

Registration number 5568577

Double Carbon Battery Company plc
Directors' report and financial statements
for the period ended 30 September 2006

Double Carbon Battery Company plc

Company information

Directors	Ge Hong	Appointed on 04.10.2005 and Resigned on 17.03.2006 and Reappointed on 17.08.2006
	William Hoffman	Appointed on 04.10.2005
	Sebastian Saville	Appointed on 20.09.2005
	David Sloane	Appointed on 15.08.2006
	Alberto Gil	Appointed on 20.09.2005 and Resigned on 02.05.2006
Secretary	Kensington (Secretarial & Registrar) Services Ltd	
Company number	5568577	
Registered office	36-38 Westbourne Grove Newton Road London W2 5SH	
Auditors	Sloane & Co LLP 36-38 Westbourne Grove Newton Road London W2 5SH	
Bankers	HSBC Bank plc 153 North Brighton East Sussex BN1 1SW	
Solicitors	Dawsons Solicitors 2 New Square Lincoln's Inn London WC2A 3RZ	

Double Carbon Battery Company plc

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Double Carbon Battery Company plc

Directors' report for the period ended 30 September 2006

The directors present their report and the financial statements for the period ended 30 September 2006.

Incorporation and change of name

The company was incorporated on 20 September 2005 as Double Carbon Battery Company plc. The company commenced trade on 20 September 2005.

Principal activity and review of the business

The principal activity of the company is that of developing, testing and introducing a new battery concept to the world market.

Results and dividends

The results for the period are set out on page 5.

The directors do not recommend payment of a final dividend.

Directors and their interests

The directors who served during the period and their interests in the company are as stated below:

		Class of share	30/09/06	20/09/05 or date of appointment
Ge Hong	Appointed on 04.10.2005 Resigned on 17.03.2006 Reappointed on 17.08.2006	Ordinary shares	-	-
William Hoffman	Appointed on 04.10.2005	Ordinary shares	-	-
Sebastian Saville	Appointed on 20.09.2005	Ordinary shares	5,555,556	5,555,556
David Sloane	Appointed on 15.08.2006	Ordinary shares	-	-
Alberto Gil	Appointed on 20.09.2005 Resigned on 02.05.2006	Ordinary shares	-	-

The following directors hold shares through their connected companies as follows:

Director	Company	Class of shares	30/09/06	20/09/05 or date of appointment
Ge Hong	Zhou Yi Power Company	Ordinary shares	46,333,332	46,333,332
William Hoffman	ITG Investment PTY Limited	Ordinary shares	11,111,111	11,111,111

Directors' responsibilities

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

Double Carbon Battery Company plc

Directors' report for the period ended 30 September 2006

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

- select suitable accounting policies and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice.

Auditors

Sloane & Co LLP were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing their reappointment was past at the Annual General Meeting.

Double Carbon Battery Company plc

Independent auditors' report to the shareholders of Double Carbon Battery Company plc

We have audited the financial statements of Double Carbon Battery Company plc for the period ended 30 September 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and the auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 are properly prepared in accordance with the Companies Act 1985, and whether the information given in the directors' report is consistent with the 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.

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 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.

Double Carbon Battery Company plc

Independent auditors' report to the shareholders of Double Carbon Battery Company plc 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 30 September 2006 and of its loss for the period then ended and 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.

Sloane & Co LLP
36-38 Westbourne Grove
Newton Road
London
W2 5SH

Double Carbon Battery Company plc

**Profit and loss account
for the period ended 30 September 2006**

Continuing operations

	Notes	Period ended 30/09/06 £
Administrative expenses		(72,460)
Operating loss	2	<u>(72,460)</u>
Other interest receivable and similar income	3	34
Loss on ordinary activities before taxation		<u>(72,426)</u>
Tax on loss on ordinary activities		-
Loss on ordinary activities after taxation		<u>(72,426)</u>
Loss for the period	11	<u><u>(72,426)</u></u>

There are no recognised gains or losses other than the profit or loss for the above financial period.

The notes on pages 8 to 13 form an integral part of these financial statements.

Double Carbon Battery Company plc

**Balance sheet
as at 30 September 2006**

	Notes	30/09/06	
		£	£
Fixed assets			
Intangible assets	5		39,334
Tangible assets	6		2,968
Investments	7		61,111
			<u>103,413</u>
Current assets			
Debtors	8	60,255	
Cash at bank and in hand		49,906	
		<u>110,161</u>	
Creditors: amounts falling due within one year (including convertible debt)	9	(46,464)	
Net current assets			<u>63,697</u>
Total assets less current liabilities			<u>167,110</u>
Net assets			<u>167,110</u>
Capital and reserves			
Called up share capital	10		132,361
Share premium account	11		107,175
Profit and loss account	11		(72,426)
Equity shareholders' funds	12		<u>167,110</u>

The notes on pages 8 to 13 form an integral part of these financial statements.

Double Carbon Battery Company plc

**Cash flow statement
for the period ended 30 September 2006**

	Notes	Period ended 30/09/06 £
Reconciliation of operating loss to net cash outflow from operating activities		
Operating loss		(72,460)
Depreciation		990
(Increase) in debtors		(60,255)
Increase in creditors		46,464
Net cash outflow from operating activities		<u>(85,261)</u>
Cash flow statement		
Net cash outflow from operating activities		(85,261)
Returns on investments and servicing of finance	14	34
Capital expenditure	14	(43,292)
Acquisitions and disposals	14	(61,111)
		<u>(189,630)</u>
Financing	14	239,536
Increase in cash in the period		<u>49,906</u>
Reconciliation of net cash flow to movement in net funds (Note 15)		
Increase in cash in the period		49,906
Net funds at 30 September 2006		<u>49,906</u>

Double Carbon Battery Company plc

Notes to the financial statements for the period ended 30 September 2006

..... continued

1. Accounting policies

1.1. Accounting convention

The company has consistently applied all relevant accounting standards.

1.2. Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same year unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period from which the company is expected to benefit.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Fixtures, fittings
and equipment - 25% reducing balance method

1.4. Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value.

1.5. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

2. Operating loss

Operating loss is stated after charging:

Depreciation and other amounts written off tangible assets

Auditors' remuneration

and after crediting:

Net foreign exchange gain/(loss)

Period ended 30/09/06 £
990
5,875
<hr/>
(64)
<hr/>

Double Carbon Battery Company plc

**Notes to the financial statements
for the period ended 30 September 2006**

		Period ended 30/09/06 £
3. Interest receivable and similar income		
Bank interest		34
		<u>34</u>
4. Employees		
There were no employees during the period apart from the directors.		
5. Intangible fixed assets	Develop- ment costs £	Total £
Cost		
Additions	39,334	39,334
At 30 September 2006	<u>39,334</u>	<u>39,334</u>
Net book value		
At 30 September 2006	<u>39,334</u>	<u>39,334</u>
6. Tangible fixed assets	Fixtures, fittings and equipment £	Total £
Cost		
Additions	3,958	3,958
At 30 September 2006	<u>3,958</u>	<u>3,958</u>
Depreciation		
Charge for the period	990	990
At 30 September 2006	<u>990</u>	<u>990</u>
Net book value		
At 30 September 2006	<u>2,968</u>	<u>2,968</u>

Double Carbon Battery Company plc

**Notes to the financial statements
for the period ended 30 September 2006**

..... continued

7. Fixed asset investments	Subsidiary undertakings shares £	Total £
Cost		
Additions	61,111	61,111
At 30 September 2006	<u>61,111</u>	<u>61,111</u>
Net book value		
At 30 September 2006	<u>61,111</u>	<u>61,111</u>

At the balance sheet date, the company held 100% of the share capital of Double Carbon Batteries Limited, an unlisted company trading in carbon battery technology. Double Carbon Batteries Limited is incorporated in England and Wales.

8. Debtors	30/09/06 £
Other debtors	60,255
	<u>60,255</u>
9. Creditors: amounts falling due within one year	30/09/06 £
Trade creditors	30,056
Directors' accounts	9,033
Accruals and deferred income	7,375
	<u>46,464</u>

Double Carbon Battery Company plc

**Notes to the financial statements
for the period ended 30 September 2006**

..... continued

10.	Share capital	30/09/06
		£
	Authorised equity	
	150,000,000,000 Ordinary shares of £0.001 each	150,000,000
		<u> </u>
	Allotted, called up and fully paid equity	
	132,361,111 Ordinary shares of £0.001 each	132,361
		<u> </u>
	Equity Shares	
	132,361,111 Ordinary shares of £0.001 each	132,361
		<u> </u>

During the period 50,000,001 ordinary shares of £0.001 each were allotted and fully paid for at par.

The company also allotted 61,111,110 new ordinary shares of £0.001 each in exchange for 1,000 ordinary shares of £1 each in Double Carbon Batteries Limited. In the opinion of the directors, the aggregate value of the shares in Double Carbon Batteries Limited is £61,111 and therefore the allotted shares of 61,111,110 are treated as fully paid at par.

11.	Equity Reserves	Share premium account	Profit and loss account	Total
		£	£	£
	Premium on issue of shares	107,175		107,175
	Loss for the period		(72,426)	(72,426)
		<u> </u>	<u> </u>	<u> </u>
	At 30 September 2006	107,175	(72,426)	34,749
		<u> </u>	<u> </u>	<u> </u>

12.	Reconciliation of movements in shareholders' funds	30/09/06
		£
	Loss for the period	(72,426)
	Net proceeds of equity share issue	239,536
		<u> </u>
	Net addition to shareholders' funds	167,110
		<u> </u>

Double Carbon Battery Company plc

Notes to the financial statements for the period ended 30 September 2006

..... continued

13. Related party transactions

During the period, the company carried out a number of transactions with related parties in the normal course of business on an arm's length basis. The transactions are as below:

Innovative Technologies 2 P/L

Purchases from Innovative Technologies 2 P/L, a company in which the director, Mr William Hoffman has a material interest, amounted to £82,972. Amount owed to the company as at 30 September 2006 was £29,708.

Double Carbon Batteries Limited

During the period, the company acquired 1,000 ordinary shares of £1 each in Double Carbon Batteries Limited from the following parties:

	Shares
ITG Investments PTY Limited	182
Zhou Yi Power Company	758
T Saville	60
	<hr/> 1,000 <hr/>

The company paid for these shares by issuing 61,111,110 of its own ordinary £0.001 shares as follows:

	Shares
ITG Investments PTY Limited	11,111,111
Zhou Yi Power Company	46,333,332
T Saville	3,666,667
	<hr/> 61,111,110 <hr/>

Mr G Hong, a director during the period, has material interests in Zhou Yi Power Company and Mr William Hoffman, a current director has material interests in ITG Investments PTY Limited. Also, Mr S Saville, a director is related to Mr T Saville.

Also, the company owed £9,394 to S Saville, a director as at 30.09.2006.

Double Carbon Battery Company plc

**Notes to the financial statements
for the period ended 30 September 2006**

..... continued

14. Gross cash flows

	30/09/06
	£
Returns on investments and servicing of finance	
Interest received	34
Capital expenditure	
Payments to acquire intangible assets	(39,334)
Payments to acquire tangible assets	(3,958)
	<u>(43,292)</u>
Acquisitions and disposals	
Payments on acquisition of group interests	(61,111)
Financing	
Issue of ordinary share capital	239,536

15. Analysis of changes in net funds

	Cash flows	Closing balance
	£	£
Cash at bank and in hand	49,906	49,906
Net funds	<u>49,906</u>	<u>49,906</u>