

AMENDING

**ARIES SUSTAINABLE DEVELOPMENT LLP
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR TO 5 APRIL 2007**

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29/02/2008
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LLP Number OC312111

ARIES SUSTAINABLE DEVELOPMENT LLP

CONTENTS

	Page
Members' report	2
Independent auditors' report	4
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

ARIES SUSTAINABLE DEVELOPMENT LLP

MEMBERS' REPORT FOR THE YEAR TO 5 APRIL 2007

PRINCIPAL ACTIVITIES

The principal activity of the LLP was the trading of carbon dioxide emissions allowances

DESIGNATED MEMBERS

The following designated members have held office during the year

- Carbon Capital Ltd
- Peter Ropner

MEMBERS' DRAWINGS AND CAPITAL

It is intended that for the first three years of partnership all trading profits are reinvested in the business. Thereafter all trading profits will be distributed in the accounting period to the members pro rata to their respective subscriptions. Such distributions will be made after allowing for the ongoing requirements of the business shown in the annual budget.

MEMBERS' RESPONSIBILITIES

Company law requires the members to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing those financial statements, the partnership is required to

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

The members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the LLP and to enable the firm to ensure that the financial statements comply with the Companies Act 1985. The members are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Tenon Audit Limited have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

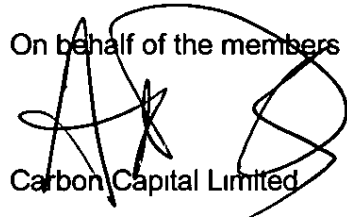
ARIES SUSTAINABLE DEVELOPMENT LLP

**MEMBERS' REPORT
FOR THE YEAR TO 5 APRIL 2007 – continued**

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 (as applied to limited liability partnerships by regulation 3 of the Limited Liability Partnership Regulations 2001) relating to small limited liability partnerships

On behalf of the members

A large, stylized handwritten signature in black ink, appearing to be 'A. S.', is written over the text 'On behalf of the members' and 'Carbon Capital Limited'.

Carbon Capital Limited

A-12-07

ARIES SUSTAINABLE DEVELOPMENT LLP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARIES SUSTAINABLE DEVELOPMENT LLP

We have audited the financial statements of Aries Sustainable Development LLP on pages 6 to 11 for the year ended 5 April 2007. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members of the limited liability partnership, as a body, in accordance with Regulation 3 of the Limited Liability Partnerships Regulations 2001. Our audit work has been undertaken so that we might state to the members of the limited liability partnership 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 limited liability partnership and the members of the limited liability partnership as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The members' responsibilities for the preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Members' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Limited Liability Partnership Act 2000. We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the limited liability partnership has not kept proper accounting records, if we have not received all the information and explanations we require for our audit.

We read the Members' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

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 members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the limited liability partnership's circumstances, consistently applied and adequately disclosed.

We planned 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. As disclosed in note 5 to the financial statements there has been a formal challenge by HM Revenue and Customs that the £7.1 million payment previously made by the partnership does not constitute Research and

ARIES SUSTAINABLE DEVELOPMENT LLP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARIES SUSTAINABLE DEVELOPMENT LLP - continued

Development In the light of this, and in the absence of further information from third parties, we have been unable to satisfy ourselves as to the nature of a payment disclosed in the profit and loss account as Research and Development

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Qualified opinion arising from limitation in audit scope

Except for the financial effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves in relation to treatment of the item disclosed in the prior year as Research and Development, 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 partnership's affairs as at 5 April 2007 and of its result for the year then ended, and
- have been properly prepared in accordance with the Limited Liability Partnership Act 2000

In respect solely of the limitation on our work, as described above (see "Basis of audit opinion"), relating to the item described as Research and Development, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit

In our opinion the information given in the Members' Report is consistent with the financial statements

Tenor Audit Limited
Tenon Audit Limited
Registered Auditor
66 Chiltern Street
London
W1U 4JT

Date 17 December 2007

ARIES SUSTAINABLE DEVELOPMENT LLP

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR TO 5 APRIL 2007**

		2007	2006
	Note	£	£
TURNOVER	3	3,435	907
Cost of sales		(2,245)	(1,217)
		<hr/>	<hr/>
GROSS PROFIT		1,190	(310)
Interest received		1,246	-
Administration expenses		(427,660)	(12,030)
Impairment of investments		(550,000)	(142,605)
Exceptional item	5	-	(7,100,000)
		<hr/>	<hr/>
OPERATING LOSS	4	(975,224)	(7,254,945)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(975,224)	(7,254,945)
Tax on profit on ordinary activities		-	-
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL PERIOD BEFORE MEMBERS' REMUNERATION CHARGED AS AN EXPENSE		(975,224)	(7,254,945)
Members' share of losses charged as an expense	11	975,224	7,254,945
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL PERIOD AVAILABLE FOR DISCRETIONARY DIVISION AMONGST MEMBERS		-	-
		<hr/>	<hr/>

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains or losses other than those dealt with in the profit and loss account

The notes on pages 8 to 11 form part of these financial statements

ARIES SUSTAINABLE DEVELOPMENT LLP

BALANCE SHEET AT 5 APRIL 2007

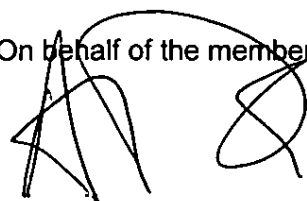
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AMENDING

		2007	2006
	Note	£	£
FIXED ASSET INVESTMENTS	7	-	-
CURRENT ASSETS			
Stock	8	300	934
Debtors	9	219,498	6,800,221
Cash at Bank		54,443	1,700,000
		<u>274,241</u>	<u>8,501,155</u>
CREDITORS: Amounts falling due within one year	10	4,407	7,256,097
		<u></u>	<u></u>
NET CURRENT ASSETS		269,834	1,245,058
		<u></u>	<u></u>
NET ASSETS ATTRIBUTABLE TO MEMBERS		269,834	1,245,058
		<u></u>	<u></u>
REPRESENTED BY:			
Non- equity interests			
Other reserves		(8,230,169)	(7,254,945)
Equity			
Members' capital		8,500,003	8,500,003
		<u></u>	<u></u>
TOTAL MEMBERS' INTERESTS	12	269,834	1,245,058
		<u></u>	<u></u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 (as applied to limited liability partnerships by regulation 3 of the Limited Liability Partnership Regulations 2001) relating to small limited liability partnerships and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

These financial statements were approved by the members on 07-12-07

On behalf of the members,



Carbon Capital Limited

The notes on pages 8 to 11 form part of these financial statements

ARIES SUSTAINABLE DEVELOPMENT LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 5 APRIL 2007

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied within the same accounts

(a) Basis of preparation of financial statements

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

(b) Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred

(c) Option Agreement

The partnership has entered into an option to buy and sell assets. This option, exercisable during the period 2009 to 2012, is valued at the lower of cost and net realisable value

(d) Other reserves

To the extent that the LLP has generated trading losses which are not recoverable from members these are carried forward as a debit balance on other reserves. Future profits will be credited against these losses

(e) Foreign exchange

Transactions in foreign currencies are translated at the rate ruling on the date of the transaction

2. COMPARATIVE FIGURES

The comparative figures for 2006 are for the period 14 March 2005 to 5 April 2006

3. TURNOVER

The limited liability partnership's turnover represents the value, excluding value added tax, of goods and services supplied to customers during the period

All turnover arose in the United Kingdom

4. OPERATING LOSS

	2007	2006
	£	£
Operating profit is stated after charging		
Auditors' remuneration and expenses	2,750	2,750

ARIES SUSTAINABLE DEVELOPMENT LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 5 APRIL 2007 - continued

5. EXCEPTIONAL ITEM	2007 £	2006 £
Amount contracted with third party for research and development	-	7,100,000

Amounts related to a contract entered into with Carbon Positive Trading Limited to undertake detailed research into the reduction of carbon emissions. The partnership entered into an irrevocable contract and thus the full amount committed to under the contract was included in the profit and loss account.

In May 2007, in civil tax appeal proceedings, HM Revenue & Customs ("HMRC") made assertions against the partnership on the basis of which HMRC refused tax relief to members of the partnership for their shares of losses recorded in the partnership's accounts. The partnership has instructed lawyers to dispute the assertions made by HMRC.

In July 2007, HMRC commenced criminal enquiries into the tax affairs of the partnership, claiming that fraudulent claims to tax relief for losses had been made, on the grounds that (1) loans taken out by partnership members were part of a circular flow of funds, (2) funds were not available to pay for research and development work, (3) by October 2006, less money had been spent on research and development work than the full amounts paid by the partnership, (4) counterparties could not finance an option signed with the partnership and did not own land in Brazil over which the partnership has a call option. The partnership strongly disputes that the grounds put forward by HMRC establish any fraud and has instructed lawyers on this matter.

Necessarily, there is uncertainty concerning the final outcome and timing of the civil tax appeal, and of any criminal enquiries, concerning the partnership.

6. FEES PAYABLE TO DESIGNATED MEMBER	2007 £	2006 £
Fees paid under management agreement	25,500	8,500
7. FIXED ASSET INVESTMENTS	2007 £	2006 £
Balance brought forward	-	-
Investments made during the period	550,000	142,605
Less impairment of investment	(550,000)	(142,605)
Balance carried forward	-	-
8. STOCK	2007 £	2006 £
Carbon credits for resale	300	934

ARIES SUSTAINABLE DEVELOPMENT LLP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 5 APRIL 2007 - continued**

9. DEBTORS

	2007	2006
	£	£
Other debtors	219,498	6,800,221
	<hr/>	<hr/>
Other debtors include the following amounts due from members		
Balance of initial investment	3	6,800,003
	<hr/>	<hr/>

Included within other debtors is a balance of £210,395 (2006 £nil) due greater than one year

10. CREDITORS: Amounts falling due within one year

	2007	2006
	£	£
Trade creditors	1,227	1,462
Other creditors	-	7,242,605
Accruals	3,180	12,030
	<hr/>	<hr/>
	4,407	7,256,097
	<hr/>	<hr/>

**11. DIVISION OF NET LOSS
Year to 05/04/2007**

	Percentage Interest in Partnership	Year Ended 05/04/2007
Carbon Capital Ltd	0 00%	-
P Ropner	0 00%	-
Carbond LLP	0 00%	-
D M Gorton	100 00%	(975,224)
	<hr/>	<hr/>
	100 00%	(975,224)
	<hr/>	<hr/>

ARIES SUSTAINABLE DEVELOPMENT LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 5 APRIL 2007 - continued

12. MEMBERS INTERESTS

	<i>Acquired</i>	<i>Paid in Capital</i>	<i>Balance at 05/04/2006</i>	<i>Loss for the Period</i>	<i>Drawings</i>	<i>Total</i>	<i>Loans and Other Debts Due from Members</i>	<i>Balance at 05/04/2007</i>
Carbond LLP	0 00%	1	-	-	-	-	1	1
D M Gorton	100 00%	8,500,000	(7,254,945)	(975,224)	-	(8,230,169)	-	269,831
<i>Designated Members</i>								
Carbon Capital Ltd	0 00%	1	-	-	-	-	1	1
P Ropner	0 00%	1	-	-	-	-	1	1
	<u>100 00%</u>	<u>8,500,003</u>	<u>(7,254,945)</u>	<u>(975,224)</u>	<u>-</u>	<u>(8,230,169)</u>	<u>-</u>	<u>269,834</u>

13. POST BALANCE SHEET EVENTS

Since the Balance Sheet date the partnership has entered into an option agreement with a third party giving that party the right to buy the business of the partnership

To date this option has not been exercised

14. ULTIMATE CONTROLLING PARTY

The partnership is controlled by D M Gorton