

REGISTERED NUMBER 03498790 (England and Wales)

**REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008
FOR
HLC ENVIRONMENTAL HOLDINGS LIMITED**

William Evans & Partners
20 Harcourt Street
London
W1H 4HG

TUESDAY



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HLC ENVIRONMENTAL HOLDINGS LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2008**

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HLC ENVIRONMENTAL HOLDINGS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2008**

DIRECTOR	H L d B C Carvalho
SECRETARY:	B E Meira
REGISTERED OFFICE:	15 Berkeley Street London W1J 8DY
REGISTERED NUMBER	03498790 (England and Wales)
ACCOUNTANTS:	William Evans & Partners 20 Harcourt Street London W1H 4HG
BANKERS	HSBC Bank plc 26-28 St Anns Road Harrow Middlesex HA1 1AL

HLC ENVIRONMENTAL HOLDINGS LIMITED

**REPORT OF THE DIRECTOR
FOR THE YEAR ENDED 31 DECEMBER 2008**

The director presents his report with the financial statements of the company for the year ended 31 December 2008

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the development of renewable energy projects.

DIRECTOR

H L d B C Carvalho held office during the whole of the period from 1 January 2008 to the date of this report.

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


H L d B C Carvalho - Director

Date: 29/1/2010

HLC ENVIRONMENTAL HOLDINGS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £	2007 £
TURNOVER		-	-
Administrative expenses		980,083	868,128
		(980,083)	(868,128)
Other operating income		49,958	-
OPERATING LOSS	2	(930,125)	(868,128)
Income from participating interests		11,890,189	-
Interest receivable and similar income		398	-
		11,890,587	-
		10,960,462	(868,128)
Amounts written off investments	3	6,323,794	3,133,697
		4,636,668	(4,001,825)
Interest payable and similar charges		2,261,016	1,508,596
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		2,375,652	(5,510,421)
Tax on profit/(loss) on ordinary activities	4	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		2,375,652	(5,510,421)

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 2008**

	2008 £	2007 £
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	2,375,652	(5,510,421)
Surplus on revaluation of investments	<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u><u>2,375,652</u></u>	<u><u>(5,510,421)</u></u>

The notes form part of these financial statements

HLC ENVIRONMENTAL HOLDINGS LIMITED

BALANCE SHEET 31 DECEMBER 2008

	Notes	2008 £	2007 £
FIXED ASSETS			
Investments	5	12,754	3,406,417
CURRENT ASSETS			
Debtors	6	217,332	-
Cash at bank		534,225	5,769
		751,557	5,769
CREDITORS			
Amounts falling due within one year	7	268,164	1,367,099
NET CURRENT ASSETS/(LIABILITIES)		483,393	(1,361,330)
TOTAL ASSETS LESS CURRENT LIABILITIES		496,147	2,045,087
CREDITORS			
Amounts falling due after more than one year	8	4,514,443	8,439,035
NET LIABILITIES		(4,018,296)	(6,393,948)
CAPITAL AND RESERVES			
Called up share capital	10	250,000	250,000
Profit and loss account	11	(4,268,296)	(6,643,948)
SHAREHOLDERS' FUNDS		(4,018,296)	(6,393,948)

The company is entitled to exemption from audit under Section 249A(1) of the Companies Act 1985 for the year ended 31 December 2008

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2008 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 2007)

The financial statements were approved by the director on 24/1/2010 and were signed by


H L d B C Carvalho - Director

The notes form part of these financial statements

HLC ENVIRONMENTAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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 2007)

Deferred tax

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

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 transaction. Exchange differences are taken into account in arriving at the operating result

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate

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

	2008 £	2007 £
Foreign exchange differences	566,936	-
Formation costs	-	59
Pension costs	60,431	60,000
	<u>60,431</u>	<u>60,000</u>
Director's emoluments and other benefits etc	60,431	-
	<u>60,431</u>	<u>-</u>

The number of directors to whom retirement benefits were accruing was as follows

	2008 £	2007 £
Money purchase schemes	1	1
	<u>1</u>	<u>1</u>

3 AMOUNTS WRITTEN OFF INVESTMENTS

	2008 £	2007 £
Impairment changes	6,323,794	3,133,697
	<u>6,323,794</u>	<u>3,133,697</u>

4 TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2008 nor for the year ended 31 December 2007

HLC ENVIRONMENTAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2008

5 FIXED ASSET INVESTMENTS

	2008 £	2007 £
Shares in group undertakings	8,644	-
Loans to group undertakings	-	(20,000)
Participating interests	4,110	1,150,087
Loans to undertakings in which the company has a participating interest	-	2,276,330
	<u>12,754</u>	<u>3,406,417</u>

Additional information is as follows

	Shares in group undertakings £	Interest in associate undertakings £	Totals £
COST			
At 1 January 2008	-	1,150,087	1,150,087
Additions	8,644	3,027,557	3,036,201
Disposals	-	(3,536,481)	(3,536,481)
Impairments	-	(3,027,557)	(3,027,557)
Reclassification/transfer	-	2,390,504	2,390,504
At 31 December 2008	<u>8,644</u>	<u>4,110</u>	<u>12,754</u>
NET BOOK VALUE			
At 31 December 2008	<u>8,644</u>	<u>4,110</u>	<u>12,754</u>
At 31 December 2007	<u>-</u>	<u>1,150,087</u>	<u>1,150,087</u>

During the year ended 31st December 2006 the company revalued two investments which had matured and for which independent professional valuations had been obtained. Biodiesel Energy Trading Limited was valued at €25,000,000, and accordingly the company's 51% interest was revalued at £8,614,286. Carbon Capital Markets Limited was revalued at €8,950,000 and accordingly the company's 26.25% holding was revalued at £1,115,000.

During the year ended 31st December 2007 the company acquired further shares in Biodiesel Energy Trading Limited at a cost of £20,000.

Since the date of the revaluation there has been significant changes in the markets in which Biodiesel Energy Trading Limited and Carbon Capital Markets Limited operate, and the directors have considered it prudent to make full provision against these investments.

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

Class of shares	% holding
Ordinary shares	51.00

HLC ENVIRONMENTAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2008

5 FIXED ASSET INVESTMENTS - continued

Aeolus Wind Limited

Nature of business Development of wind farms

	%	
Class of shares	holding	
Ordinary	86.44	
		2008
		£
Aggregate capital and reserves		8,850
Loss for the year		(1,150)

Aeolus Wind Limited is the owner of 83.3% of the ordinary shares of Zephyr Ltda, a Brazilian company with wind farm interest which the directors consider were worth £2,689,000 as at 31st December 2008

Associated Companies

Carbon Capital Markets Limited

Nature of business Trading in carbon emissions

	%
Class of shares	holding
Ordinary	26.25

Jantus Limited

Nature of business Development of wind farms

	%		
Class of shares	holding		
Ordinary	4.75		
		2008	31.10.07
		£	£
Aggregate capital and reserves		-	1,903,259
Loss for the year		-	(1,229,664)

The accounts of Jantus Limited are presented in Euros. They have been translated into sterling at the rates ruling at the year ends of €1.43 = £1 at 31st October 2007, and €1.47 at 31st October 2006

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2008

Jantus S.L
Country of incorporation Spain
Nature of business Development of wind farms

The accounts of Jantus sl are produced in Euros and have been translated into sterling at year end rates which were €1.36 to £1 at 31st December 2007 and €1.45 at 31st December 2006

Country of incorporation Portugal
Nature of business Waste and water management services

6 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

7 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

8 CREDITORS- AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

continued

HLC ENVIRONMENTAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2008

9 SECURED DEBTS

The following secured debts are included within creditors:

	2008 £	2007 £
Other loans	<u>4,514,443</u>	<u>8,439,035</u>

The Convertible Loan Stock is secured against all of 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 16%.

10 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value £1	2008 £	2007 £
1,000,000	Ordinary		<u>1,000,000</u>	<u>1,000,000</u>

Allotted, issued and fully paid Number	Class	Nominal value £1	2008 £	2007 £
250,000	Ordinary		<u>250,000</u>	<u>250,000</u>

11 RESERVES

	Profit and loss account £
At 1 January 2008	(6,643,948)
Profit for the year	<u>2,375,652</u>
At 31 December 2008	<u>(4,268,296)</u>

12 RELATED PARTY DISCLOSURES

The company has made and received the following loans from other companies controlled by Mr H L de B Carvalho, the director and sole shareholder of this company, HLC Environmental Projects Limited debtor of £Nil (2007 £79,000), HLC Eng & Gestões Projectos sa (registered in Portugal) debtor of £Nil (2007 £Nil), HLC Brazil Ltda (registered in Brazil) debtor of £206,507 (2007 creditor of £2,856,566).

13 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.