

GEO THERMAL INTERNATIONAL LIMITED
ACCOUNTS
FOR
30TH JUNE 2009



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GEOTHERMAL INTERNATIONAL LIMITED

ACCOUNTS

YEAR ENDED 30TH JUNE 2009

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GEOHERMAL INTERNATIONAL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

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

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 2009

The directors have pleasure in presenting their report and the accounts of the group for the year ended 30th June 2009

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period continued to be that of the design and installation of geothermal heating and cooling systems. During the period a maintenance division was launched and further investment has been made developing our European footprint, especially in Poland, Spain and Italy.

As shown in the profit and loss account, the company's sales have decreased by 30% year on year reflecting the harsher macroeconomic conditions in our markets. The smaller profit before tax for the year of £66,588 reflects our commitment to new markets and services as mentioned above. We incurred losses in Europe of £113,574 and setting up our maintenance business cost an estimated £75,000. Additionally we incurred rectification costs of £86,453 on a single groundbreaking system in the UK, which is the largest of its kind in Europe. When these non recurring items are added back to our operating profit the underlying margins on our existing business show an increase from 3.1% in 2008 to 5.9% in 2009.

In 2009 we commenced work on securing ISO 9001 and ISO 14001. In the year to June this incurred costs of £7,765 and we have incurred a further £5,790 post year end. We expect to be compliant by the end of June 2010.

The balance sheet shows that the company's financial position at the year end is, in net asset terms, consistent with the prior year. It should be noted that in November 2009 loan notes with a value of £1.54 million were swapped for ordinary "D" shares, effectively removing an annual interest charge of 8%. At the same time we have secured £1.5 million of new money for developing the business in the form of development loans and new equity. These transactions considerably strengthen our balance sheet and position the business for an exciting period of growth.

Climate change is now a critical issue on both national and international agendas and more emphasis is being placed on the increase of energy efficiency to use less or zero carbon energy sources. The company is well-placed to provide geothermal-based solutions and will be greatly supported by, among others, the planned Renewable Heat Incentive. This is a UK government subsidy that rewards the owners of heat pumps with a substantial cash contribution to their electricity costs over a period of 23 years.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £21,272. 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.

GEOTHERMAL INTERNATIONAL LIMITED**THE DIRECTORS' REPORT** *(continued)***YEAR ENDED 30TH JUNE 2009**

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 J C Raeburn was appointed as a director on 15th September 2008

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)*

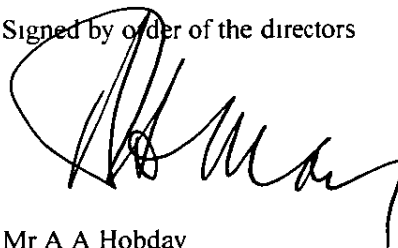
YEAR ENDED 30TH JUNE 2009

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 by order of the directors



Mr A A Hobday
Company Secretary

Approved by the directors on 24th February 2010

GEOHERMAL INTERNATIONAL LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS****YEAR ENDED 30TH JUNE 2009**

We have audited the group and parent company accounts ("the accounts") of Geothermal International Limited for the year ended 30th June 2009 on pages 7 to 26. 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 Sections 495 and 496 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 3, 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.

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 2009 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

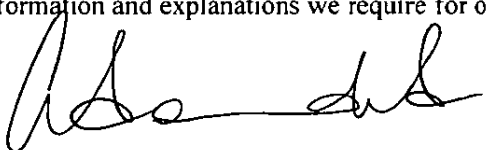
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 30TH JUNE 2009

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

25th February 2010

GEOHERMAL INTERNATIONAL LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 30TH JUNE 2009**

	Note	2009 £	2008 £
GROUP TURNOVER (including share of associate)	2	8,780,654	12,284,633
Less share of associate turnover		(12,851)	—
Group Turnover		<u>8,767,803</u>	<u>12,284,633</u>
Cost of sales		<u>4,920,027</u>	<u>8,867,112</u>
GROSS PROFIT		<u>3,847,776</u>	<u>3,417,521</u>
Distribution costs		60,833	141,003
Administrative expenses		<u>3,504,186</u>	<u>2,883,421</u>
OPERATING PROFIT	3	282,757	393,097
Share of associate operating loss		<u>(44,018)</u>	<u>(41,862)</u>
TOTAL OPERATING PROFIT: GROUP AND SHARE OF ASSOCIATES		238,739	351,235
Interest receivable		22,241	3,468
Interest payable and similar charges	6	<u>(194,392)</u>	<u>(247,328)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		66,588	107,375
Tax on profit on ordinary activities	7	105,912	91,887
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(39,324)</u>	<u>15,488</u>
Minority interests		<u>(18,052)</u>	<u>—</u>
(LOSS)/PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	8	<u>(21,272)</u>	<u>15,488</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u><u>(21,272)</u></u>	<u><u>15,488</u></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 13 to 26 form part of these accounts

GEOTHERMAL INTERNATIONAL LIMITED**GROUP BALANCE SHEET****30TH JUNE 2009**

	Note	2009 £	2008 £
FIXED ASSETS			
Intangible assets	9	3,957,916	4,134,238
Tangible assets	10	835,262	550,971
Investments in associates	11	10,275	36,797
		<u>4,803,453</u>	<u>4,722,006</u>
CURRENT ASSETS			
Stocks	12	871,319	451,489
Debtors	13	6,174,203	5,734,692
Cash at bank		62,907	1,186,781
		<u>7,108,429</u>	<u>7,372,962</u>
CREDITORS: amounts falling due within one year	14	<u>2,922,924</u>	<u>3,207,616</u>
NET CURRENT ASSETS		<u>4,185,505</u>	<u>4,165,346</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,988,958</u>	<u>8,887,352</u>
CREDITORS: amounts falling due after more than one year	15	<u>4,924,839</u>	<u>4,807,754</u>
		<u>4,064,119</u>	<u>4,079,598</u>
CAPITAL AND RESERVES			
Called-up equity share capital	18	25,000	25,000
Share premium account	19	1,483,079	1,483,079
Profit and loss account	19	2,556,040	2,571,519
SHAREHOLDERS' FUNDS	20	<u>4,064,119</u>	<u>4,079,598</u>

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


24th February 2010


Mr B Davidson
Director

GEO THERMAL INTERNATIONAL LIMITED**BALANCE SHEET****30TH JUNE 2009**

	Note	2009 £	2008 £
FIXED ASSETS			
Intangible assets	9	3,766,345	4,001,741
Tangible assets	10	805,384	550,971
Investments	11	391,977	339,162
		<u>4,963,706</u>	<u>4,891,874</u>
CURRENT ASSETS			
Stocks	12	864,069	451,489
Debtors	13	6,215,949	5,734,692
Cash at bank		62,907	1,186,781
		<u>7,142,925</u>	<u>7,372,962</u>
CREDITORS: amounts falling due within one year	14	<u>2,988,427</u>	<u>3,335,622</u>
NET CURRENT ASSETS		<u>4,154,498</u>	<u>4,037,340</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,118,204</u>	<u>8,929,214</u>
CREDITORS: amounts falling due after more than one year	15	<u>4,924,839</u>	<u>4,807,754</u>
		<u>4,193,365</u>	<u>4,121,460</u>
CAPITAL AND RESERVES			
Called-up equity share capital	18	25,000	25,000
Share premium account	19	1,483,079	1,483,079
Profit and loss account	19	2,685,286	2,613,381
SHAREHOLDERS' FUNDS		<u>4,193,365</u>	<u>4,121,460</u>

These accounts were approved by the directors and authorised for issue on *24th February 2010* and are signed on their behalf by


Mr B Davidson
Director

Company Registration Number 5397984

GEO THERMAL INTERNATIONAL LIMITED**GROUP CASH FLOW STATEMENT****YEAR ENDED 30TH JUNE 2009**

	Note	2009 £	2008 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(1,110,476)	225,316
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		22,241	3,468
Interest paid		(164,222)	(236,041)
Interest element of hire purchase		<u>(30,170)</u>	<u>(11,287)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(172,151)	(243,860)
TAXATION		(93,651)	(151,947)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		<u>(226,968)</u>	<u>(212,602)</u>
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(226,968)	(212,602)
ACQUISITIONS AND DISPOSALS	22	(109,588)	—
CASH OUTFLOW BEFORE FINANCING		(1,712,834)	(383,093)
FINANCING			
Capital element of hire purchase		(255,756)	(114,401)
Net inflow from other long-term creditors		<u>50,000</u>	<u>2,795,458</u>
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		(205,756)	2,681,057
(DECREASE)/INCREASE IN CASH		<u>(1,918,590)</u>	<u>2,297,964</u>

The notes on pages 13 to 26 form part of these accounts

GEO THERMAL INTERNATIONAL LIMITED**GROUP CASH FLOW STATEMENT****YEAR ENDED 30TH JUNE 2009****RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	2009	2008
	£	£
Operating profit	282,757	393,097
Associate companies	34,278	—
Foreign currency retranslation	(5,793)	—
Amortisation	235,396	235,396
Depreciation	334,357	166,188
(Increase)/decrease in stocks	(413,898)	38,128
Increase in debtors	(434,493)	(1,724,482)
(Decrease)/increase in creditors	(1,143,080)	1,116,989
Net cash (outflow)/inflow from operating activities	<u>(1,110,476)</u>	<u>225,316</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2009	2008
	£	£
(Decrease)/increase in cash in the period	(1,918,590)	2,297,964
Cash outflow in respect of hire purchase	255,756	114,401
Net cash (inflow) from other long-term creditors	<u>(50,000)</u>	<u>(2,795,458)</u>
Change in net debt resulting from cash flows	(1,712,834)	(383,093)
New finance leases	<u>(356,269)</u>	<u>(345,657)</u>
Movement in net debt in the period	<u>(2,069,103)</u>	<u>(728,750)</u>
Net debt at 1 July 2008	<u>(4,019,208)</u>	<u>(3,290,458)</u>
Net debt at 30 June 2009	<u>(6,088,311)</u>	<u>(4,019,208)</u>

The notes on pages 13 to 26 form part of these accounts

GEOHERMAL INTERNATIONAL LIMITED**GROUP CASH FLOW STATEMENT****YEAR ENDED 30TH JUNE 2009****ANALYSIS OF CHANGES IN NET DEBT**

	At 1 Jul 2008 £	Cash flows £	Other changes £	At 30 Jun 2009 £
Net cash				
Cash in hand and at bank	1,186,781	(1,123,874)	–	62,907
Overdrafts	(234,445)	(794,716)	–	(1,029,161)
	<u>952,336</u>	<u>(1,918,590)</u>	<u>–</u>	<u>(966,254)</u>
Debt				
Debt due after 1 year	(4,646,306)	(50,000)	–	(4,696,306)
Hire purchase agreements	(325,238)	255,756	(356,269)	(425,751)
	<u>(4,971,544)</u>	<u>205,756</u>	<u>(356,269)</u>	<u>(5,122,057)</u>
Net debt	<u>(4,019,208)</u>	<u>(1,712,834)</u>	<u>(356,269)</u>	<u>(6,088,311)</u>

The notes on pages 13 to 26 form part of these accounts

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2009

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 twenty years following the year of acquisition. The results of 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.

Amortisation

Amortisation 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:

Goodwill is being written off over a 20 year period being the period over which the directors believe benefits derived from the business combinations giving rise to the goodwill will continue to accrue.

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

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.

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2009

1. ACCOUNTING POLICIES *(continued)*

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 profit before tax are attributable to the one principal activity of the group. An analysis of turnover is given below.

	2009 £	2008 £
United Kingdom	8,471,592	11,551,921
Overseas	296,211	732,712
	<u>8,767,803</u>	<u>12,284,633</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2009 £	2008 £
Amortisation of intangible assets	235,396	235,396
Depreciation of owned fixed assets	163,787	73,676
Depreciation of assets held under hire purchase agreements	170,570	92,512
Auditor's remuneration		
- as auditor	10,000	8,500
- for other services	9,820	14,330
Net profit on foreign currency translation	<u>(5,959)</u>	<u>(7,324)</u>

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2009

4. PARTICULARS OF EMPLOYEES

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

	2009	2008
	No	No
Number of production staff	83	55
Number of administrative staff	15	15
Number of management staff	13	13
	<u>111</u>	<u>83</u>

The aggregate payroll costs of the above were

	2009	2008
	£	£
Wages and salaries	2,796,599	2,162,518
Social security costs	289,791	238,594
	<u>3,086,390</u>	<u>2,401,112</u>

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	2009	2008
	£	£
Remuneration receivable	<u>456,732</u>	<u>475,000</u>

Remuneration of highest paid director:

	2009	2008
	£	£
Total remuneration (excluding pension contributions)	<u>120,000</u>	<u>127,500</u>

	2009	2008
	No.	No
Number of directors in respect of whose qualifying services shares were receivable under long term incentive schemes	<u>5</u>	<u>4</u>

GEOTHERMAL INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 30TH JUNE 2009****6. INTEREST PAYABLE AND SIMILAR CHARGES**

	2009	2008
	£	£
Interest payable on bank borrowing	11,599	75,390
Finance charges	30,170	11,287
Other similar charges payable	152,623	160,651
	<u>194,392</u>	<u>247,328</u>

7. TAXATION ON ORDINARY ACTIVITIES**(a) Analysis of charge in the year**

	2009	2008
	£	£
Current tax		
UK Corporation tax based on the results for the year at 28% (2008 - 28%)	115,833	94,635
(Over)/under provision in prior year	(9,921)	(2,748)
Total current tax	<u>105,912</u>	<u>91,887</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2008 - 28%)

	2009	2008
	£	£
Profit on ordinary activities before taxation	<u>66,588</u>	<u>107,375</u>
Profit on ordinary activities by rate of tax	18,645	30,065
Expenses not deductible for tax purposes	68,265	71,019
Capital allowances for period in excess of depreciation	751	(22,983)
Adjustments to tax charge in respect of previous periods	(9,921)	(2,748)
Effects of other rates	(1,948)	4,813
Unrelieved tax losses of foreign associates	30,120	11,721
Total current tax (note 7(a))	<u>105,912</u>	<u>91,887</u>

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £71,905 (2008 - £57,350)

GEOHERMAL INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 30TH JUNE 2009****9 INTANGIBLE FIXED ASSETS**

Group	Goodwill £	Development £	Total £
COST			
At 1st July 2008	4,787,426	53,000	4,840,426
Additions	59,074	—	59,074
At 30th June 2009	4,846,500	53,000	4,899,500
AMORTISATION			
At 1st July 2008	706,188	—	706,188
Charge for the year	235,396	—	235,396
At 30th June 2009	941,584	—	941,584
NET BOOK VALUE			
At 30th June 2009	3,904,916	53,000	3,957,916
At 30th June 2008	4,081,238	53,000	4,134,238
Company			Goodwill £
COST			
At 1st July 2008 and 30th June 2009			4,707,929
AMORTISATION			
At 1st July 2008			706,188
Charge for the year			235,396
At 30th June 2009			941,584
NET BOOK VALUE			
At 30th June 2009			3,766,345
At 30th June 2008			4,001,741

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2009

10. TANGIBLE FIXED ASSETS

Group	Plant and machinery £	Motor Vehicles £	Total £
COST			
At 1st July 2008	593,195	252,353	845,548
Additions	473,406	109,831	583,237
Transfers	41,977	–	41,977
At 30th June 2009	1,108,578	362,184	1,470,762
DEPRECIATION			
At 1st July 2008	176,102	118,475	294,577
Charge for the year	242,433	91,924	334,357
Transfers	6,566	–	6,566
At 30th June 2009	425,101	210,399	635,500
NET BOOK VALUE			
At 30th June 2009	683,477	151,785	835,262
At 30th June 2008	417,093	133,878	550,971

Hire purchase agreements

Included within the net book value of £835,262 is £551,389 (2008 - £388,617) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £170,570 (2008 - £92,512).

Company	Plant and machinery £	Motor Vehicles £	Total £
COST			
At 1st July 2008	593,195	252,353	845,548
Additions	473,406	109,831	583,237
At 30th June 2009	1,066,601	362,184	1,428,785
DEPRECIATION			
At 1st July 2008	176,102	118,475	294,577
Charge for the year	236,900	91,924	328,824
At 30th June 2009	413,002	210,399	623,401
NET BOOK VALUE			
At 30th June 2009	653,599	151,785	805,384
At 30th June 2008	417,093	133,878	550,971

GEO THERMAL INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 30TH JUNE 2009****10. TANGIBLE FIXED ASSETS** *(continued)***Hire purchase agreements**

Included within the net book value of £805,384 is £551,389 (2008 - £388,617) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £170,570 (2008 - £92,512)

11 INVESTMENTS**Group share of associates:**

	£	£
Share of turnover		<u>12,851</u>
Share of loss before tax	(44,018)	
Taxation	-	
Loss after tax		<u>(44,018)</u>
Share of assets		
Fixed assets	11,929	
Current assets	<u>26,351</u>	
		38,280
Share of liabilities		
Due within one year or less	28,005	
Due after more than one year	-	
		<u>28,005</u>
Share of net assets		<u>10,275</u>

Company	Subsidiaries	Associates	Total
	£	£	£
COST			
At 1st July 2008	2,532,359	44,668	2,577,027
Additions	<u>30,679</u>	<u>22,136</u>	<u>52,815</u>
At 30th June 2009	<u>2,563,038</u>	<u>66,804</u>	<u>2,629,842</u>
AMOUNTS WRITTEN OFF			
At 1st July 2008 and 30th June 2009	<u>2,237,865</u>	<u>-</u>	<u>2,237,865</u>
NET BOOK VALUE			
At 30th June 2009	<u>325,173</u>	<u>66,804</u>	<u>391,977</u>
At 30th June 2008	<u>339,162</u>	<u>-</u>	<u>339,162</u>

GEOTHERMAL INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 30TH JUNE 2009

11. INVESTMENTS *(continued)*

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings				
All held by the company				
Geoclina S A	Spain	Ordinary shares	100%	Installation of geothermal heating and cooling systems
Geothermal Heating (International) Limited	England	Ordinary shares	100%	Dormant
G H I Installations Limited	England	Ordinary shares	100%	Dormant
Geothermal Limited	England	Ordinary shares	100%	Dormant
Waterfurnace Europe Limited	England	Ordinary shares	100%	Dormant
Geothermal International (Ireland) Limited	England	Ordinary shares	100%	Dormant
Cirrus Energi Limited	England	Ordinary shares	100%	Dormant

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
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

GEO THERMAL INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 30TH JUNE 2009****12. STOCKS**

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Stock	<u>871,319</u>	<u>451,489</u>	<u>864,069</u>	<u>451,489</u>

13. DEBTORS

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Trade debtors	1,307,043	1,379,895	1,274,230	1,379,895
Amounts owed by group undertakings	—	—	94,425	—
Other loans	17,619	—	—	—
VAT recoverable	—	25,064	—	25,064
Amounts receivable on contracts	4,763,977	4,266,074	4,763,977	4,266,074
Other debtors	85,564	63,659	83,317	63,659
	<u>6,174,203</u>	<u>5,734,692</u>	<u>6,215,949</u>	<u>5,734,692</u>

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

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Trade debtors	<u>656,898</u>	<u>363,097</u>	<u>656,898</u>	<u>363,097</u>

14. CREDITORS: amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Overdrafts	1,029,161	234,445	1,029,863	234,445
Trade creditors	815,575	2,328,849	814,832	2,328,849
Amounts owed to group undertakings	—	—	128,006	128,006
Hire purchase agreements	197,218	163,790	197,218	163,790
Corporation tax	106,896	94,635	118,178	94,635
PAYE and social security	95,701	192,768	95,701	192,768
VAT	122,789	—	122,789	—
Other creditors	312,736	—	250,000	—
Accruals and deferred income	242,848	193,129	231,840	193,129
	<u>2,922,924</u>	<u>3,207,616</u>	<u>2,988,427</u>	<u>3,335,622</u>

GEO THERMAL INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 30TH JUNE 2009****14. CREDITORS: amounts falling due within one year (continued)**

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

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Overdrafts	<u>1,029,863</u>	<u>234,445</u>	<u>1,029,863</u>	<u>234,445</u>

15 CREDITORS: amounts falling due after more than one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Hire purchase agreements	228,533	161,448	228,533	161,448
Other creditors	<u>4,696,306</u>	<u>4,646,306</u>	<u>4,696,306</u>	<u>4,646,306</u>
	<u>4,924,839</u>	<u>4,807,754</u>	<u>4,924,839</u>	<u>4,807,754</u>

16. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	2009	2008
	£	£
Group and Company		
Amounts payable within 1 year	197,217	163,790
Amounts payable between 1 and 2 years	207,983	101,366
Amounts payable between 3 and 5 years	<u>20,551</u>	<u>60,082</u>
	<u>425,751</u>	<u>325,238</u>

GEO THERMAL INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 30TH JUNE 2009**

17. RELATED PARTY TRANSACTIONS

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

	2009	2008
	£	£
Speymill OOD Pension Fund		
(Company under common influence)		
Expenditure		
Rent and service charges	<u>142,000</u>	<u>144,000</u>

At 30th June 2009 the amount owed to Speymill OOD Pension Fund was £52,500 (2008 - £41,125)

Speymill OOD Limited
(Company under common influence)

Expenditure		
Management and installation charges, rent charges	<u>123,495</u>	<u>383,185</u>

At 30th June 2009 the amount owed to Speymill OOD Limited was £2,127 (2008 - £1,384)

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

During the year the company paid £26,400 rent to Mr B Davidson and Mr B Davidson sold two vehicles to the company for £5,938 and loaned the company £300,000 Interest was payable on the loans at 8% per annum At 30th June 2009 the amount owed to Mr B Davidson was £307,693 (2008 - Nil)

During the year the company paid £8,445 professional service fees to Mr A Hobday At 30th June 2009 the amount owed to Mr A Hobday was £2,460 (2008 - £8,618)

GEOTHERMAL INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 30TH JUNE 2009****18. SHARE CAPITAL****Authorised share capital:**

	2009	2008
	£	£
112,000 Ordinary 'A' shares of £0 125 each	14,000 00	14,000 00
58,000 Ordinary 'B' shares of £0 125 each	7,250 00	7,250 00
30,000 Ordinary 'C' shares of £0 125 each	3,750 00	3,750 00
30,000 Ordinary 'D' shares of £0 125 each	3,750 00	-
	<u>28,750 00</u>	<u>25,000 00</u>

Allotted, called up and fully paid:

	2009		2008	
	No	£	No	£
112,000 Ordinary 'A' shares (2008 - 109,000) of £0 125 each	112,000	14,000 00	109,000	13,625 00
58,000 Ordinary 'B' shares (2008 - 61,000) of £0 125 each	58,000	7,250 00	61,000	7,625 00
30,000 Ordinary 'C' shares of £0 125 each	30,000	3,750 00	30,000	3,750 00
	<u>200,000</u>	<u>25,000 00</u>	<u>200,000</u>	<u>25,000 00</u>

19. RESERVES**Group**

	Share premium account	Profit and loss account
	£	£
Balance brought forward	1,483,079	2,571,519
Loss for the year	-	(21,272)
Foreign currency retranslation	-	5,793
Balance carried forward	<u>1,483,079</u>	<u>2,556,040</u>

Company

	Share premium account	Profit and loss account
	£	£
Balance brought forward	1,483,079	2,613,381
Profit for the year	-	71,905
Balance carried forward	<u>1,483,079</u>	<u>2,685,286</u>

GEO THERMAL INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 30TH JUNE 2009****20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2009	2008
	£	£
(Loss)/Profit for the financial year	(21,272)	15,488
Foreign currency retranslation	5,793	—
Net (reduction)/addition to shareholders' funds	(15,479)	15,488
Opening shareholders' funds	4,079,598	4,064,110
Closing shareholders' funds	<u>4,064,119</u>	<u>4,079,598</u>

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 2009 8,500 (30 June 2008 - 9,000) employee share options were granted, 8,300 on 30 September 2008 and 200 on 1 November 2009. The estimated fair value of the options granted on these dates was £33. There were 20,200 employee share options outstanding at the end of the year (30 June 2008 - 12,000) as 300 had lapsed during the year. 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. 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.

22. ACQUISITIONS AND DISPOSALS

	2009	2008
	£	£
Acquisition of shares in group undertakings	35,319	—
Purchase of interest in associate	22,136	—
Net overdraft acquired with subsidiary	52,133	—
Net cash outflow from acquisitions and disposals	<u>109,588</u>	<u>—</u>

GEOTHERMAL INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 30TH JUNE 2009**

23. PURCHASE OF SUBSIDIARY UNDERTAKINGS

Net assets acquired		£
Tangible fixed assets		35,411
Stock		5,932
Debtors		5,018
Cash		(52,133)
Creditors		(17,983)
		<u>(23,755)</u>
Goodwill		59,074
		<u>35,319</u>
Satisfied by		
Cash		<u>35,319</u>

24. POST BALANCE SHEET EVENTS

In November 2009 loan notes with a value of £1 54 million were swapped for ordinary "D" non voting shares

In addition SSE Venture Capital Limited have agreed to increase its stake in the company through the purchase of 1,429 ordinary "D" non voting shares at a value of £500,000. Further, SSE Venture Capital Limited have agreed to make available development loans of up to £500,000 on commercial terms. The Executive Directors have also agreed to make available up to £500,000 of development loans on the same terms.