749	8,471,592
Overseas	901,066	296,211
	<u>8,562,815</u>	<u>8,767,803</u>

# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

### 3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting)

	2010	2009
	£	£
Amortisation of intangible assets	263,700	235,396
Depreciation of owned fixed assets	203,532	163,787
Depreciation of assets held under hire purchase agreements	152,805	170,570
Auditor's remuneration		
- as auditor	13,875	10,000
- for other services	16,300	9,820
Net profit on foreign currency translation	<u>(7,467)</u>	<u>(5,959)</u>

### 4. PARTICULARS OF EMPLOYEES

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

	2010	2009
	No	No
Number of production staff	64	55
Number of administrative staff	14	15
Number of management staff	13	13
	<u>91</u>	<u>83</u>

The aggregate payroll costs of the above were

	2010	2009
	£	£
Wages and salaries	2,875,546	2,796,599
Social security costs	303,126	289,791
	<u>3,178,672</u>	<u>3,086,390</u>

### 5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	2010	2009
	£	£
Remuneration receivable	<u>528,507</u>	<u>456,732</u>

#### Remuneration of highest paid director:

	2010	2009
	£	£
Total remuneration (excluding pension contributions)	<u>120,000</u>	<u>120,000</u>

# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

### 5. DIRECTORS' REMUNERATION *(continued)*

	2010 £	2009 £
Number of directors in respect of whose qualifying services shares were receivable under long term incentive schemes	<u>5</u>	<u>5</u>

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £	2009 £
Interest payable on bank borrowing	26,858	11,599
Finance charges	28,654	30,170
Other similar charges payable	94,982	152,623
	<u>150,494</u>	<u>194,392</u>

### 7. TAXATION ON ORDINARY ACTIVITIES

#### (a) Analysis of charge in the year

	2010 £	2009 £
Current tax		
UK Corporation tax based on the results for the year at 28% (2009 - 28%)	(150,000)	115,833
(Over)/under provision in prior year	(3,820)	(9,921)
Total current tax (note 7(b))	<u>(153,820)</u>	<u>105,912</u>

# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

### 7. TAXATION ON ORDINARY ACTIVITIES *(continued)*

#### (b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	2010 £	2009 £
(Loss)/profit on ordinary activities before taxation	<u>(1,482,875)</u>	<u>66,588</u>
(Loss)/profit on ordinary activities by rate of tax	(415,205)	18,645
Expenses not deductible for tax purposes	73,836	68,265
Capital allowances for period in excess of depreciation	18,412	751
Unrelieved tax losses	186,566	-
Adjustments to tax charge in respect of previous periods	(3,820)	(9,921)
Effects of other rates	2,593	(1,948)
Unrelieved tax losses of foreign associates	-	30,120
Sundry tax adjusting items	<u>(16,202)</u>	<u>-</u>
Total current tax (note 7(a))	<u>(153,820)</u>	<u>105,912</u>

### 8. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £1,114,941 (2009 - profit - £71,905)

# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

### 9 INTANGIBLE FIXED ASSETS

Group	Goodwill £	Development costs £	Total £
<b>COST</b>			
At 1st July 2009	4,846,500	53,000	4,899,500
Additions	—	855,000	855,000
<b>At 30th June 2010</b>	<b>4,846,500</b>	<b>908,000</b>	<b>5,754,500</b>
<b>AMORTISATION</b>			
At 1st July 2009	941,584	—	941,584
Charge for the year	242,325	21,375	263,700
<b>At 30th June 2010</b>	<b>1,183,909</b>	<b>21,375</b>	<b>1,205,284</b>
<b>NET BOOK VALUE</b>			
<b>At 30th June 2010</b>	<b>3,662,591</b>	<b>886,625</b>	<b>4,549,216</b>
At 30th June 2009	3,904,916	53,000	3,957,916

Company	Goodwill £	Development costs £	Total £
<b>COST</b>			
At 1st July 2009	4,707,929	—	4,707,929
Additions	—	855,000	855,000
<b>At 30th June 2010</b>	<b>4,707,929</b>	<b>855,000</b>	<b>5,562,929</b>
<b>AMORTISATION</b>			
At 1st July 2009	941,584	—	941,584
Charge for the year	235,396	21,375	256,771
<b>At 30th June 2010</b>	<b>1,176,980</b>	<b>21,375</b>	<b>1,198,355</b>
<b>NET BOOK VALUE</b>			
<b>At 30th June 2010</b>	<b>3,530,949</b>	<b>833,625</b>	<b>4,364,574</b>
At 30th June 2009	3,766,345	—	3,766,345

# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

### 10. TANGIBLE FIXED ASSETS

Group	Plant and Machinery £	Motor Vehicles £	Total £
<b>COST</b>			
At 1st July 2009	1,108,578	362,184	1,470,762
Additions	153,211	111,853	265,064
<b>At 30th June 2010</b>	<b>1,261,789</b>	<b>474,037</b>	<b>1,735,826</b>
<b>DEPRECIATION</b>			
At 1st July 2009	425,101	210,399	635,500
Charge for the year	269,969	86,368	356,337
<b>At 30th June 2010</b>	<b>695,070</b>	<b>296,767</b>	<b>991,837</b>
<b>NET BOOK VALUE</b>			
<b>At 30th June 2010</b>	<b>566,719</b>	<b>177,270</b>	<b>743,989</b>
At 30th June 2009	683,477	151,785	835,262

#### Hire purchase agreements

Included within the net book value of £743,989 is £448,071 (2009 - £551,389) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £152,805 (2009 - £170,570)

Company	Plant and machinery £	Motor Vehicles £	Total £
<b>COST</b>			
At 1st July 2009	1,066,601	362,184	1,428,785
Additions	153,211	111,853	265,064
<b>At 30th June 2010</b>	<b>1,219,812</b>	<b>474,037</b>	<b>1,693,849</b>
<b>DEPRECIATION</b>			
At 1st July 2009	413,002	210,399	623,401
Charge for the year	263,552	85,648	349,200
<b>At 30th June 2010</b>	<b>676,554</b>	<b>296,047</b>	<b>972,601</b>
<b>NET BOOK VALUE</b>			
<b>At 30th June 2010</b>	<b>543,258</b>	<b>177,990</b>	<b>721,248</b>
At 30th June 2009	653,599	151,785	805,384

# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

### 10. TANGIBLE FIXED ASSETS *(continued)*

#### Hire purchase agreements

Included within the net book value of £721,248 is £448,071 (2009 - £551,389) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £152,805 (2009 - £170,570)

### 11. INVESTMENTS

#### Group share of associates:

	£	£
Share of turnover		<u>129,020</u>
Share of profit before taxation	4,705	
Taxation	<u>-</u>	
Profit after taxation		<u>4,705</u>
Share of assets		
Fixed assets	8,980	
Current assets	<u>44,989</u>	
		53,969
Share of liabilities		
Due within one year of less	49,605	
Due after more than one year	<u>-</u>	
		<u>49,605</u>
Share of net assets		<u>4,364</u>

Company	Group companies £	Associated undertakings £	Total £
<b>COST</b>			
At 1st July 2009	2,563,038	66,804	2,629,842
Additions	<u>50</u>	<u>-</u>	<u>50</u>
At 30th June 2010	<u>2,563,088</u>	<u>66,804</u>	<u>2,629,892</u>
<b>AMOUNTS WRITTEN OFF</b>			
At 1st July 2009 and 30th June 2010	<u>2,237,865</u>	<u>-</u>	<u>2,237,865</u>
<b>NET BOOK VALUE</b>			
At 30th June 2010	<u>325,223</u>	<u>66,804</u>	<u>392,027</u>
At 30th June 2009	<u>325,173</u>	<u>66,804</u>	<u>391,977</u>

# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

### 11. INVESTMENTS *(continued)*

Subsidiary undertakings	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
All held by the company				
Geothermal International Espana	Spain	Ordinary shares	100%	Installation of geothermal heating and cooling systems
Cirrus Energi Limited	England	Ordinary shares	100%	Promote installation of Geothermal ground source heat pumps
Geothermal Heating (International) Limited	England	Ordinary shares	100%	Dormant
G H I Installations Limited	England	Ordinary shares	100%	Dormant
Geothermal Limited	England	Ordinary shares	100%	Dormant
Waterfurnance Europe Limited	England	Ordinary shares	100%	Dormant
Geothermal International (Ireland) Limited	England	Ordinary shares	100%	Dormant
Geothermal International Energy Management Solutions Limited	England	Ordinary shares	100%	Dormant
Associate undertakings				
All held by the company				
Geothermal International Polska Sp Z o o	Poland	Ordinary shares	50%	Installation of geothermal heating and cooling systems
Geothermal International Italia S R L	Italy	Ordinary shares	20%	Installation of geothermal heating and cooling systems
Geothermal International (Magyarország)	Hungary	Ordinary shares	40%	Installation of geothermal heating and cooling systems



# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

### 12. STOCKS

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Stock	<u>465,097</u>	<u>871,319</u>	<u>463,379</u>	<u>864,069</u>

### 13. DEBTORS

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	1,258,985	1,307,043	1,389,204	1,274,230
Amounts owed by group undertakings	17,619	17,619	703,106	94,425
Corporation tax repayable	177,703	—	150,000	—
Amounts receivable on contracts	4,336,965	4,763,977	3,921,013	4,763,977
Other debtors	796,304	85,564	511,220	83,317
	<u>6,587,576</u>	<u>6,174,203</u>	<u>6,674,543</u>	<u>6,215,949</u>

The debtors above include the following amounts falling due after more than one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	756,675	656,898	—	656,898
Other debtors	27,690	—	—	—
	<u>784,365</u>	<u>656,898</u>	<u>—</u>	<u>656,898</u>

### 14. CREDITORS: amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Overdrafts	1,669,941	1,029,161	1,669,941	1,029,863
Trade creditors	1,256,397	815,575	1,188,941	814,832
Amounts owed to group undertakings	—	—	128,006	128,006
Hire purchase agreements	214,594	197,218	214,594	197,218
Corporation tax	—	106,896	—	118,178
PAYE and social security	136,050	95,701	123,332	95,701
VAT	162,397	122,789	169,018	122,789
Other creditors	—	312,736	—	250,000
Accruals and deferred income	374,512	242,848	162,269	231,840
	<u>3,813,891</u>	<u>2,922,924</u>	<u>3,656,101</u>	<u>2,988,427</u>

# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

### 14. CREDITORS: amounts falling due within one year *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Overdrafts	<u>1,669,941</u>	<u>1,029,863</u>	<u>1,669,941</u>	<u>1,029,863</u>

### 15. CREDITORS: amounts falling due after more than one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Hire purchase agreements	85,433	228,533	85,433	228,533
Other creditors	<u>3,750,000</u>	<u>4,696,306</u>	<u>3,750,000</u>	<u>4,696,306</u>
	<u>3,835,433</u>	<u>4,924,839</u>	<u>3,835,433</u>	<u>4,924,839</u>

### 16. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	2010	2009
	£	£
<b>Group and Company</b>		
Amounts payable within 1 year	214,594	197,217
Amounts payable between 1 and 2 years	63,513	207,983
Amounts payable between 3 and 5 years	<u>21,920</u>	<u>20,551</u>
	<u>300,027</u>	<u>425,751</u>

# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

### 17. RELATED PARTY TRANSACTIONS

Material transactions with related parties required to be disclosed under FRS 8 are as follows -

	2010 £	2009 £
<b>Speymill OOD Pension Fund</b> (Company under common influence)		
Expenditure		
Rent and service charges	195,870	142,000

At 30th June 2010 the amount owed to Speymill OOD Pension Fund was £82,250 (2009 - £52,500)

**Speymill OOD Limited**  
(Company under common influence)

Expenditure		
Management and installation charges, rent charges	102,121	123,495

At 30th June 2010 the amount owed to Speymill OOD Limited was £433 (2009 - £2,127)

The company was under the control of Mr B Davidson throughout the year

During the year the company paid £25,963 rent to Mr B Davidson and Mr B Davidson loaned the company £60,000 Interest was payable on the loans at 8% per annum At 30th June 2010 the amount owed to Mr B Davidson was £211,742 (2009 - £307,693)

During the year the company paid £11,623 professional service fees to Mr A Hobday At 30th June 2010 the amount owed to Mr A Hobday was £2,750 (2009 - £2,460)

During the year Mr K Drage loaned the company £40,000 Interest was payable on the loan at 8% per annum At 30th June 2010 the amount owed to Mr K Drage was £40,000 (2009 - Nil)

### 18. SHARE CAPITAL

**Authorised share capital:**

	2010 £	2009 £
112,000 Ordinary 'A' shares of £0 125 each	14,000	14,000
58,000 Ordinary 'B' shares of £0 125 each	7,250	7,250
30,000 Ordinary 'C' shares of £0 125 each	3,750	3,750
30,000 Ordinary 'D' non-voting shares of £0 125 each	3,750	3,750
	<u>28,750</u>	<u>28,750</u>

# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

### 18. SHARE CAPITAL *(continued)*

Allotted, called up and fully paid:

	2010		2009	
	No	£	No	£
112,000 Ordinary 'A' shares of £0.125 each	112,000	14,000	112,000	14,000
58,000 Ordinary 'B' shares of £0.125 each	58,000	7,250	58,000	7,250
30,000 Ordinary 'C' shares of £0.125 each	30,000	3,750	30,000	3,750
5,851 Ordinary 'D' non-voting shares (2009 - nil) of £0.125 each	5,851	731	-	-
	<u>205,851</u>	<u>25,731</u>	<u>200,000</u>	<u>25,000</u>

During the year, Loan Note holders redeemed their outstanding loans of £1,546,306 by the receipt of 4,523 new ordinary 'D' non-voting shares at an agreed price of £350 per share. In addition, a further 1,428 new ordinary 'D' non-voting shares were issued in return for a cash injection to the company of £500,000.

### 19. RESERVES

Group	Share premium account £	Profit and loss account £
Balance brought forward	1,483,079	2,556,040
Loss for the year	-	(1,329,055)
Foreign currency retranslation	-	(31,588)
Other movements		
New equity share capital subscribed	2,045,575	-
Balance carried forward	<u>3,528,654</u>	<u>1,195,397</u>
Company	Share premium account £	Profit and loss account £
Balance brought forward	1,483,079	2,685,286
Loss for the year	-	(1,114,941)
Other movements		
New equity share capital subscribed	2,045,575	-
Balance carried forward	<u>3,528,654</u>	<u>1,570,345</u>

# GEOTHERMAL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2010

### 20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010		2009	
	£	£	£	£
Loss for the financial year		(1,329,055)		(21,272)
New equity share capital subscribed	731		—	
Premium on new share capital subscribed	2,045,575		—	
		2,046,306		—
Foreign currency retranslation		(31,588)		5,793
Net addition/(reduction) to shareholders' funds		685,663		(15,479)
Opening shareholders' funds		4,064,119		4,079,598
Closing shareholders' funds		4,749,782		4,064,119

### 21. SHARE BASED PAYMENTS

The company has a share option scheme for certain employees. Currently there are 44 scheme members. Options are exercisable at a price of £10 or £33 depending on the date of grant. The vesting period is dependant on a number of criteria being satisfied and as such cannot be ascertained. As a result there is no definitive exercise date. The exercise of options is dependant on the relevant employees meeting length of service criteria. In addition the options may not be exercised until the company reaches a specific value, obtains a listing on a recognised stock exchange or receives an acceptable takeover offer. Options are forfeited if the employee leaves the company before the options vest. The options are settled in equity once exercised.

In the year ended 30 June 2010 no (30 June 2009 – 8,500) employee share options were granted. There were 20,200 employee share options outstanding at the end of the year (30 June 2009 – 20,200). As the value of the options at the date of grant was less than or equal to that of the exercise price there is no value to be apportioned to the profit and loss account.

No options were exercised in the year.

In addition to the above share options Scottish and Southern Energy plc were issued 6,000 share options on 3 April 2008. No further options were issued in the year ended 30 June 2010. These options have an exercise price of £300. The options may not be exercised until the company reaches a specific value. The options are settled in equity once exercised. As the value of the options at the date of grant was less than that of the exercise price there is no value to be added to the investment made in the company by Scottish and Southern Energy plc.