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**Private and Confidential**  
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Our ref VEC  
Your ref  
Date 14 February 2008

Dear Sirs

**Statement of Circumstances to the Members of Hydra Climate Change LLP pursuant to Section 394 of the Companies Act 1985 of the circumstances connected with our ceasing to hold office as Auditors.**

In accordance with Section 394 of the Companies Act 1985 as it applies to Limited Liability Partnerships, we set out below the circumstances of our resignation as auditors of Hydra Climate Change LLP, registered number OC312102 ("the LLP") which we consider should be brought to the attention of the members or creditors of the LLP

- 1 During the course of our audit for the period ended 31 December 2006 HM Revenue and Customs commenced criminal enquiries into the tax affairs of the partnership. The partnership disputes the assertions made by HMRC but to date the case remains unresolved.
- 2 The LLPs largest asset is amounts due from members in relation to their capital investment in the LLP. During the course of our audit we requested information regarding the recovery of these amounts. To the date of our resignation we had not been provided with sufficient evidence of recoverability of these amounts in order to satisfy ourselves as auditors.
- 3 Following a court hearing on 5 February we have been authorised by the court to advise members of the LLP that our decision to resign took into account certain information of which we had become aware during early stages of a criminal investigation by HMRC.

In the light of the above circumstances we consider that the necessary relationship of confidence between Tenon Audit and the LLP has broken down and that the most appropriate course of action for us is to resign from the audit engagement.

Yours faithfully

*Tenon Audit Limited*

Tenon Audit Limited

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