

2526751

Natsource Europe Limited

Report and Financial Statements

Year Ended

31 December 2006



BDO Stoy Hayward
Chartered Accountants

Natsource Europe Limited

Annual report and financial statements for the year ended 31 December 2006

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Directors

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Directors

J Cogen
D Forrister
M Intrator
B Richardson (appointed 4 January 2007)

Secretary and registered office

York Place, 12 York Place, Leeds, West Yorkshire LS1 2DS

Company number

2526751

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

Natsource Europe Limited

Report of the directors for the year ended 31 December 2006

The directors present their report together with the audited financial statements for the year ended 31 December 2006.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year

The directors do not recommend a final ordinary dividend for the year (2005 - £Nil)

Principal activities, trading review and future developments

The company's principal activity during the year was that of a broker of emissions permits and a provider of emissions consultancy.

Directors

The directors of the company during the year were.

J Cogen
D Forrister
M Intrator

No director had any interest in the ordinary or preference shares of the company

J Cogen is a director of Natsource LLC the majority shareholder and his interests in the share capital of group companies is disclosed in the financial statements of Natsource LLC.

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

Natsource Europe Limited

Report of the directors for the year ended 31 December 2006 (Continued)

Directors' responsibilities (Continued)

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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

The directors have taken all the steps they ought to have taken to make themselves aware of information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant information of which the auditors are unaware.

This directors' report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board



D Forrister
Director

4 July 2007

Natsource Europe Limited

Report of the independent auditors

To the shareholders of Natsource Europe Limited

We have audited the financial statements of Natsource Europe Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

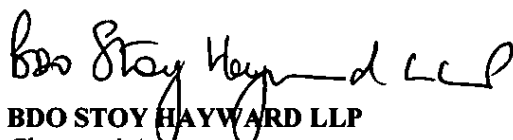
Natsource Europe Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

4 July 2007

Natsource Europe Limited**Profit and loss account for the year ended 31 December 2006**

	Note	2006 £	2005 £
Turnover	2	2,329,169	545,841
Administrative expenses		(1,270,431)	(539,915)
Other operating income	5	1,044,941	-
Operating profit	6	2,103,679	5,926
Profit on sale of investments		8,101	-
Interest receivable		15,483	90
Interest payable and similar charges	7	-	(11)
Profit on ordinary activities before taxation		2,127,263	6,005
Taxation on profit from ordinary activities	8	(2,148)	-
Profit on ordinary activities after taxation		2,125,115	6,005

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

There are no movements in shareholders' funds in the current and prior year apart from the profit for the year

The notes on pages 7 to 14 form part of these financial statements

Natsource Europe Limited

Balance sheet at 31 December 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	9		8,614		9,502
Investments in subsidiary undertakings	10		15		-
			<u>8,629</u>		<u>9,502</u>
Current assets					
Debtors	11	687,362		200,788	
Cash at bank and in hand		419,794		285,218	
		<u>1,107,156</u>		<u>486,006</u>	
Creditors: amounts falling due within one year	12	<u>519,574</u>		<u>2,024,412</u>	
Net current assets/(liabilities)			<u>587,582</u>		<u>(1,538,406)</u>
Total assets less current liabilities			<u>596,211</u>		<u>(1,528,904)</u>
Capital and reserves					
Called up share capital	13		5,076,301		5,076,301
Profit and loss account	14		(4,480,090)		(6,605,205)
Shareholders' funds			<u>596,211</u>		<u>(1,528,904)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 4 July 2007



D Forrister
Director

The notes on pages 7 to 14 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied.

Valuation of investments

Investments held as fixed assets are held at cost less any provision for impairment in value.

Group accounts

The financial statements contain information about Natsource Europe Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by S 248 of the Companies Act 1985 not to produce consolidated financial statements as the group it heads qualifies as a small group.

Turnover

Turnover comprises of brokerage fees from trading in emissions permits, management fees and consultancy fees. Brokerage fees are recognised when a transaction is completed. Management fees are recognised at an agreed percentage of the fees earned through a contract managed by another group company and reflect the contribution of Natsource Europe Limited to the management of this contract. Consultancy fees are recognised on the completion of an assignment.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Office and computer equipment - 25% per annum

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Natsource Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

1 Accounting policies (*Continued*)

Cash flow statement

The company has taken advantage of the exemption under Financial Reporting Standard 1 "Cash Flow Statements" not to prepare a cash flow statement as the directors believe the company is "small" under the Companies Act 1985

Foreign currency

Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account

Leased assets

All current leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease

2 Turnover

Turnover is wholly attributable to the principal activity of the company

	2006 £	2005 £
Analysis by geographical market.		
Europe	554,283	318,678
North America	1,233,114	194,782
The Far East	541,772	32,381
	<u>2,329,169</u>	<u>545,841</u>

3 Employees

	2006 £	2005 £
Staff costs consist of		
Wages and salaries	685,174	336,459
Social security costs	85,837	40,456
	<u>771,011</u>	<u>376,915</u>

The average number of employees, including directors, during the year was 6 (2005 - 5)

Natsource Europe Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

4 Directors	2006 £	2005 £
Directors' emoluments consist of		
Fees and remuneration for management services	52,352	27,859
	2006 £	2005 £
Highest paid director		
Emoluments	54,629	27,859

Where directors of the company are also directors of the ultimate parent undertaking, their remuneration is received directly from that company. The directors do not believe it is practicable to apportion this amount between their services as directors of the parent undertaking, fellow subsidiary undertakings and this company. No management charge was made to the company in 2006 (2005 - £Nil) to represent a recharge of the services to the company of any directors of the parent undertaking. It is not possible to identify separately the amounts attributable to the directors of the company.

5 Other operating income

During the year the company's immediate parent company, NTEL Holdings Limited, waived an outstanding loan of £1,044,941

6 Operating profit

	2006 £	2005 £
This has been arrived at after charging/(crediting)		
Auditors' remuneration - audit services	13,500	13,500
- non audit services	3,600	3,000
Foreign exchange loss	41,182	194

Natsource Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

7 Interest payable and similar charges

	2006 £	2005 £
Bank interest	-	11
	<u> </u>	<u> </u>

8 Taxation on profit from ordinary activities

	2006 £	2005 £
<i>Current tax</i>		
UK corporation tax on result for the year	2,148	-
	<u> </u>	<u> </u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2006 £	2005 £
Profit/(loss) on ordinary activities before tax	2,127,263	6,005
	<u> </u>	<u> </u>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 19% (2005 - 30%)	638,179	1,802
Effects of		
Expenses not deductible for tax purposes	(429,668)	1,556
Capital allowances for the year in excess of depreciation	(1,730)	(4,290)
Brought forward losses utilised in the current year	(203,094)	-
Disposal of investment (covered by capital losses)	(1,539)	-
Losses carried forward	-	932
	<u> </u>	<u> </u>
Current tax charge for year	2,148	-
	<u> </u>	<u> </u>

Natsource Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

9 Tangible assets

	Office & Computer equipment £
<i>Cost or valuation</i>	
At 1 January 2006	11,018
Additions	2,489
	<hr/>
At 31 December 2006	13,507
	<hr/>
<i>Depreciation</i>	
At 1 January 2006	1,516
Provided for the year	3,377
	<hr/>
At 31 December 2006	4,893
	<hr/>
<i>Net book value</i>	
At 31 December 2006	8,614
	<hr/>
At 31 December 2005	9,502
	<hr/>

Natsource Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

10 Investments

	Subsidiary undertakings £
<i>Cost and net book value</i>	
At 1 January 2006	-
Additions	16
Disposals	(1)
	<hr/>
At 31 December 2006	15
	<hr/>

On 7 August 2006 the company sold its investment in Carbon Compliance Acquisition 5 Limited and recognised a profit of £8,101

The following were subsidiary undertakings at the end of the year

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business business
Canadenis Acquisitions Limited	UK	100%	Emissions Credit Trading
Tamarisk Acquisition Corporation	Cayman Islands	100%	Emissions Credit Trading
MDL Ambiente	UK	100%	Dormant
Carbon Compliance Acquisition 13 Limited	UK	100%	Dormant
Carbon Compliance Acquisition 14 Limited	UK	100%	Dormant
Carbon Compliance Acquisition Corporation 8	Cayman Islands	100%	Dormant
Carbon Compliance Acquisition Corporation 13	Cayman Islands	100%	Dormant
Carbon Compliance Acquisition Corporation 14	Cayman Islands	100%	Dormant
Carbon Compliance Acquisition Corporation 16	Cayman Islands	100%	Dormant
Carbon Compliance Acquisition Corporation 21	Cayman Islands	100%	Dormant
Carbon Compliance Acquisition Corporation 23	Cayman Islands	100%	Dormant
Carbon Compliance Acquisition Corporation 25	Cayman Islands	100%	Dormant
Carbon Compliance Acquisition Corporation 28	Cayman Islands	100%	Dormant
Carbon Compliance Acquisition Corporation 30	Cayman Islands	100%	Dormant
Carbon Compliance Acquisition Corporation 32	Cayman Islands	100%	Dormant

Natsource Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

11 Debtors

	2006 £	2005 £
Trade debtors	157,526	84,720
Amounts owed by group undertakings	500,251	86,428
Other debtors	9,000	10,998
Prepayments and accrued income	20,585	18,642
	<u>687,362</u>	<u>200,788</u>

All amounts shown under debtors fall due for payment within one year

12 Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	5,798	22,883
Amounts owed to group undertakings	45,271	1,830,317
Taxation and social security	75,777	21,332
Corporation tax	2,148	-
Other creditors	3,276	63,545
Accruals and deferred income	387,304	86,335
	<u>519,574</u>	<u>2,024,412</u>

13 Share capital

	Authorised, allotted, called up and fully paid			
	2006 Number	2005 Number	2006 £	2005 £
Ordinary shares of £1 each	<u>5,076,301</u>	<u>5,076,301</u>	<u>5,076,301</u>	<u>5,076,301</u>

14 Profit and loss account

	£
At 1 January 2006	(6,605,205)
Profit for the year	<u>2,125,115</u>
At 31 December 2006	<u>(4,480,090)</u>

Natsource Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

15 Commitments under operating leases

As at 31 December 2006, the company had annual commitments under non-cancellable operating leases as set out below

	2006	2005
	Land and	Land and
	buildings	buildings
	£	£
Operating leases which expire within one year	54,000	35,100

16 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions with members of the group headed by Natsource LLC on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements

17 Ultimate parent company

At 31 December 2006 the company's immediate parent company was NTEL Holdings Limited

The ultimate parent undertaking company of Natsource Europe Limited is Natsource LLC. Natsource LLC is a company registered in the United States of America. Copies of the group financial statements can be obtained from Natsource LLC Suite2005, 100 William Street, New York, NY 10038, USA

The page which follows does not
form part of the statutory
financial statements of the company

Natsource Europe Limited

Detailed profit and loss account for the year ended 31 December 2006

	2006 £	2006 £	2005 £	2005 £
Turnover		2,329,169		545,841
Administrative expenses				
Commission payable	241,575		31,758	
Directors salaries	207,726		125,708	
Staff salaries	742,480		308,600	
Employers NI	118,439		52,981	
Recharge of salaries to group companies	(297,634)		(160,047)	
On line filing incentive fee	(250)		-	
Private health insurance	5,241		2,724	
Permanent health insurance	5,407		3,322	
Travelling and subsistence	61,116		26,921	
Entertaining	12,107		5,187	
Telephone	16,183		13,517	
Legal and professional fees	9,704		1,755	
Audit & accountancy fees	38,335		21,947	
Support services	-		34,664	
Rent	28,124		50,943	
Insurance	11,198		11,254	
IT support	3,775		5,536	
Printing, postage & stationery	1,632		1,673	
Trade shows and publications	2,849		804	
Professional subscriptions	1,775		1,155	
Bank charges	521		1,049	
Foreign exchange differences	41,182		194	
Depreciation – Computer Equipment	3,376		1,516	
Bad debts	14,745		(3,392)	
Sundry expenses	825		146	
		(1,270,431)		(539,915)
Operating profit		1,058,738		5,926
Other operating income		1,044,941		-
Profit on sale of subsidiary		8,101		-
Bank interest receivable	2,009		90	
Other interest receivable	13,474			
		15,483		90
Bank interest payable		-		(11)
Profit on ordinary activities before taxation		2,127,263		6,005