

**REPORT OF THE DIRECTOR AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006  
FOR  
HLC ENVIRONMENTAL HOLDINGS LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2006**

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**HLC ENVIRONMENTAL HOLDINGS LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2006**

<b>DIRECTOR</b>	H L de B Carvalho
<b>SECRETARY</b>	B Meira
<b>REGISTERED OFFICE</b>	15 Berkeley Street London W1J 8DY
<b>REGISTERED NUMBER</b>	03498790 (England and Wales)
<b>ACCOUNTANTS</b>	William Evans & Partners 20 Harcourt Street London W1H 4HG
<b>BANKERS</b>	HSBC Bank plc 26-28 St Ann's Road Harrow Middlesex HA1 1AL

**HLC ENVIRONMENTAL HOLDINGS LIMITED**

**REPORT OF THE DIRECTOR  
FOR THE YEAR ENDED 31 DECEMBER 2006**

The director presents his report with the financial statements of the company for the year ended 31 December 2006

**PRINCIPAL ACTIVITY AND RESULTS**

The principal activity of the company in the year under review was that of the development of renewable energy projects. During year under review the company revalued its investments in the projects. The result of the revaluation showed a surplus over book value of £9,729,242.

**DIRECTOR**

H L de B Carvalho was the sole director during the year under review.

His beneficial interest in the issued share capital of the company was as follows:

Ordinary £1 shares	<b>31 12 06</b> 250,000	<b>1 1 06</b> 250,000
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This 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**

  
B Meira - Secretary

Date

24<sup>th</sup> 02 2007

**HLC ENVIRONMENTAL HOLDINGS LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	2006 £	2005 £
<b>TURNOVER</b>		-	-
Administrative expenses		<u>172,981</u>	<u>-</u>
<b>OPERATING LOSS</b>	2	(172,981)	-
Amounts written off investments	3	<u>811,944</u>	<u>-</u>
		(984,925)	-
Interest payable and similar charges		<u>148,602</u>	<u>-</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,133,527)	-
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<u>(1,133,527)</u>	<u>-</u>

The notes form part of these financial statements

**HLC ENVIRONMENTAL HOLDINGS LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006 £	2005 £
<b>LOSS FOR THE FINANCIAL YEAR</b>	(1,133,527)	-
Surplus on revaluation of investments	<u>9,729,242</u>	<u>-</u>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<u><u>8,595,715</u></u>	<u><u>-</u></u>

The notes form part of these financial statements

# HLC ENVIRONMENTAL HOLDINGS LIMITED

## BALANCE SHEET 31 DECEMBER 2006

	Notes	2006 £	2005 £
<b>FIXED ASSETS</b>			
Investments	5	12,396,756	1,497,425
<b>CURRENT ASSETS</b>			
Debtors	6	2,653,764	-
Cash at bank		<u>144,656</u>	<u>25,479</u>
		2,798,420	25,479
<b>CREDITORS</b>			
Amounts falling due within one year	7	<u>795,454</u>	<u>1,272,904</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>2,002,966</u>	<u>(1,247,425)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		14,399,722	250,000
<b>CREDITORS</b>			
Amounts falling due after more than one year	8	<u>5,554,007</u>	<u>-</u>
<b>NET ASSETS</b>		<u>8,845,715</u>	<u>250,000</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	250,000	250,000
Revaluation reserve	11	9,729,242	-
Profit and loss account	11	<u>(1,133,527)</u>	<u>-</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>8,845,715</u>	<u>250,000</u>

The company is entitled to exemption from audit under Section 249A(1) of the Companies Act 1985 for the year ended 31 December 2006

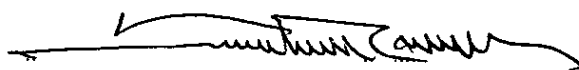
The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2006 in accordance with Section 249B(2) of the Companies Act 1985

The director acknowledges his responsibilities for

- (a) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005)

The financial statements were approved by the director on 24 October 2007 and were signed by

  
Director

# HLC ENVIRONMENTAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

### 1 ACCOUNTING POLICIES

#### Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

#### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

#### Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

#### Fixed asset investments

Fixed asset investments are shown at valuation or, where this is either inappropriate, due to the project not being fully developed, or cannot be obtained, at cost less provision for any diminution in value.

#### Exemption from preparing consolidated financial statements

The financial statements contain information about HLC Environmental Holdings Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 248 of the Companies Act 1985 from the requirements to prepare consolidated financial statements.

### 2 OPERATING LOSS

The operating loss is stated after charging

	2006 £	2005 £
Pension costs	<u>45,000</u>	<u>-</u>
Director's emoluments and other benefits etc	<u>-</u>	<u>-</u>

### 3 AMOUNTS WRITTEN OFF INVESTMENTS

	2006 £	2005 £
Amounts written off investments	<u>811,944</u>	<u>-</u>

### 4 TAXATION

#### Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2006 nor for the year ended 31 December 2005.

### 5 FIXED ASSET INVESTMENTS

	2006 £	2005 £
Shares in group undertakings	8,614,865	300,779
Loans to group undertakings	473,721	473,721
Participating interests	1,306,063	523,269
Loans to undertakings in which the company has a participating interest	<u>2,002,107</u>	<u>199,656</u>
	<u>12,396,756</u>	<u>1,497,425</u>



# HLC ENVIRONMENTAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2006

### 5 FIXED ASSET INVESTMENTS - continued

Additional information is as follows

	Shares in group undertakings £	Interest in associate undertakings £	Totals £
<b>COST OR VALUATION</b>			
At 1 January 2006	300,779	523,269	824,048
Additions	-	191,063	191,063
Disposals	(300,200)	(523,225)	(823,425)
Revaluations	8,614,286	1,114,956	9,729,242
At 31 December 2006	8,614,865	1,306,063	9,920,928
<b>NET BOOK VALUE</b>			
At 31 December 2006	8,614,865	1,306,063	9,920,928
At 31 December 2005	300,779	523,269	824,048

Cost or valuation at 31 December 2006 is represented by

	Shares in group undertakings £	Interest in associate undertakings £	Totals £
Valuation	8,614,286	1,114,956	9,729,242
Cost	579	191,107	191,686
	8,614,865	1,306,063	9,920,928

The company has revalued two investments which have matured and for which independent professional valuations have been obtained. Biodiesel Energy Trading Limited has been valued at €25,000,000, and accordingly the company's 51% interest has been revalued at £8,614,286. Carbon Capital Markets Limited has been revalued at €8,950,000, and accordingly the company's 26.25% holding has been revalued at £1,115,000.

The company's investments at the balance sheet date in the share capital of companies include the following

#### Subsidiaries

##### Biodiesel Energy Trading Limited

Nature of business Biodiesel technology development

	% holding	2006 £	2005 £
Class of shares	51.00		
Ordinary shares			
Aggregate capital and reserves		713,919	1,625,366
Loss for the year		(1,117,766)	(715,232)

• **HLC ENVIRONMENTAL HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**5 FIXED ASSET INVESTMENTS - continued**

**HLC Henley Burrowes Limited**

Nature of business design and manufacture waste management plant

	% holding		
Class of shares	100 00		
Ordinary shares		2006	31 12 05
		£	£
Aggregate capital and reserves		-	(1,976,287)
Loss for the year		<u>-</u>	<u>(215,317)</u>

HLC Henley Burrowes Ltd has ceased to trade and the investment has been written off in these accounts as without value

**Associated Companies**

**Carbon Capital Markets Limited**

Nature of business Trading in carbon emissions

	% holding		
Class of shares	26 25		
Ordinary		30 6 06	30 6 05
		£	£
Aggregate capital and reserves		251,086	818,443
Loss for the year		<u>(567,357)</u>	<u>(181,807)</u>

**Jantus Limited**

Nature of business Development of wind farms

	% holding
Class of shares	4 75
Ordinary	

Jantus Limited was incorporated in October 2005 and its first financial statements will be for the period to 31st March 2007 and are therefore not available

**Jantus S.L.**

Country of incorporation Spain

Nature of business Development of wind farms

	% holding
Class of shares	4 75
Ordinary	

Jantus s l was incorporated on 23rd November 2006 and no financial information is available

	Loans to group undertakings	Loans to associates	Totals
	£	£	£
At 1 January 2006	473,721	199,656	673,377
New in year	-	1,852,970	1,852,970
Other movement	<u>-</u>	<u>(50,519)</u>	<u>(50,519)</u>
At 31 December 2006	<u>473,721</u>	<u>2,002,107</u>	<u>2,475,828</u>

**6 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2006	2005
	£	£
Other debtors	<u>2,653,764</u>	<u>-</u>

**HLC ENVIRONMENTAL HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2006**

**7 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2006 £	2005 £
Other creditors	<u>795,454</u>	<u>1,272,904</u>

**8 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2006 £	2005 £
Convertible loan stock	<u>5,554,007</u>	<u>-</u>

**9 SECURED DEBTS**

The following secured debts are included within creditors

	2006 £	2005 £
Convertible Loan Stock	<u>5,554,007</u>	<u>-</u>
	<u>5,554,007</u>	<u>-</u>

The Convertible Loan Stock is secured against the investments of the company. It is convertible into shares of the company on the basis of a 30% discount to market value at the date of conversion, or is repayable 18 months after the date of the agreement, in September 2006. In the event of repayment interest is chargeable at 8% above Euribor. Interest has been accrued at 13%.

**10 CALLED UP SHARE CAPITAL**

Authorised Number	Class	Nominal value £1	2006 £	2005 £
1,000,000	Ordinary		<u>1,000,000</u>	<u>-</u>

Allotted, issued and fully paid Number	Class	Nominal value £1	2006 £	2005 £
250,000	Ordinary		<u>250,000</u>	<u>250,000</u>

**11 RESERVES**

	Profit and loss account £	Revaluation reserve £	Totals £
Deficit for the year	(1,133,527)		(1,133,527)
Revaluation of investments	<u>-</u>	<u>9,729,242</u>	<u>9,729,242</u>
At 31 December 2006	<u>(1,133,527)</u>	<u>9,729,242</u>	<u>8,595,715</u>

**12 ULTIMATE CONTROLLING PARTY**

The company was controlled throughout the current and previous period by Mr H L de Brito Carvalho by virtue of him holding all of the issued share capital of the company.

**HLC ENVIRONMENTAL HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2006**

**13 RELATED PARTY TRANSACTIONS**

In the course of it's business the company has advanced loans to subsidiary and associated companies engaged in the field of renewable energy, as follows

	2006	2005
Included in group investment loans		
Group undertaking		
Biodiesel Energy Trading Limited	473,721	473,721
Electricity Developments Projects Limited		5,600
Green Climate Capital Limited		6,106
Included in associated interests loans		
Other related parties		
Jantus Limited	1,850,975	-
Jantus sl	1,995	-
HLC Engenharia e Gestao de Projectos SA	1,345,528	109,137
HLC Brazil Ltda	1,173,574	-
Anglo Portugese Property Investments Limited	90,000	40,000
Include in current liabilities Other creditors		
HLC Environmental Projects Limited	671,103	1,237,904
H L de Brito Carvalho	124,351	35,000

• HLC ENVIRONMENTAL HOLDINGS LIMITED

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006		2005	
	£	£	£	£
<b>Income</b>		-		-
<b>Expenditure</b>				
Directors pension premiums	45,000		-	
Sundry expenses	165		-	
Legal fees	<u>25,863</u>		-	
		<u>71,028</u>		<u>-</u>
		(71,028)		-
<b>Finance costs</b>				
Bank charges	602		-	
Loan fees	101,351		-	
Interest payable	<u>148,602</u>		-	
		<u>250,555</u>		<u>-</u>
		(321,583)		-
<b>Amounts written off investments</b>				
Amounts written off investments		<u>811,944</u>		<u>-</u>
<b>NET LOSS</b>		<u>(1,133,527)</u>		<u>-</u>

This page does not form part of the statutory financial statements