camco

“A review of our changing world”

Annual report
2007

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Creating a sustainable low-carbon society

The world is acting to meet a challenge on a global scale: the transition to a sustainable, low carbon society and management of the consequences of human induced climate change.

Camco is a leading climate change business in the growing carbon and sustainable development markets. We offer a full range of carbon-related services to public and private organisations worldwide. The Group has a 20-year track record and manages one of the world's largest carbon credit portfolios.

Our international network of 207 staff in 18 offices establishes long-term partnerships that create real value for our clients. Our presence on the ground in our local markets means that we understand the challenges our clients face every day, and can provide local solutions to a global challenge.

“We offer a full range of carbon services from carbon footprinting to asset management and everything in between”

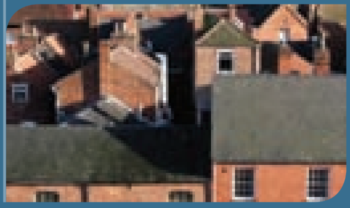
- 45% growth of one of the world’s largest carbon portfolios
- Acquisition of ESD to create a full service offering
- Winner of three prestigious industry awards
- Group revenue €10.44m
- 18 offices worldwide with 207 employees

Long lasting relationships

Creating value

20-year track record

We create economic, social and environmental value for clients. In Beijing, we co-developed the Taiyanggong natural gas-fired power plant project that will generate up to €100 million in carbon credits, improve local air quality and provide local employment.



We view carbon management strategy projects as long-term partnerships. Our Local Authority Carbon Management project in the UK, is helping 40 local authorities reduce their emissions. In the last three years the project has identified over 0.5m tonnes of CO_2 equivalent to savings of £75 million.

We didn't jump on the bandwagon. For two decades we have been working on sustainable rural electrification and energy projects with governments and the World Bank in Africa.

“We speak your language. With 18 offices worldwide we provide a local solution to a global problem”

Innovation

Global reach

With 207 staff and offices in 11 countries we support our clients with real, on the ground experience and a deep understanding of their regulations, language and culture.

We have developed ground-breaking projects, methodologies and technologies. Our Ural Steel project in Russia resulted in a new way to measure greenhouse gas emission reductions, which has been approved by international auditors.

It’s critical

The Stern Review, a UK Government-commissioned report on climate change, warned that without action global warming could shrink the world economy by as much as 20% or £3.68 trillion. Lord Stern, former Chief Economist of the World Bank, recommends that 1% of global GDP should be spent now to combat climate change and cut global carbon emissions.

What action is being taken?

Governments across the world are leading initiatives to look at how climate change can be avoided through major reductions in greenhouse gas (GHG) emissions. These include mandatory targets for renewable energy generation, tighter regulations on energy efficiency and emissions trading schemes. The obligation of the developed countries in the Kyoto Protocol to reduce their GHG emissions is driving the market for Kyoto-regulated carbon credits. In countries that haven’t ratified the Kyoto Protocol, or for sectors that are not given mandatory targets, businesses are taking on voluntary targets to reduce their carbon footprint.

Carbon credits

A carbon credit represents the reduction or removal of GHGs equivalent to one tonne of CO_2. Carbon credits are verified and / or certified by independent third parties to create a commodity that can be purchased by companies wishing to meet their regulatory commitments or offset the GHG emissions generated by their businesses. There are three main types of project-based carbon credits: the Kyoto-regulated ‘compliance’ Certified Emission Reductions (CERs), Emission Reduction Units (ERUs) and the voluntary market Verified Emission Reductions (VERs).

Across the world Camco is working with clients to develop emission reduction projects that reduce GHG emissions thereby generating CERs, ERUs and VERs.

Market size

The potential size of the carbon market is significant. The UN estimates that demand for projects generating GHG emission credits will total $100 billion per year by 2030 while Stern’s figure of 1% of global GDP represents a market of $1 trillion per year. The market for project based Kyoto compliant carbon credits is estimated to be 2 billion tonnes to 2012 and the voluntary sector is growing considerably. The World Bank’s ‘State of the carbon market 2007’ report estimates the voluntary market could be worth $400 million by 2010.

What action is Camco taking?

Legislative and voluntary commitments have created a growth market for services and products that enable businesses and public organisations to cost-effectively control their GHG emissions and other climate change liabilities. Through our advisory, carbon assets and ventures services, we aid sustainable development, clean energy technology adoption and assist our clients to quantify and reduce their carbon footprints and to identify and realise new opportunities. This includes improved management, implementation of projects and the generation of carbon credits.

“The demand for projects generating GHG emission credits will total $100 billion per year by 2030”

Dear shareholders and other constituents

While legally this report is addressed to our shareholders, it serves to inform a much wider audience; our staff, customers, suppliers, professional advisers, analysts and opinion formers in the world of climate change.

I lead off on this because people are of course central to the success of any business and our staff have delivered magnificently this year. Our business also directly affects everyone in the world.

Last year I said that I felt we were well placed strategically and that climate change opinion was "coming our way". This has been validated fully in 2007. The 4th Assessment Report from The Intergovernmental Panel on Climate Change (IPCC) and the Stern Report were the two most significant independent studies that lent empirical support to our strategy. The award of a Nobel Prize to Al Gore and the IPCC simply underlined how sustainability and climate change are the critical issues of the 21st century.

2007 also marked a major evolution of our strategy with the acquisition of ESD. This transformed the company from a "pure" carbon asset developer into a globally integrated carbon and sustainable development group. We now have offices in 11 countries and have made a major commitment to North America where we now operate from two offices.

Acquisitions are generally risky, but in ESD we found a common aim and culture - indeed the roots of Camco are grounded within ESD. As a result Jeff Kenna, the founder of ESD, succeeded Tristan Fischer as CEO. The Board would like to pay tribute to Tristan's work, in particular his role in floating the company in 2006.

ESD brought 106 experienced consultants and seven new offices into our armoury; their revenue development in 2007 has fully justified the Board's confidence in the prospects for all our consulting activities.

The headline of our 2007 results - an increase in our contracted carbon portfolio of 45% from 102.9m tonnes to 149.3m tonnes - is testament to our strong growth story.

Our strategy remains to expand on a global basis using our advisory and consultancy services to complement our carbon asset development business as we continue to seek new opportunities. We will work as both agents and principals, as we did on the acquisition of the Dallas Clean Energy project (McCommas Bluff landfill) in Texas, the anchor asset for the Climate Leader's Asset Management vehicle.

We are delighted with the progress made in North America, and the further enhancement of our business in China, South East Asia, Russia, Eastern Europe and Africa. We remain alert to acquisition or organic growth opportunities worldwide.

The purchase of Bradshaw is an excellent example of our strategy at work and the opportunities for marketing their services through our global network are developing strongly.

In our maiden report we committed ourselves to maintaining a conservative attitude to the valuation of our carbon portfolio. This policy, as well as tight cash management, reporting and management systems, has proved valuable in 2007. We believe we now have one of the world's strongest and best developed carbon portfolios.

As indicated at the time of our flotation, we anticipated moving into profitability in 2008 and the Board and management remain committed to that goal.

David Potter
Chairman
Camco
5 March 2008

“Our staff have delivered magnificently this year”

Where we operate:
Argentina, Austria, Bolivia
Bulgaria, Canada, China
Dominican Republic, Egypt
Guyana, Hungary, Indonesia
Jordan, Kenya, Latvia
Macedonia , Malawi, Malaysia
Mexico, Morocco, Mozambique
Poland, Romania, Russia
Rwanda, South Africa,Tanzania
Thailand,Tunisia,Turkey, Uganda
Ukraine, United Kingdom
United States, Vietnam, Zambia

Who we are

Camco is a leading climate change business in the growing carbon and sustainable development markets. We offer a full range of carbon-related services to public and private organisations worldwide. The Group has a 20-year track record and manages one of the world's largest carbon credit portfolios.

Among our clients are the World Bank, the European Commission, Land Rover, BP and major industrial, power and utilities companies throughout China and Russia.

We do not simply respond to policy, but have helped to shape it, working with governments to develop and implement the frameworks required to create a sustainable low carbon society.

Group structure

In 2007 we acquired several consulting and venture businesses with expertise in the environmental markets. We now have three revenue streams from consultancy, carbon asset development and ventures. One aspect of the Group's strategy is to leverage the experience and capability of the consulting practice to increase the number and range of emission reduction projects the Group can identify, co-develop and manage.

Taishan cement works project, China

As a leading carbon asset developer, we work closely with companies and investors to identify and co-develop Clean Development Mechanism (CDM), Joint Implementation (JI) and voluntary projects that reduce GHG emissions. We then arrange the sale and delivery of the carbon credits generated to international compliance buyers and into the voluntary market.

As part of the ventures business, Camco is in the process of establishing an asset management vehicle, through which corporate or institutional investors can invest in projects originated by Camco's network of offices around the world. The vehicle will have its own origination capability and be supported by Camco's technical carbon teams.

Consultancy
Main service lines:
- Emission assessments
- Carbon management
- Sustainable development
- Policy and market development
- Investment, strategy and due diligence
- Forestry, avoided deforestation and land use
- Climate change adaptation in the developing world

Carbon asset
From carbon credit generation to commercialisation:
- Project identification and co-development
- Qualification through regulatory process
- Commercialisation of credits
- Verification and delivery of credits

Ventures
Working in partnership to develop new services and businesses:
- New low carbon technologies
- New service-providing businesses
- New low carbon projects

“We provide strategic, technical and financial solutions to navigate clients through our carbon-constrained economy”

Award-winning business:

- Best Project Developer, Point Carbon - 2007 and 2008
- Transaction of the Year, Carbon Finance - 2007
- Environmental Markets Winner, Energy Business Asia - 2007

2007 in review

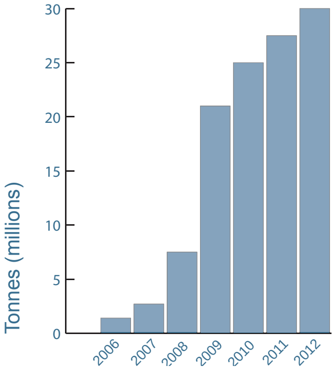
Jeff Kenna, CEO and Scott McGregor, CFO

Financial review

This year's annual report and accounts are broadly in line with management's expectations. Revenue for the period was €10.44 million and came from the sale of carbon credits and consultancy services. Camco has a conservative revenue recognition policy, where we recognise revenues after services have been provided or after credits have been verified.

Revenues from the sale of carbon credits has been strong despite the Kyoto compliance credit market not starting until January 2008. The Group has received €2.88 million from the sales of either CERs or VERs.

We are very pleased with the performance of ESD. In 2007 revenues (over eight months) for the consulting practice were €6.92 million. In 2006, like-for-like revenues were €4.75 million, an increase of 46%. As the Camco Group acquired ESD on 30 April 2007, the percentage growth is based on pro-rated 2006 revenues.



Expected generation from contracted portfolio, 2006-2012
Carbon credit generation will accelerate

In July, additional funds were raised to pursue growth in North America and develop new business areas. These funds were partially invested in new markets and increased operating costs by €1.84 million. There was also a cash and share termination payment of €0.89 million, and foreign exchange losses of €2.39 million.

Administrative expenses were (excluding share-based payments) €14.87 million and the resulting loss for the period was €12.09 million.

The balance sheet shows a net asset position of €58.24 million at 31 December 2007. This includes carbon development contracts (€13.30 million with capitalised costs of €2.81 million in the year), goodwill and other intangibles (€15.88 million) and cash and cash equivalents (€20.55 million).

Other notable assets include a net asset held for sale of €8.37 million representing the investment made in the Dallas Clean Energy project (McCommas Bluff Landfill).This project is intended to be the anchor asset for the Climate Leader's Asset Management vehicle. The Group intends to transfer the Dallas Clean Energy asset into this vehicle whereupon it will be managed by a dedicated operations team based in North America.

Treasury policy is to hold cash as low risk cash deposits in either US Dollars, Euros or Sterling to match the demand for operating expenditure in our global businesses. During the year, there was a loss of €1.93 million on Sterling transactions and balances, €1.87 million being the unrealised revaluation of Sterling balances at year-end. There was a loss of €0.54 million on US Dollar transactions and balances with €0.44 million being the unrealised revaluation amount. Realised losses on all foreign currency transactions were €0.13 million.

"Our focus in 2007 was to develop the carbon credit pipeline and lay the groundwork for sales of carbon credits in 2008"

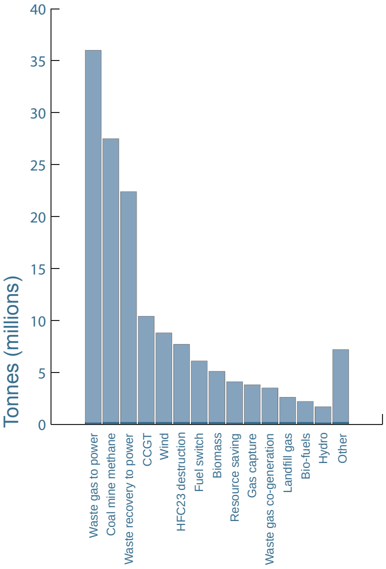
- 45% growth of carbon portfolio to 149.3m tonnes
- Established new offices in North America, Malaysia and China
- Acquisition of ESD and Bradshaw
- Strong year-end cash and cash equivalent at €20.55 million
- Delivered 2.1m credits

Operational review

Management's primary focus in 2007 was to develop the carbon credit pipeline, lay the groundwork for sales of carbon credits in 2008 and to integrate the acquired businesses.

To support the rapid growth of the Group, there has been continued investment in the operational infrastructure of the business including additional resources in IT, HR and marketing as well as investment in staff development and training. Growth has seen staff increase from 43 at 2006 year-end to 207 as at 31 December 2007.

The Group's network expanded with new offices opening during the year in North America, Malaysia and a second office in China. The carbon assets, consulting and ventures businesses have successfully merged with joint offices in Beijing, Denver, Kuala Lumpur, London and Johannesburg.



Contracted portfolio by technology
A wide range of project and technology expertise

Risk review

Project development, price and regulatory risks are the key risks to the business.

The carbon assets business develops large projects that are subject to construction, operational, technical and regulatory risks among others. Camco manages project development risk through strong internal systems and is conservative in reporting carbon credit volumes under management.

The carbon market is like any commodity business in that changes in supply and demand have short or medium term price impacts. Although some contracts have prices fixed based on best efforts delivery (if credits are delivered buyers will pay an agreed price), the majority of Camco's portfolio is subject to uncommitted forward and spot pricing. In 2007, we saw price volatility for the December 2008 contracts reduce. Longer term however, as the marginal cost of abatement increases, the value of carbon credits may also grow.

Regulatory risk is significant. It is not yet known when a global agreement on climate change will be reached or how tight regulations will be. However, there is broad political agreement on the need for action and there have been unilateral climate change policy statements by European governments and the G8. Camco manages this risk by continuing to adapt its business model to the current and prospective regulatory environment.

Finally, there are continued resource constraints with limited availability of experienced engineers and climate change experts. The Group recognises the value of retaining high quality staff and is investing in development and training.

Enisei oil and gas project, Russia

Looking ahead

The outlook for the Group is positive; the carbon and sustainable development markets are growing strongly and Camco is uniquely positioned to take advantage of these opportunities. We have strength through our exposure to both developed and emerging markets, with operations in China and South East Asia, Russia, Africa, Europe and North America.

In 2008 we expect to progress our 149.3m tonne carbon portfolio through the Kyoto regulatory process. Management are confident that we will deliver 127m carbon credits into the market up to the end of the first Kyoto commitment period.

We also expect to enter into contracts to place Camco's carbon credits with compliance and financial buyers. This will lock in margins on approximately one third of our carbon in specie. Our commercial team has demonstrated that it can secure excellent value for our client's carbon.

We expect our consultancy practice to grow by 25%, with strong growth in the UK and the development of new services and projects internationally.

The North American team will contribute voluntary market credits to a VER portfolio. Our expanding team in North America is establishing a stronghold in this emerging market, with a service covering all aspects of the carbon value chain from carbon assessment through to carbon asset management.

The Group will continue to invest in building a sustainable business that will consolidate the operational improvements made in 2007. We are building the foundations for a global business that will be a key contributor to the fight against climate change in the coming years.

“Revenue from carbon credit sales was strong despite the Kyoto compliance credit markets not beginning until January 2008”

Carbon assets overview

Camco is a leading carbon asset developer with one of the world's largest carbon credit portfolios. We work closely with companies and investors to identify and co-develop projects that reduce GHG emissions. We then arrange the sale and delivery of the carbon credits generated to international compliance buyers and into the voluntary market.

Our business model is to develop emission reduction projects "at risk". This means that Camco does not receive revenue until the carbon credits are delivered. As a project co-developer, we build a trusting partnership with our client that aligns our economic interests. There is stronger cooperation when both parties are pulling in the same direction.

We have teams of carbon market experts based locally. Being "on the ground" gives us the ability to understand our markets, react quickly and to develop long term relationships with our clients - essential when developing complex emission reduction projects.

Origination
We identify and co-develop industrial projects with the potential to reduce GHG emissions.

→

Qualification
We manage projects through the regulatory process with the expertise to develop new methodologies.

→

Structuring
We have helped structure some of the largest CDM projects developed to date.

→

Placement
We secure the best prices for our clients, working on behalf of project owners.

→

Asset management
Our experts ensure projects achieve verifications, carbon credit issuance and timely asset delivery.

2007 in review

The contracted portfolio of carbon credits has grown from 102.9m tonnes to 149.3m tonnes, an increase of 45%. This takes into account the adjustment management has made to the gross portfolio to reflect known project delays or reduced operating capacity on project sites.

Camco has been open and transparent in its reporting of these write-downs, and will continue to be so. The company's business plan is to contract 200m carbon credits and deliver 127m tonnes during the first Kyoto commitment period.

The portfolio is of high quality, with large mature projects which we are managing through the regulatory, construction and commercial processes. The average project size is just over 1.0m tonnes, which means that it takes less resource to secure the necessary approvals than a higher number of smaller projects.

“At 149.3m tonnes, we manage one of the world’s largest carbon portfolios”

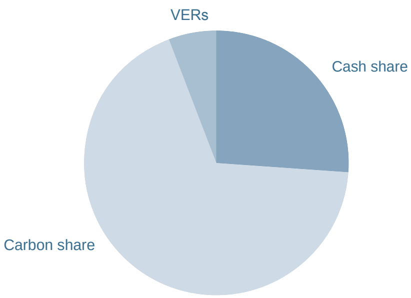
- Revenue model based on high quality, mature projects
- 45% growth of carbon portfolio to 149.3m tonnes
- ‘Carbon Transaction of the Year’ - Environmental Finance
- ‘Best Project Developer’ - Point Carbon, 2007 & 2008
- Average project size in excess of 1.0m tonnes
- Rights to 37.3m tonnes held by Camco

Contracted portfolio performance

Demonstrating excellent project performance

Progress through stage* (cumulative):	Tonnes (millions) 31 Dec 07	31 Dec 06
Contracted	**149.3**	102.9
PDD complete	**107.0**	78.0
Host LoA	**88.8**	43.0
Validated	**56.6**	34.1
Submitted for registration	**41.8**	2.8
Registered	**30.2**	2.8
1st verification**	**12.3**	2.3
Issued / verified	**2.7**	0.6
Financed	**126.8**	43.1
Under construction	**98.6**	42.9
Operational	**45.3**	5.5
Sell-side (primary) ERPA	**69.7**	35.8

* CDM stage or equivalent for JI and VER projects
** Projects that have been through at least 1 verification process or equivalent



Contracted portfolio by commercial contract structure
A valuable carbon portfolio

The reported contracted portfolio of 149.3m tonnes comprises compliance credits (CERs and ERUs) and voluntary market offsets (VERs). The contracted portfolio includes 8.3m VERs. The 141.0m compliance grade credits (i.e. excluding VERs) are contracted either on a “cash share” or “carbon share” basis.

Carbon share contracts total 101.9m tonnes of which Camco’s “in specie” amount is 37.3m tonnes. Under these contracts Camco works in partnership with clients to qualify and commercialise the credits and receives a carbon share which is either free or purchased at a discounted price. The average purchase price (including free carbon) is €7.25 per tonne.

Cash share contracts total 39.1m tonnes. Under these contracts, Camco does not physically receive any carbon credits but instead earns a commission or share of the revenue from carbon credit sales.

During 2007 Camco was awarded several industry prizes: Best Project Developer - Point Carbon (also awarded in 2008), Carbon Transaction of the Year - Environmental Finance and Environmental Markets Winner - Asian Energy Business Awards. These awards demonstrate Camco’s leading position in the market.

Looking ahead

2008 will be a watershed year for the carbon market. We will deliver significant volumes of carbon credits into markets where compliance buyers have contracted to purchase carbon credits.

Over the coming years, we will continue to grow our carbon credit portfolio. This will be achieved in existing markets where we have a strong presence such as China, Russia and Eastern Europe and also in newer markets like North America, Turkey and South East Asia. New sectors for emission reduction projects will also be developed, such as land use, land use change and forestry (“LULUCF”) and the building sector.

“Being ‘on the ground’ gives us the ability to understand our markets, react quickly and to develop long term relationships with our clients”

Consultancy overview

The consultancy practice combines specialist technical, strategic and financial expertise and experience accrued over two decades to deliver a sustainable low carbon society. We are uniquely positioned to work with our clients, leveraging our collective experience to turn climate change liabilities into economic, social and environmental assets. The consultancy practice consists of Bradshaw, ECCM, ESD and ESD Sinosphere.

Emissions assessment	Carbon management	Sustainable development	Policy and market develpment
We calculate baseline emissions so informed decisions can be made to reduce emissions and measure process.	Our carbon management process enables clients to turn their climate change liabilities into economic, social and environmental assets e.g we are working with Royal Mail to deliver emission reductions throughout the UK.	Our expertise in the planning, design, financing and delivery of sustainable developments is extensive. In 2007 projects included the £2 billion New Wembley project for the 2012 Olympics.	We work with governments to develop sustainable energy policy. In South Africa we integrated climate change policy and planning into local government planning and investment.

2007 in review

During the year, Camco acquired the ESD consulting business which has 20-years' expertise in the environmental markets. ESD has successfully integrated into the Group enabling us to offer a full range of carbon-related services across Europe, Africa, Asia and North America.

2008 will see our 1000th emission assessment completed

The consultancy practice's technical expertise will add value to our CDM and JI projects. For example, drawing on Camco's experience in the consulting and carbon asset management business, the China team launched an innovative pilot project to test the feasibility of generating carbon credits from the use of fuel efficient stoves in rural communities.

The opening of the new consultancy office in South Africa, complementary to the services of the assets division office, created an integrated offering across the Africa division. The division's solar power project in Tanzania performed above initial targets, achieving major successes in the growing market for solar power in East Africa.

In the UK, our work on carbon management and sustainable property developments grew significantly. We were awarded the third Local Authority Carbon Management contract by the Carbon Trust, the fourth year that we have supported this programme which has identified over 0.5m tonnes of carbon savings to date.

Looking ahead

Greater competition for business and for staff is expected in 2008. However ESD's 20-year track record provides us with an excellent reputation to secure new work, develop successful partnerships and recruit new staff.

The market opportunity is strong, and over the next three years we aim to leverage the synergies created by the Camco and ESD merger, grow our carbon management consultancy and continue our work on sustainable property development, for example, the BioRegional and WWF One Planet Living® project. Spanning several regions including the UK, North America, South Africa and China, One Planet Living® aims to achieve zero carbon, sustainable housing.

Carbon footprinting has been a growth area that supports the rest of our business and 2008 will see our 1000th emission assessment completed.

“Consultancy division revenue increased by 46%”

- 46% growth in consultancy revenues
- Consultancy offices established in North America, China and South Africa
- Expanded emissions assessment services into new markets
- Over 1500 climate change and sustainable development projects completed to date

Ventures overview

Camco Ventures collaborates with technology start-ups, energy project developers, investors, government agencies and manufacturers to develop and commercialise GHG technologies and low carbon projects and services. We provide the management infrastructure, financial structuring, business planning and technical support required to take each start-up business from inception to commercialisation.

The ventures business leverages the Group's strong intellectual property to create superior value for partners. We look for investment opportunities that will impact strategically on the Group offering, whether by opening a new field or by enabling cross-group synergies.

2007 in review

2007 saw a number of acquisitions, among them Bradshaw, which has developed an energy software product to help companies manage and reduce their carbon emissions. The product will leverage the Group's client base of major industrial companies in the UK and North America.

Last year, the Group acquired the Dallas Clean Energy project (McCommas Bluff Landfill) in Texas, one of the largest in North America. Specifically we have acquired a 17-year lease to develop the site for improved collection and destruction of methane gas, one of the most harmful contributors to global warming. The Dallas Clean Energy project will be the anchor asset for the planned Climate Leaders Asset Management vehicle.

Establishment of nursery,
Scolel Té Plan Vivo project, Mexico

Initial commercial steps were taken to generate carbon credits under the Plan Vivo methodology, a high quality framework for land use and forestry projects. The Group is working with projects that have been established in Mexico, Uganda and Mozambique, with more projects under development in Africa and North America. This is an example of the carbon asset business growing into new sectors and geographies.

Looking ahead

Camco Ventures will continue to support the building of Camco's presence in Europe, North America, Africa and Asia. We are currently in negotiations with project developers and investment partners around the world on a number of opportunities.

One of the unique attractions of the Group is its ability to enhance value with investors and project partners by capitalising on the intellectual property and new opportunities being generated out of the ventures practice.

The main challenges for 2008 will be to manage and continue the rapid growth of our current ventures in the fields of land use and energy software and the launch of our asset management venture.

"There's no better example of what opportunities Camco Ventures can reveal than Camco itself, which began as an ESD joint venture in 2003"

- Acquisition of Bradshaw and 'Energy Desktop' Software
- One of the largest landfills in North America acquired: Dallas Clean Energy

Where we stand

The Group is committed to creating a sustainable low carbon society. To achieve our vision, we actively participate in internal and external corporate responsibility projects. These projects contribute to a reduction in our environmental impact while supporting the long-term sustainable development of the communities in which we operate.

Our environment

The carbon footprint of the business was 1750 tonnes in 2007, representing approximately eight tonnes per employee. The Group is committed to reducing this carbon footprint over time. A new heating system run on wood pellets was installed in our Bath office, replacing the gas system and reducing our carbon footprint. Emissions that we can't avoid are offset through purchases of carbon offsets. In 2008 the Group intends to purchase a total of 2000 tonnes from a Plan Vivo project and a pre-registration CDM project in Azerbaijan. The implementation of video conferencing technology to reduce the flights associated with face-to-face meetings began in 2007 and will be completed in 2008.

Our team enjoys an ethos of shared decision-making

Our people

Camco recruits, develops and retains the best talent available by a commitment to our employees that encompasses an ethos of shared decision-making, an informal working environment, and the positive involvement of employees through shareholding.

We believe in continuous professional development. All employees are supported in their training needs from basic induction programmes to external training courses. Additionally, we conduct staff exchange programmes and secondments designed to increase capability across a range of both technical and managerial areas.

Our community

In 2007 we continued our support of the Neema Children's Centre in Nairobi, which cares for orphans and vulnerable children. The funds we provide are raised through staff contributions matched by the Group and are used for essentials such as food, clothing, education and medical care. We began our support in 2005 and will continue in 2008 and beyond. This year we also assisted the Bethel Foster Home for visually impaired orphans in China with the donation of a heating system based on renewable energy. The new system will not only reduce costs but also improve air quality.

“Be the change you want to see in the world”

Mahatma Gandhi

David Potter
Chairman and Non-executive Director

David Potter has been the Chairman and Non-executive Director of several listed companies including Solar Integrated Technologies. He has worked in the finance sector for 35 years with Investec, Guinness Mahon, Midland Bank, CSFB and Samuel Montagu. David has been the Chairman of our Board of Directors since February 2006 and is a member of the Audit, Nomination and Remuneration Committees. David has an MA (Hons) in Politics, Philosophy and Economics from Oxford University.

Dr Jeff Kenna
Chief Executive Officer

Jeff Kenna has 30 years' experience managing small and medium sized enterprises in the sustainable energy sector, from incubation to full commercial development. He has been an adviser to the European Commission, the World Bank, the UN and the UK government on energy policy and market growth. Jeff has been a member of our Board of Directors since February 2006, firstly as a Non-executive Director and then as CEO from April 2007. He was a founder and Managing Director of ESD from 1989. Jeff has a PhD in Solar Energy from the University of Wales and a BSc in Applied Physics from the University of Bath.

Scott McGregor
Chief Financial Officer

Scott McGregor has worldwide experience in the mining, finance and technology industries with strong experience in fund raising and strategic development within early-stage and high growth companies. Scott has been a member of our Board of Directors since March 2006 and has advised leading corporations in North America and Europe on environmental initiatives. Previously Chief Financial Officer at Oxegen Inc, a technology ASP, more recently Scott was a Corporate Development Manager at Skype. Scott has an MBA from the London Business School, a B.Econ from Monash University and qualified as a Chartered Accountant through PriceWaterhouseCoopers.

Michael Farrow
Non-executive Director

Michael Farrow is a Principal and Director of Consortia Partnership Limited, a Jersey licensed trust company. He currently sits on the boards of a number of listed companies and substantial private funds. He has also been Group Company Secretary of Cater Allen Jersey, a banking, trustee and investment management group. Michael has been a member of our Board of Directors since March 2006 and is a member of the Audit and Nomination Committees, and also the Chairman of the Remuneration Committee. Michael was formerly an Army Officer and holds an MSc in Corporate Governance and is a Fellow of the Chartered Institute of Secretaries and Administrators.

Dr Herta von Stiegel
Non-executive Director

Herta von Stiegel is Executive Chairman of Stargate Capital Investment Group. She previously held senior positions at Citibank, JP Morgan and AIG Financial Products. She serves on several boards in the corporate and not-for-profit sectors. Herta has been a member of our Board of Directors since March 2006 and is a member of the Remuneration and Nomination Committees, and also the Chairman of the Audit Committee. Herta is a Member of the State Bar of Michigan and New York and holds a Juris Doctor degree from Thomas M Cooley Law School, a Masters of Law degree in Taxation from New York University School of Law and a BA from Andrews University, Michigan.

Abatement
GHG abatement refers to the reduction or elimination of gases that contribute to climate change.

Annex B countries
Annex B countries are the 39 emission-capped countries listed in Annex B of the Kyoto Protocol. These countries are natural buyers of carbon credits.

Annex I countries
Annex I countries are the 36 countries and economies in transition, listed in Annex I of the UNFCCC. Belarus and Turkey are listed in Annex I but not Annex B; and Croatia, Liechtenstein, Monaco and Slovenia are listed in Annex B but not Annex I.

Cap and trade
A cap and trade system is an emission trading system, where total emissions are limited or 'capped'. The Kyoto Protocol is a cap and trade system in the sense that emissions from Annex B countries are capped and that excess permits might be traded. However, normally cap and trade systems will not include mechanisms such as the CDM, which will allow for more permits to enter the system, i.e. beyond the cap.

Certification
Certification is when an independent auditor certifies that a certain quantity of emission reductions have been generated by a project, as determined in accordance with the approved monitoring plan of that project.

CER
A CER, or Certified Emission Reduction, represents a tonne of carbon which has been through the Kyoto-regulatory process to take the form of a carbon credit.

Clean Development Mechanism (CDM)
The CDM is a mechanism for project-based emission reduction activities in non-Annex I countries established by Article 12 of the Kyoto Protocol. Certificates will be generated through the CDM from projects that lead to certifiable emission reductions that would otherwise not occur.

Commitment period
The five-year Kyoto Protocol Commitment Period is scheduled to run from calendar year 2008 to calendar year-end 2012.

Compliance buyer
Compliance buyers operate in countries within the European Union's Emission Trading Scheme (EU ETS) and purchase carbon credits as part of their carbon strategy.

Emission Reduction Unit (ERU)
Certificates achieved through a Joint Implementation project.

Emissions trading
Emissions trading allows for the transfer of emission allowances between countries (e.g. as AAUs) or between companies (e.g. as EUAs) covered by a cap and trade scheme.

European Union Allowance (EUA)
Under the European Union's Emissions Trading Scheme (EU ETS) one tonne of carbon is expressed as an EUA, rather than a carbon credit.

Financial buyer
Financial buyers represent the banks and financial institutions that purchase carbon.

Greenhouse gases (GHGs)
Greenhouse gases (GHGs) are trace gases that control energy lows in the earth's atmosphere by absorbing infra-red radiation. Some GHGs occur naturally in the atmosphere, while others result from human activities. There are six GHGs covered under the Kyoto Protocol. In order of intensity they are: carbon dioxide (CO_2) methane (CH_4), nitrous oxide (N_2O), hydro fluorocarbons (HFCs), per fluorocarbons (PFCs) and sulphur hexafluoride (SF_6).

Issuance
Issuance refers to the instruction by the CDM Executive Board to the CDM Registry Administrator to issue a specified quantity of CERs for a project activity into the pending account of the Executive Board in the CDM registry.

Joint Implementation (JI)
Joint Implementation is a mechanism established under Article 6 of the Kyoto Protocol for the transfer of emission permits from one Annex B country to another, for example from Russia to France. JI generates ERUs on the basis of emission reduction projects leading to quantifiable emission reductions.

Kyoto Protocol
The Kyoto Protocol originated at COP-3 to the UNFCCC in Kyoto, Japan, December 1997. It specifies emission obligations for the Annex B countries and defines the three Kyoto mechanisms: JI, CDM and emission trading. It entered into force on 16 February 2005.

Marginal cost of abatement
The costs of building and maintaining emission reduction projects varies greatly, both by region and technology. The marginal cost of abatement (expressed per tonne of carbon) refers to the cost of undertaking the next emission reduction project. Most of the low cost projects have been identified, but as the price of carbon increases, additional projects will become profitable.

Non-Annex I countries
Annex I is an Annex in the UNFCCC listing those countries that are signatories to the Convention and committed to emission reductions. The non-Annex I countries are developing countries, such as China and South Africa, which have no emission reduction targets.

Registration
Registration is the formal acceptance by the Executive Board of a validated project activity as a project activity. Registration is a prerequisite for the verification, certification and issuance of credits related to that project activity.

Verification
The process whereby an operational project is audited post registration by an independent UN approved entity to confirm that emission reductions have occurred.

Verified Emission Reductions (VERs)
VERs are generated by projects which are assessed and verified by third party organisations rather than through the UNFCCC. VERs are often referred to as Voluntary Emission Reductions.

Camco International Limited

Annual report and consolidated financial statements
for the year ended 31 December 2007
Jersey registered 92432

"The outlook for the Camco Group is positive; the carbon and sustainable development markets are growing strongly and Camco is uniquely positioned to take advantage of these opportunities"

Directors' report

The Directors submit their report and financial statements for the year-ended 31 December 2007 (the "period").

Tax and company status

Camco International Limited (the "Company") is a public company listed on the London Stock Exchange's Alternative Investment Market ("AIM"). The Company is incorporated in Jersey under the Companies (Jersey) Law 1991 and regulated by the Jersey Financial Services Commission ("JFSC"). The Company has applied for and been granted tax exempt status by the Jersey Comptroller of Income Tax for the period. The Company will apply for and expects to be granted similar tax exempt status for future periods.

Principal activity

The principal activity of the Company and its subsidiaries (together the "Group") is to identify and develop greenhouse gas emission reduction projects and provide carbon and sustainable development consultancy services, including emissions assessment, carbon management and strategy and policy work.

Performance during the period

The financial statements of the Group and Company for the period appear on pages 36 to 64.

The loss after tax attributable to equity holders for the period is €12,131,000. The Directors do not recommend the payment of a dividend for the period.

During the period, the Group or its subsidiaries acquired several consulting businesses, including ESD and Bradshaw. The Group also acquired the assets related to operating and developing the Dallas Clean Energy landfill methane collection and destruction plant. These assets are being held for sale.

In addition, the Company continued its core business of entering into Carbon Development Contracts ("CDCs"). The majority of revenue on these contracts is expected to be recognised during the 2008-2012 phase of the Kyoto Protocol. Some revenue has been recognised where CDCs have delivered carbon credits ahead of the 2008-2012 phase and the Group has successfully commercialised these in the period.

The loss in the period is in line with the Directors' expectations given the business expansion costs and the small number of revenue items.

Financial position at the end of the period

Total equity is €58,235,000 and is based on significant cash resources of €19,613,000 (net of overdraft) remaining following issuance of new share capital in the period.

The total value of CDCs held is €13,302,000 and includes the cost of CDCs acquired and directly attributable costs capitalised in the period. The acquisition of ESD / Bradshaw operations gave rise to additional goodwill on acquisition of €13,257,000.

At the period end and as a result of the business expansion outlined above the Company had 20 direct or indirect significant subsidiaries and the Group had an average of 147 employees in the period.

The Company had no material interest bearing debt in the period and the Directors considered that financial gearing was not suitable for the Group during this investment and business expansion period. The consulting business takes out loans and borrowings to fund working capital. The Directors consider the Group to be in a strong financial position from which to continue its growth and market development strategy.

Operations

The Group operates through a network of offices in Europe, Africa, Asia and North America. In general, these offices do not enter into CDCs but provide marketing, origination and advisory services to the Company to enable it to do so. Once the Company has entered into CDCs the offices may also provide management services in respect of these contracts.

During the year, new offices were established in SE Asia, China and North America.

Directors' interests

Details of Directors' interests in the Company's shares are shown in note 32. Save as shown in note 32, no Director had any disclosable interest in the shares of the Company or its subsidiaries during the period.

Corporate governance

The Directors are committed to a high standard of corporate governance for which they are accountable to stakeholders and particularly shareholders. The Group and Company applies, having regard to its size and nature, and so far as it considers practical and appropriate, the principles contained in Part 1 of the Combined Code appended to the Listing Rules published by the UK Listing Authority. The Company continues to monitor developments in the area of corporate governance.

The Board

The Board is ultimately responsible for the effectiveness of the Group's system of internal control. The roles and responsibilities of the Board and senior management are clearly defined and regularly reviewed. The Board includes an appropriate balance of executive and non-executive Directors and meets formally six times a year and on such other occasions as required by the demands of the business. It is supplied with information by senior management in a timely and accurate manner, appropriate to enable it to discharge its duties of reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

The roles of the Chairman and the Chief Executive Officer

The division of responsibilities between Chairman of the Board and the Chief Executive Officer is clearly defined. Their responsibilities are outlined below.

The Chairman

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman has no involvement in the day-to-day business of the Group. The Chairman facilitates the effective contribution of non-executive Directors and manages constructive relations between non-executive and executive Directors. The Chairman ensures that regular reports from the Company's brokers are circulated to the non-executive Directors to enable non-executive Directors to remain aware of shareholders' views. The Chairman ensures effective communication with the Company's shareholders.

The Chief Executive Officer

The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group. The Chief Executive Officer has formed a Management Committee to enable him to carry out the responsibilities delegated to him by the Board. The Management Committee comprises all executive Directors and senior managers from each business region. The Management Committee meet on a regular basis to consider operational matters and implement the Group's strategy.

The Board's Committees

The Board has formally established three committees in accordance with the Combined Code to provide oversight to support the proper governance of the Company, these are outlined below.

The Audit Committee

The Audit Committee comprises Herta von Stiegel (Chairman), Michael Farrow and David Potter who are all non-executive Directors.

The Directors

David Potter	Non-Executive Chairman	Appointed 21 February 2006
Tristan Fischer	Chief Executive Officer	Resigned 31 March 2007
Scott McGregor	Chief Financial Officer	Appointed 16 March 2006
Alexander Westlake	Chief Operations Officer	Resigned 20 June 2007
Jeffrey Kenna	Non-executive	Resigned 1 April 2007
Jeffrey Kenna	Chief Executive Officer	Appointed 1 April 2007
Michael Farrow	Non-executive	Appointed 16 March 2006
Herta von Stiegel	Non-executive	Appointed 16 March 2006

The Committee is responsible for the following functions recommended by the Combined Code including:

- Review of the annual financial statements and interim reports prior to approval, focusing on changes in accounting polices and practices, major judgemental areas, significant audit adjustments, going concern and compliance with accounting standards, Stock Exchange and legal requirements;
- Receive and consider reports on internal financial controls, including reports from the auditors and report their findings to the Board;
- Consider the appointment of the auditors and their remuneration including reviewing and monitoring of independence and objectivity;
- Meet with the auditors to discuss the scope of the audit, issues arising from their work and any matters the auditors wish to raise;
- Develop and implement policy on the engagement of the external auditor to supply non-audit services;
- Review the Group's corporate review procedures and any statement on internal control prior to endorsement by the Board;
- Responsibility for a study and review of risk management process and making recommendations to the Board; and
- Review the requirement for an internal audit function.

The Remuneration Committee

The Remuneration Committee comprises Michael Farrow (Chairman), Herta von Stiegel and David Potter who are all non-executive Directors.

The Committee has the following key duties:

- Reviewing and recommending the emoluments, pension entitlements and other benefits of the executive Directors and as appropriate other senior executives; and
- Reviewing the operation of share option schemes and Long Term Incentive Plans and the granting of such options.

The Nomination Committee

The Nomination Committee comprises Michael Farrow, Herta von Stiegel and David Potter (Chairman) who are all non-executive Directors.

The Committee is responsible for considering all potential appointments to the Board and to make suitable proposals to the Board in relation to potential appointments.

The Company Secretary

The Company secretary is Consortia Partnership Limited, a Jersey-based limited liability company regulated by the JFSC. Michael Farrow is a Director of this company.

Directors' report cont.

Relations with shareholders

The Company provides shareholders and stakeholders with relevant information in a timely and balanced manner. We understand and respect the rights of shareholders, will convene Annual General Meetings in full consideration of these rights, and encourage full participation of both institutional and private investors.

Internal control

The Audit Committee is responsible on behalf of the Board for the Group's system of internal control and has taken into account the relevant provisions of the Combined Code in formulating the systems and procedures in operation by the Group. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and provide only reasonable and not absolute assurance against material misstatement or loss. The Board is aware of the need to conduct regular risk assessments to identify any deficiencies in the controls currently operating over all aspects of the Group. The Board will conduct a formal risk assessment on an annual basis but will also report by exception on any material changes during the year.

Risk assessment

In determining what constitutes a sound system of internal control the Board considers:

- The nature and extent of the risks regarded as acceptable for the Company to bear within its particular business;
- The threat of such risks becoming reality;
- The Company's ability to reduce the incidence and impact on business if the risk crystallises;
- The costs and benefits resulting from operating relevant controls; and
- Recommendations from the Audit Committee as part of its overall responsibility for risk.

Policies

Through the regular meetings of the Board and the schedule of matters reserved for the Board's committees, the Board aims to maintain full and effective control over appropriate strategic, financial, operational and compliance issues. The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. For each financial period, the Board considers and approves a strategic plan and financial budget. In addition, there are established procedures and processes for planning and controlling expenditure and making investments.

Processes

- Review of monthly management accounts with comparison of actual performance against budget; and consideration of the outturn for the year;
- Monthly reconciliation of all control accounts;
- Approval by the Board is required for major investments outside the budget;
- Segregation of duties between relevant functions and departments.
- All financial commitments entered into or which there is a commitment which extends beyond a single calendar year must be approved by the Board.

Going concern

The Directors are satisfied that the Group and the Company have adequate resources to continue to operate for the foreseeable future. For this reason, they consider it appropriate for the financial statements to be prepared on a going concern basis.

Political donations

In line with Group policy no donations were made to political parties during the period.

Audit information

Each of the Directors confirms that: (a) so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware; and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of such information.

Auditors

On 24 May 2007 the Company resolved to reappoint KPMG Audit Plc as the Group's auditors for the year-ended 31 December 2007.

A resolution to reappoint KPMG Audit Plc as the Group's auditors will be put to the forthcoming Annual General Meeting.

By Order of the Board

Christopher McFadyen
Consortia Partnership Limited
Company Secretary

Registered Office:
Channel House
Green Street
St Helier
JE2 4UH

5 March 2008

Report of the Remuneration Committee

Composition and terms of reference

The Remuneration Committee was established on admission to AIM on 25 April 2006 and comprises only independent non-executive Directors. Its members during the period were Michael Farrow (Chairman), Herta von Stiegel and David Potter. The Committee's terms of reference take into account the provisions of the Combined Code on corporate governance for smaller companies and ensure that processes designed to retain and remunerate the executive Directors and management are consistent with current best practice.

Directors' remuneration policy

Non-executive Directors

The Company's policy for non-executive Directors (including the Chairman) is to pay fees which are competitive with fees paid by other similar AIM listed companies of commensurate size and growth prospects. Non-executives are not currently eligible for bonuses, share options, long-term incentives, pensions or performance related remuneration.

Executive Directors

The Company's policy for executive Directors is to provide remuneration and other benefits sufficient to attract, retain and motivate executives of the calibre required. Total remuneration includes salary, performance related bonuses, share options and long-term incentives. Bonuses are provided at the discretion of the Remuneration Committee and are performance related. Share options and long-term incentives are provided to motivate and retain executive Director's services.

Directors' remuneration during the period

	2007 Salaries and fees €'000	2007 Performance bonus €'000	2007 Pension contribution €'000	2007 Termination payment €'000	2007 Total €'000
Executive Directors					
Tristan Fischer	22	-	8	862	**892**
Scott McGregor	156	67	9	-	**232**
Alexander Westlake	105	-	-	-	**105**
Jeffrey Kenna	153	64	8	-	**225**
Non-executive Directors					
David Potter	85	-	-	-	**85**
Michael Farrow	43	-	-	-	**43**
Herta von Stiegel	43	-	-	-	**43**
Jeffrey Kenna	9	-	-	-	**9**
Total	**616**	**131**	**25**	**862**	**1,634**

	2006 Salaries and fees €'000	2006 Performance bonus €'000	2006 Pension contribution €'000	2006 Sign on bonus €'000	2006 Total €'000
Executive Directors					
Tristan Fischer	147	22	7	73	**249**
Scott McGregor	122	19	4	-	**145**
Alexander Westlake	129	19	-	-	**148**
Non-executive Directors					
David Potter	65	-	-	-	**65**
Michael Farrow	29	-	-	-	**29**
Herta von Stiegel	29	-	-	-	**29**
Jeffrey Kenna	33	-	-	-	**33**
Total	**554**	**60**	**11**	**73**	**698**

On 2 April 2007, a compromise agreement was signed with Tristan Fischer, the former Chief Executive Officer of the Company. The agreement outlined a compensation package following the termination of his employment contract. The charges, all of which are included in these financial statements and the table above, are as follows:

Income statement	**2007 €'000**
Salaries, benefits, bonuses and fees	**124**
Share-based payments - ordinary shares isssued (700,000 shares)	**708**
Share-based payments - share options under Executive Share Plan (192,857 shares)	**38**
Share-based payments - share options under LTIP (up to maximum of 750,000 shares)*	**22**
Total	**892**

*subject to the vesting conditions of the Long term Incentive Plan (note 6)

The Group operates a defined contribution retirement benefit plan for qualifying Directors. The assets of this plan are held separately from those of the Group. The only obligation of the Group is to make the contributions.

Report of the Remuneration Committee cont.

Camco International Limited 2006 Executive Share Plan (the "Plan")

Under the Plan the Group, or the trustee of the Employee Benefit Trust ("EBT"), can make awards of share options or conditional rights to receive shares ("awards") to selected Directors and managers.

The purpose of the Plan is to reward Directors and managers for services provided pre-admission to AIM and to retain their services over the vesting period. The past services resulted in the successful flotation of the Company on the AIM market.

The service condition stipulates that the Director or manager must provide continuous service over the vesting period.

The number of awards made to Directors of the Company and amounts payable per share are set out below.

	At 8 February 2006 Share awards outstanding Number	Granted in period Number	At 31 December 2006 Share awards outstanding Number	Vested in period Number	At 31 December 2007 Share awards outstanding Number	Price payable (per share) €
Tristan Fischer	-	321,429	321,429	(321,429)	-	0.05
Scott McGregor	-	321,429	321,429	(321,429)	-	0.05
	-	642,858	642,858	(642,858)	-	

Tristan Fischer's awards vested in two tranches of 128,572 awards on 14 March 2007 and 192,857 awards on 2 April 2007 when the share price was €0.75 and €1.02 respectively. The first tranche had a vesting period of 1 year. The second tranche had a vesting period of 1.1 years.

Scott McGregor's awards vested in two tranches of 128,572 awards on 13 March 2007 and 192,857 awards on 23 July 2007 when the share price was €0.74 and €1.15 respectively. The first tranche had a vesting period of 1 year. The second tranche had a vesting period of 1.3 years.

Long-Term Incentive Plan (the "LTIP")

The Board has approved the LTIP under which Directors and employees are entitled to equity-settled payment following vesting periods after 31 December 2008 and upon certain market and non-market performance conditions being met for reporting periods ending 31 December 2008 and 2009.

The purpose of the LTIP is to incentivise Directors and employees to ensure profit and share price performance targets are met over the vesting period. The LTIP will align Director's objectives with those of the shareholders.

The LTIP will vest at different levels depending on the Company's share price performance as compared with comparator groups and industry comparables over the vesting period. The comparator groups consist of a basket of SmallCap companies at the grant date (adjusted for mergers, demergers and delistings during the performance period). The Company's percentage rank is its rank in a comparator group divided by the number of companies in the group at the end of the performance period expressed as a percentage. If the Company's percentage rank is less than 50% none of the shares vest. At a percentage rank of 50-70% half of the shares will vest, 70-85% three quarters of the shares will vest and 85-100% all the shares will vest.

The LTIP will vest at differing levels depending on the achievement of profit targets over the vesting period.

	At 31 December 2006 Share awards outstanding Number	Granted Number	Forfeited Number	At 31 December 2007 Share awards outstanding Number	Price payable (per share) €
Tristan Fischer	2,597,975	-	(1,847,975)	750,000	0.01
Scott McGregor	1,558,785	-	-	1,558,785	0.01
Jeffrey Kenna	-	2,597,974	-	2,597,974	0.01
	4,156,760	2,597,974	(1,847,975)	4,906,759	

The Company's share price at the end of the year was €0.59. The highest share price in the year was €1.39 and the lowest €0.59. The LTIP awards are scheduled to vest after audited results for 2008 and 2009 financial years are known.

Directors' service contracts

Non-executive Directors, including the Chairman, hold office under the Company's Articles of Association and do not have service contracts. The Chairman is entitled to 6 months notice prior to termination of his appointment. The other non-executive Directors are entitled to 3 months notice prior to termination of their appointment. Following these notice periods there is no further entitlement to compensation or other benefits.

The Group's policy is that executive Directors' notice periods should not exceed one year. Scott McGregor and Jeffrey Kenna have employment contracts with the Group dated 16 March 2006 and 30 April 2007 and are terminable with 3 months' notice and 6 months' notice respectively given by the Group or employee. There are no provisions for compensation for early termination of these contracts, with the exception of change of role in the event of a merger or acquisition.

Audit

The tables in this report have been audited by KPMG Audit Plc.

By Order of the Board

Michael Farrow
Chairman, The Remuneration Committee
5 March 2008

Statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent Company financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The Group and parent Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the parent Company and the performance for that period; the Companies (Jersey) Law 1991 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with Companies (Jersey) Law 1991. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

Independent auditors' report to the members of Camco International Limited

We have audited the Group and parent Company financial statements of Camco International Limited for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the consolidated and parent Company Balance Sheets, the consolidated and parent Company Cash Flow statements and the Consolidated Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

In addition to our audit of the financial statements, the Directors have engaged us to audit the information in the Report of the Remuneration Committee that is described as having been audited, which the Directors have decided to prepare (in addition to that required to be prepared) as if the Company were required to comply with the requirements of Schedule 7A to the United Kingdom Companies Act 1985.

This report is made solely to the Company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 34, the Company's Directors are responsible for preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with the 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 (Jersey) Law 1991 and whether the part of the Report of the Remuneration Committee to be audited has been properly prepared as if the Company were required to comply with the requirements of Schedule 7A of the Companies Act 1985.

In addition we report to you if, in our opinion, the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and other information accompanying the Financial Statements 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 and performed 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.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year ended 31 December 2007;
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the parent Company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991;
- the information given in the Directors' Report is consistent with the financial statements; and,
- the part of the Report of the Remuneration Committee which we were engaged to audit has been properly prepared having regard to Schedule 7A to the United Kingdom Companies Act 1985, as if those requirements were to apply to the Company.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

5 March 2008

Income statement

Consolidated income statement

for the year ended 31 December 2007

Continuing operations	Notes	2007 €'000	Period from incorporation to 31 December 2006 €'000
Revenue	3	**10,444**	830
Cost of sales		**(4,365)**	(673)
Gross profit	2	**6,079**	157
Other administration expenses		**(14,872)**	(4,945)
Share-based payments	6	**(2,028)**	(577)
Total administration expenses	4	**(16,900)**	(5,522)
Loss from operations		**(10,821)**	(5,365)
Finance income	8	**1,171**	1,450
Finance expense	8	**(2,582)**	(58)
Loss before tax		**(12,232)**	(3,973)
Taxation	9	**126**	(2)
Loss after tax		**(12,106)**	(3,975)
Profit from discontinued operation (net of tax)	10	**16**	-
Loss for the period		**(12,090)**	(3,975)
Attributable to:			
Equity holders of the Company		**(12,131)**	(3,975)
Minority shareholders		**41**	-
Loss for the period		**(12,090)**	(3,975)
Basic and diluted loss per share in € cents			
Continuing operations		**(8.19)**	(3.42)
Loss for the period	11	**(8.18)**	(3.42)

Consolidated statement of recognised income and expense

for the year ended 31 December 2007

	Group 2007 €'000	Group 2006 €'000
Loss for the period	**(12,090)**	(3,975)
Exchange differences on translation of foreign operations	**337**	(22)
Total recognised income and expense for the period	**(11,753)**	(3,997)
Analysed to:		
Equity shareholders of the Company	**(11,794)**	(3,997)
Minority interest in subsidiary companies	**41**	-
	(11,753)	(3,997)

The notes on pages 39 to 64 form an integral part of these consolidated financial statements.

Balance sheets

Balance sheets
as at 31 December 2007

	Notes	Group 2007 €'000	Group 2006 * €'000	Company 2007 €'000	Company 2006 €'000
Assets					
Non-current assets					
Property, plant and equipment	12	**1,606**	304	**106**	134
Goodwill on acquisition	13	**14,413**	1,156	**-**	-
Other intangible assets	13	**1,463**	-	**-**	-
Carbon development contracts	14	**13,302**	10,751	**8,642**	6,123
Investments in subsidiaries	16	**-**	-	**18,020**	4,997
Other investments	18	**275**	-	**-**	-
Deferred tax assets	9	**414**	-	**-**	-
Total non-current assets		**31,473**	12,211	**26,768**	11,254
Current assets					
Prepayments and accrued income		**3,277**	496	**1,917**	429
Trade and other receivables	20	**5,678**	1,112	**15,078**	2,060
Cash and cash equivalents	21	**20,552**	24,719	**19,098**	24,063
Assets classified as held for sale	19	**8,512**	-	**-**	-
Total current assets		**38,019**	26,327	**36,093**	26,552
Total assets		**69,492**	38,538	**62,861**	37,806
Liabilities					
Current liabilities					
Current tax liability		**(917)**	(1)	**-**	-
Trade and other payables	23	**(5,759)**	(2,116)	**(1,172)**	(1,738)
Loans and borrowing	24	**(1,293)**	-	**-**	-
Deferred consideration	26	**(1,861)**	-	**-**	-
Liabilities classified as held for sale	19	**(143)**	-	**-**	-
Total current liabilities		**(9,973)**	(2,117)	**(1,172)**	(1,738)
Non-current liabilities					
Loans and borrowing	24	**(297)**	-	**-**	-
Provisions	25	**(203)**	-	**-**	-
Deferred consideration	26	**(375)**	(1,814)	**-**	-
Deferred tax liabilities	9	**(409)**	-	**-**	-
Total non-current liabilities		**(1,284)**	(1,814)	**-**	**-**
Total liabilities		**(11,257)**	(3,931)	**(1,172)**	(1,738)
Net assets		**58,235**	34,607	**61,689**	36,068
Equity					
Share capital	27	**1,662**	1,299	**1,662**	1,299
Share premium	28	**70,997**	36,909	**70,997**	36,909
Share-based payment reserve	28	**2,567**	577	**2,567**	577
Retained earnings	28	**(16,106)**	(3,975)	**(12,266)**	(2,536)
Translation reserve	28	**315**	(22)	**-**	-
Own shares	28	**(1,271)**	(181)	**(1,271)**	(181)
Minority interest		**71**	-	**-**	-
Total equity		**58,235**	34,607	**61,689**	36,068

* As restated (note 15)

The notes on pages 39 to 64 form an integral part of these consolidated financial statements.

These financial statements were approved by the Board of Directors on 5 March 2008 and were signed on its behalf by:

Scott McGregor
Chief Financial Officer
Director

Cash flow

Cash flow statements

for the year ended 31 December 2007

	Notes	Group 2007 €'000	Group 2006 €'000	Company 2007 €'000	Company 2006 €'000
Cash flow from operating activities					
Revenue and deferred income received		**8,573**	313	**2,919**	-
Cash paid to suppliers and employees *		**(20,766)**	(6,231)	**(8,135)**	(4,682)
Interest received		**1,254**	565	**1,228**	551
Interest paid		**(72)**	-	**-**	-
Service fees paid to subsidiaries		**-**	-	**(5,626)**	-
Income tax paid		**(72)**	(1)	**-**	-
Net cash flow from operating activities		**(11,083)**	(5,354)	**(9,614)**	(4,131)
Cash flow from investing activities					
Payment for acquisition of subsidiaries	15	**(5,295)**	(366)	**(4,710)**	-
Repayment of loan notes issued for acquisition of subsidiary		**-**	(3,150)	**-**	(3,150)
Net (overdraft)/cash acquired with subsidiaries	15	**(985)**	248	**-**	-
Payment for purchase of carbon development contracts		**-**	(896)	**-**	(2,116)
Payment for purchase of property, plant and equipment		**(1,187)**	(330)	**(12)**	(149)
Payment for asset held for sale		**(8,369)**	-	**-**	-
Net cash flow from investing activities		**(15,836)**	(4,494)	**(4,722)**	(5,415)
Cash flow from financing activities					
Proceeds from the issue of loan notes		**-**	5,000	**-**	5,000
Repayment of loan notes		**-**	(5,000)	**-**	(5,000)
Loans made to subsidiaries		**-**	-	**(12,560)**	(1,384)
Proceeds from issuance of shares		**24,280**	37,074	**24,280**	37,074
Costs of raising capital		**(357)**	(3,069)	**(357)**	(2,643)
Payment of finance lease liabilities		**(201)**	-	**-**	-
Net cash flow from financing activities		**23,722**	34,005	**11,363**	33,047
Change in cash and cash equivalents and bank overdraft		**(3,197)**	24,157	**(2,973)**	23,501
Opening cash and cash equivalents and bank overdraft		**24,719**	-	**24,063**	-
Effect of exchange rate fluctuations		**(1,909)**	562	**(1,992)**	562
Closing cash and cash equivalents and bank overdraft	21	**19,613**	24,719	**19,098**	24,063

* Cash paid to suppliers by Group was €12,298,000 (2006: €4,214,000) and employees €8,468,000 (2006: €2,017,000).
The notes on pages 39 to 64 form an integral part of these consolidated financial statements.

Notes to the financial statements

1 Significant accounting policies

Camco International Limited (the "Company") is a public company incorporated in Jersey under the Companies (Jersey) Law 1991. The address of its registered office is Channel House, Green Street, St Helier, Jersey JE2 4UH. The consolidated financial statements of the Company for the year ended 31 December 2007 comprise the Company, its subsidiaries and associates and jointed controlled entities (together the "Group"). Separate financial statements of the Company are also presented. The accounting policies of the Company are the same as for the Group except where separately disclosed.

The Company is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange.

A Statement of compliance

These consolidated and separate Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("adopted IFRS").

These consolidated and separate Company financial statements have been prepared in accordance with and in compliance with the Companies (Jersey) Law 1991.

The consolidated and separate financial statements were approved by the Board on 5 March 2008.

B Basis of preparation

The financial statements are presented in Euros, the functional currency of the Company, rounded to the nearest thousand Euros.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The most significant techniques for estimation are described in the accounting policies below and note 33.

The accounting policies set out below have been applied consistently to the period presented in these consolidated financial statements. The accounting policies have been consistently applied across all Group entities for the purposes of producing these consolidated financial statements.

The financial statements have been prepared on the historical cost basis.

Basis of consolidation

Subsidiaries Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Associates and jointly controlled entities (equity accounted investees) Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

C Accounting for Carbon Development Contracts ("CDCs")

The Group enters into CDCs with clients from which carbon credits are produced. Carbon credits, also known as Certified Emission Reductions ("CERs") or Emission Reduction Units ("ERUs") are generated through the highly regulated Carbon Development Mechanism ("CDM") and Joint Implementation ("JI") processes. These follow a number of steps including the approval of the project methodology and monitoring procedures, project design, project approval by the Designated National Authority ("DNA"), project validation by a Designated Operational Entity or equivalent ("DOE"), project acceptance by the host country, registration, verification and certification by a DOE. Verification of carbon credit production will take place at least once a year during this period. The Group works with the client at all stages of the process using proprietary knowledge and experience to negotiate this complex process.

Notes cont.

1 Significant accounting policies cont.

Treatment of CDC costs

CDCs acquired by the Group are recorded initially at cost (or fair value if through business combination).

Subsequently, the directly attributable costs are added to the carrying amount of CDCs. These costs are only carried forward to the extent that they are expected to be recouped through the successful completion of the contracts. The costs comprise consultancy fees, license costs, technical work and directly attributable administrative costs. All other costs are expensed as incurred.

Most of the Group's CDCs have not yet reached the stage at which income can be recognised. Once the income recognition criteria on these contracts are met (note 1W), the CDC costs will be expensed on the basis of carbon credits delivered as a proportion of total expected carbon credit production over the contract period. Most of the contracts are expected to be terminated in 2012.

D Goodwill on acquisition

Goodwill on acquisition represents the excess of the costs of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

E Intangible assets

(i) Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in profit or loss as incurred. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Other intangible assets
Other intangible assets are considered to have a finite life and are stated at cost less accumulated amortisation. Amortisation is charged to the income statement on a straightline basis over the expected life of the asset.

F Property, plant and equipment

(i) Computer and office equipment
Computer and office equipment is held at historical cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight line basis over the estimated useful life of three years.

(ii) Leasehold improvements
Leasehold improvements are held at historical cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight line basis over the remaining life of the lease.

G Investments in subsidiaries in the parent company accounts

Investments in subsidiaries are carried at cost less provision for impairment.

H Impairment

The carrying amounts of the Group's property, plant and equipment, goodwill on acquisition and other intangibles are reviewed at least annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For assets that have an indefinite useful life the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. The recoverable amount is the greater of the fair value less cost to sell and the value in use. Value in use is calculated as the present value of estimated future cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation and amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill on acquisition is not reversed.

I Discontinued operations

A discontinued operation is a component of the Group's business that is held for sale which was acquired exclusively with a view to resale. Classification as a discontinued operation occurs when the operation meets the criteria to be classified as held for sale.

J Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the Group of assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the group of assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

K Foreign exchange

(i) Foreign currency transactions

Transactions in currencies different from the functional currency of the Group entity entering into the transaction are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

(ii) Financial statements of non-Euro operations

The assets and liabilities of operations whose functional currency is not the Euro, including goodwill and fair value adjustments arising on consolidation, are translated at exchange rates ruling at the balance sheet date. The revenues and expenses of these operations are translated at rates approximating to the exchange rates ruling at the dates of the transactions. Exchange differences arising on retranslation of foreign operations are recognised directly in a separate component of equity, the translation reserve, and are released upon disposal of the non-Euro operation.

L Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

M Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above and other short-term highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value, net of bank overdrafts.

N Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The Company has applied for and been granted 'exempt' company status within the meaning of Article 123A of the Income Tax (Jersey) Law 1961, as amended, for the calendar year ended 31 December 2007 and intends to apply at the appropriate time for similar status for subsequent calendar years.

O Employee benefits

(i) Camco International Limited 2006 Executive Share Plan

The Group has applied the requirements of IFRS 2 to share option schemes allowing certain employees within the Group to acquire shares in the Company. For all grants of share options, the fair value as at the date of the grant is calculated using an appropriate option valuation model taking into account the terms and conditions upon which the options were granted and the corresponding expense is recognised as an employee expense with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the options.

(ii) Long-Term Incentive Plan

The Group enters into arrangements that are equity-settled share-based payments with certain employees (including Directors) under a Long Term Incentive Plan. These are measured at fair value at the date of grant, which is then recognised in the income statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of an appropriate model (Black-Scholes). In valuing equity-settled transactions, no account is taken of any vesting conditions, other than market conditions linked to the price of the shares of Camco International Limited. The charge is adjusted at each balance sheet date to reflect the actual number of shares expected to vest based on non-market performance conditions such as Group profit targets and employment service conditions. The movement in cumulative changes since the previous balance sheet is recognised in the income statement, with a corresponding entry in equity.

(iii) Defined contribution scheme

In the UK, the Group operates two defined contribution retirement benefit plans for qualifying employees. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Notes cont.

1 Significant accounting policies cont.

P Own shares held by the Employee Benefit Trust ("EBT")

Transactions of the Company-sponsored EBT are treated as being those of the Company and are therefore reflected in the parent Company and Group financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity.

Q Segment reporting

A segment is a distinguishable component of the Group, that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

R Earnings per share

Basic earnings per share is determined by dividing the result attributable to equity holders by the weighted average number of shares in issue during the period.

S Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

T Finance income and expenses

Finance income comprises interest income on surplus funds. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings and finance leases, unwinding of the discount on provisions, dividends on preference shares classified as liabilities. All borrowing costs are recognised in profit or loss, using the effective interest method.

Foreign currency gains and losses arising from a group of similar transactions are reported on a net basis.

U Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

V New accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these consolidated financial statements:

IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (note 2). Under the management approach, the Group will present segment information in respect of Consulting, Ventures and Carbon (note 2).

Accounting standards applied for the first time
IFRS 7 Financial instrument disclosure and the amendment to IAS 1 Presentation of Financial Statements - Capital Disclosure have been applied for the first time in these financial statements. The application has resulted in additional disclosure.

W Revenue

The Group has two sources of revenue, revenue relating to CDCs and consulting revenues.

CDC revenue

Revenue from CDCs is recognised at the point that the carbon credit has been verified by a DOE and the risk of delivery into the final CDM registry or equivalent (the "registry") is minimal. The Company expects that the verification, and delivery into the registry would take place within six months following the carbon credit production taking place. Where the Company takes ownership rights in carbon credits from CDCs, revenue will be recognised when verification, delivery and sales contracts for delivery are complete.

Voluntary Emission Reductions ("VERs") and other carbon credit revenue may be generated from carbon credit projects not operating under CDM or JI processes. The regulation criteria are agreed between all parties and generally revenue is recognised from VERs when all acceptance and confirmation notices have been issued by the relevant parties and the significant risks and rewards of ownership have been transferred.

The CDCs are scheduled to deliver the majority of carbon credits over the 2008-2012 phase of the Kyoto Protocol.

In certain instances the Group will perform a management review on behalf of third parties to deliver CDCs on a non-recourse basis. In these instances revenue is recognised on a time and materials basis.

Consulting revenue

Revenue from consultancy services provided is recognised in the income statement in proportion to the stage of completion of the consultancy contract. The stage of completion is assessed by reference to the overall contract value.

2 Segmental reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated to a segment on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets, that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

1. Consulting: The Group's consulting practice providing clients with low carbon energy and sustainable development solutions.
2. Ventures: Enters into partnerships with project and technology developers to commercialise climate change mitigation technologies and provide carbon asset management services.
3. Carbon: Carbon asset devepment, commercialisation and portfolio management.

   During 2006, the Group operated in one business segment, being that of CDCs (Carbon). Following on from the acquisition of the ESD Group on the 30 April 2007, there are now 2 additional business segments, namely Consulting and Ventures.

Geographical segments

The CDC business is managed on a world-wide basis but operates in three principle geographic areas, ERMEA (comprising Europe, Russia, Middle East and Africa), Asia and Americas. In ERMEA the Group operates primarily in Russia, Eastern Europe and Africa. In Asia the Group operates primarily in The People's Republic of China. In Americas the Group operates primarily in the United States of America. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the projects generating carbon credits and not the location of the Group entity recording the revenue. Segment assets are based on the location of the project for CDCs and location of office for the consulting business.

Notes cont.

2 Segmental reporting cont.

Business Segments

	Consulting		Ventures		Carbon		Eliminations		Consolidated	
	2007 €'000	2006 €'000	2007 €'000	2006 €'000	2007 €'000	2006 €'000	2007 €'000	2006 €'000	2007 €'000	2006 * €'000
External revenues	**6,924**	-	**645**	-	**2,875**	830	**-**	-	**10,444**	830
Inter-segment revenue	**496**	-	**-**	-	**-**	-	**(496)**	-	**-**	-
Total segment revenue	**7,420**	-	**645**	-	**2,875**	830	**(496)**	-	**10,444**	830
Segment gross margin	**5,148**	-	**337**	-	**1,090**	157	**(496)**	-	**6,079**	157
Segment result	**406**	-	**(776)**	-	**(6,026)**	(3,044)	**-**	-	**(6,396)**	(3,044)
Unallocated expenses									**(2,397)**	(1,744)
Share-based payments									**(2,028)**	(577)
Results from operating activities									**(10,821)**	(5,365)
Net finance (expense)/income									**(1,411)**	1,392
Taxation									**126**	(2)
Profit from discontinued operation (net of tax)									**16**	-
Loss for the period									**(12,090)**	(3,975)
Segment assets	**20,729**	-	**146**	-	**45,321**	38,538	**-**	-	**66,196**	38,538
Other investments	**-**	-	**275**	-	**-**	-	**-**	-	**275**	-
Unallocated assets									**3,021**	-
Total assets									**69,492**	38,538
Segment liabilities	**(4,377)**	-	**(997)**	-	**(3,190)**	(3,931)	**-**	-	**(8,564)**	(3,931)
Unallocated liabilities									**(2,693)**	-
Total liabilities									**(11,257)**	(3,931)
Capital expenditure **	**335**	-	**25**	-	**1,028**	1,226	**-**	-	**1,388**	1,266
Depreciation	**210**	-	**-**	-	**169**	27	**-**	-	**379**	27
Amortisation of intangible assets	**222**	-	**-**	-	**-**	-	**-**	-	**222**	-
Impairment losses of intangible assets and property, plant and equipment	**-**	-	**-**	-	**153**	72	**-**	-	**153**	72

Geographical Segments

	ERMEA		Asia		Americas		Consolidated	
	2007 €'000	2006 * €'000	2007 €'000	2006 €'000	2007 €'000	2006 €'000	2007 €'000	2006 * €'000
Revenue from external customers	**8,847**	10	**1,597**	820	**-**	-	**10,444**	830
Segment assets	**48,783**	28,066	**12,060**	10,472	**8,649**	-	**69,492**	38,538
Capital expenditure **	**1,332**	266	**56**	960	**-**	-	**1,388**	1,226

* As restated (see note 15).

** Capital expenditure includes payment for purchase of carbon development contracts, property, plant and equipment and payment of finance lease creditors.

3 Revenue

Revenue is derived as follows.

	2007 €'000	2006 €'000
CDC revenue	**2,875**	830
Consulting revenue	**7,569**	-
	10,444	830

4 Total administration expenses

Total administration expenses are analysed below.

	2007 €'000	2006 €'000
Depreciation of property, plant and equipment - owned assets	**232**	27
Depreciation of property, plant and equipment - leased assets	**147**	-
Share-based payments	**2,028**	577
Exceptional item - discretionary M&A expense	-	439
Other administration expenses	**14,493**	4,479
Total administration expenses	**16,900**	5,522

Services provided by the Group's auditor

During the year the Group obtained the following services from the Company's auditors, KPMG Audit Plc and its associates:

	2007 €'000	2006 €'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**220**	111
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries	**106**	34
IPO advice to the Company	**-**	203
Tax advice to the Company	**-**	168
Total services	**326**	516

Fees payable to the Company's auditor for the audit of the Company's annual accounts includes a charge of €55,000 for the review of the Group's interim financial report (2006: €29,000).

Non-audit services These services are those that could be provided by a number of firms. Work is only allocated to the auditors if it is regarded by the Audit Committee that it does not impact the independence of the audit team. Tax advice provided by the auditors is carried out by teams which are independent of the audit process.

5 Staff costs

	2007 €'000	2006 €'000
Wages and salaries	**7,401**	2,429
Payroll taxes	**674**	69
Share-based payment cost (note 6)	**2,028**	577
Pension costs	**171**	19
	10,274	3,094

The average number of employees during the period was 147 (2006:25). Wages and salaries shown above include salaries paid in the period and bonuses relating to the period. These costs are charged within administration expenses.

Notes cont.

6 Share-based payments

The Group operates two share-based incentive plans for its employees, the Camco International Limited 2006 Executive Share Plan (the "Plan") and the Long-Term Incentive Plan (the "LTIP"). The charge for each scheme and other share-based payments for the period is as follows:

	2007 €'000	2006 €'000
Camco International Limited 2006 Executive Share Plan	**473**	552
Long-Term Incentive Plan	**294**	25
Employee bonus paid in shares	**553**	-
Ordinary shares issued	**708**	-
	2,028	577

Camco International Limited 2006 Executive Share Plan

Under the Plan the Company, or the trustee of the Employee Benefit Trust ("EBT"), can make awards of share options or conditional rights to receive shares to selected Directors or key employees of the Company or its subsidiaries.

Purpose The purpose of the Plan is to reward Directors and key employees for services provided pre-admission to AIM and to retain their services over the vesting period. The past services resulted in the successful flotation of the Company on the AIM market.

Service condition The service condition stipulates that the Director or key employee must provide continuous service over the vesting period.

The number of awards made to Directors and key employees of the Company and amounts payable per share are set out below.

	At 8 February 2006		At 31 December 2006		At 31 December 2007	
	Share awards outstanding	Granted in period	Share awards outstanding	Vested and exercised in period	Share awards outstanding	Price payable (per share)
	Number	Number	Number	Number	Number	€
Directors	-	642,858	642,858	**(642,858)**	**-**	**0.05**
Key employees	-	3,015,000	3,015,000	**(955,000)**	**2,060,000**	**0.01**
Total	-	3,657,858	3,657,858	**(1,597,858)**	**2,060,000**	

Options were granted to individual Directors and key employees at various dates between 10 February and 14 March 2006. No new options were granted in the period and no options lapsed in the period. The options have an expiry date 10 years following date of grant. All outstanding options will vest within 12 months.

The fair value of each share option at grant is determined based on the Black-Scholes formula. The inputs to this model were as follows:

	2007	2006
Share price at grant (€ cents)	**34.7**	34.7
Weighted average fair value of option (€ cents)	**33.2**	33.2
Weighted average exercise price (€ cents)	**1.7**	1.7
Average expected volatility (%)	**40.2%**	40.2%
Expected life (years)	**2.0**	2.0
Average risk free rate (%)	**4.54%**	4.54%
Average expected dividend yield (%)	**-**	-

The expected volatility was determined using the historical volatility of Camco International Limited's share price over the period since listing on AIM.

Long-Term Incentive Plan

The Board has approved the LTIP under which Directors and employees are entitled to equity-settled payment following vesting periods after 31 December 2008 & 2009 and upon certain market and non-market performance conditions being met for the reporting periods ending 31 December 2008 & 2009.

Purpose The purpose of the LTIP is to incentivise Directors and employees to ensure profit and share price performance targets are met over the vesting periods. The LTIP will align management's objectives with those of the shareholders.

Market-based performance condition The LTIP will vest at different levels depending on the Company's share price performance as compared with comparator groups over the vesting period. The comparator groups consist of a basket of SmallCap companies and industry comparables at the grant date (adjusted for mergers, demergers and delistings during the performance period). The Company's percentage rank is its rank in a comparator group divided by the number of companies in the group at the end of the performance period expressed as a percentage. If the Company's percentage rank is less than 50% none of the shares vest. At a percentage rank of 50-70% half of the shares will vest, 70-85% three quarters of the shares will vest and 85-100% all the shares will vest.

Non-market performance conditions The LTIP will vest at differing levels depending on the achievement of profit targets over the vesting periods (the "profit" condition). The employee must remain employed by the Group throughout the entire vesting period in order to remain entitled to LTIP shares (the "service" condition).

The LTIP shares are valued by multiplying the market price of the Company's ordinary shares at date of grant with a number of weighting factors that reflect the expected outcome given the criteria set out in the performance conditions. The market-based performance condition uses the Company's and comparator group's historic share price data to predict the most likely future percentage rank. The market-based performance condition is not updated at each valuation date. The non-market-based performance conditions (profit and service) use management's forecasts to estimate the likely outcome under the LTIP rules. The non-market-based weighting factors are updated at each valuation date to include all relevant actual information.

	2007 Number of shares	**2006 Number of shares**
Outstanding at start of the period	**6,506,759**	-
Granted	**4,155,000**	6,506,759
Forfeited	**(2,206,974)**	-
Outstanding at end of the period	**8,454,785**	6,506,759

	2007	**2006**
Weighted average share price at grant (€ cents)	**52.0**	77.0
Weighted average fair value of option (€ cents)	**17.0**	14.4
Exercise price (€ cents)	**1.0**	1.0
Weighted average life at grant (years)	**2.1**	2.2

The shares outstanding at the end of the period have a remaining contractual life ranging from 1 to 2 years.

Employee bonus paid in shares This charge represents the best estimate of the fair value of shares to be issued in respect of 2007 employee bonuses.

Ordinary shares issued This charge relates to ordinary shares issues as part of an employee settlement agreement (see Report of the Remuneration Committee).

Notes cont.

7 Retirement benefit obligation

Defined contribution plans In the UK, the Group operates two defined contribution retirement benefit plans for qualifying employees. The assets of this plan are held separately from those of the Group. The only obligation of the Group is to make the contributions.

The total expense recognised in profit or loss is €171,000 (2006: €19,000), which represents the contributions paid to the plan. There were no outstanding payments due to the plan at the balance sheet date.

8 Net finance income

	2007 €'000	2006 €'000
Finance income		
Interest on bank deposits	**1,171**	860
Exchange movements - unrealised	**-**	490
Exchange movements - realised	**-**	100
	1,171	1,450
Finance expense		
Unwinding of discount (note 26)	**(97)**	(58)
Interest on overdraft and borrowings	**(72)**	-
Interest on finance lease creditor	**(22)**	-
Exchange movements - unrealised	**(2,256)**	-
Exchange movements - realised	**(135)**	-
	(2,582)	(58)
Net finance income	**(1,411)**	1,392

9 Taxation

	2007 €'000	2006 €'000
Current tax		
Jersey corporation tax	**-**	-
Foreign tax	**63**	(2)
	63	(2)
Deferred tax		
Movement in deferred tax liabilities	**63**	
Total income tax in the income statement	**126**	(2)

Reconciliation of income taxes in the income statement

The tax charge for the period is different to the exempt rate (0%) of corporation tax in Jersey and the differences are explained below:

	2007 €'000	2006 €'000
Loss before tax	**(12,232)**	(3,973)
Profit before tax multiplied by exempt rate of corporation tax in Jersey (0%)	-	-
Effects of:		
Effects of tax rates in foreign jurisdictions	**(113)**	(2)
Current year losses offset against pre-acquisition gains	**176**	
Change in temporary timing differences	**63**	-
Total income taxes in the income statement	**126**	(2)

The Company has applied for and been granted tax exempt status by the Jersey Comptroller of Income Tax for the period. The Company will apply for and expects to be granted similar tax exempt status for future periods.

The Company's subsidiaries carry on business in other tax regimes where the corporation tax rate is not zero. At 31 December 2007, the Group had tax losses carried forward for utilisation in future periods amounted to €2,007,000 (2006:€nil). Within subsidiaries where future profits are expected to arise deferred tax assets have been recognised. However, in other subsidiaries, due to the uncertainty as to the timing and extent of future profits no deferred tax assets have been recognised in respect of these tax losses carried forward.

Deferred tax

Deferred tax assets, liabilities and movements in the period are shown as follows.

	Group 2007 €'000	Group 2006 €'000
Deferred tax asset at 1 January 2007 & 8 February 2006	-	-
Arising on acquisition of ESD in respect of losses carried forward (note 15)	414	-
Deferred tax asset 31 December	414	-

	Group 2007 €'000	Group 2006 €'000
Deferred tax liability at 1 January 2007 & 8 February 2006	-	-
Arising on acquisition of intangible assets	(472)	-
Utilised in the period	63	-
Deferred tax liability 31 December	(409)	-

10 Discontinued operation

On 29 November 2007, the Group purchased the assets related to operating and developing the Dallas Clean Energy (formerly McCommas Bluff) landfill methane collection and destruction plant for cash consideration of €7,822,000. The Dallas Clean Energy project is intended to be sold to a carbon asset fund within 6 to 9 months. The Group intends to transfer the Dallas Clean Energy asset into this fund whereupon it will be managed by a dedicated operations team based in North America.

Profit from discontinued operation (net of tax)	2007 €'000	2006 €'000
Revenue	159	-
Cost of sales	(133)	-
Gross profit	26	-
Administration expenses	(10)	-
Profit before tax	16	-
Taxation	-	-
Profit after tax	16	-
Basic and diluted earnings per share in € cents	0.01	-

There were no cash flows from the discontinued operation in 2007 with all income and expense being accrued at 31 December 2007.

11 Loss per share

Loss per share attributable to equity holders of the Company is calculated as follows.	2007 Cents per share	2006 Cents per share
Basic and diluted loss per share	(8.18)	(3.42)
	€'000	€'000
Loss used in calculation of basic and diluted loss per share	(12,090)	(3,975)
Weighted average number of shares used in calculation	147,762,389	116,307,918

Weighted average number of shares used in calculation	Company 2007 Number	Company 2006 Number
Number in issue at 1 January 2007 & 8 February 2006	129,898,733	-
Effect of own shares held	(4,604,407)	(2,875,034)
Effect of share options exercised	1,255,607	-
Effect of shares issued in the period	21,212,456	119,182,952
Weighted average number of issued shares at 31 December	147,762,389	116,307,918

Notes cont.

12 Property, plant and equipment

Computer and office equipment	Group 2007 €'000	Company 2007 €'000	Group 2006 €'000	Company 2006 €'000
Cost at 1 January 2007 & 8 February 2006	**331**	**149**	-	-
Additions	**1,042**	**12**	330	149
Acquired through business combinations (note 15)	**223**	**-**	1	-
Cost at 31 December	**1,596**	**161**	331	149
Accumulated depreciation at 1 January 2007 & 8 February 2006	**(27)**	**(15)**	-	-
Charge for the period	**(354)**	**(40)**	(27)	(15)
Accumulated depreciation at 31 December	**(381)**	**(55)**	(27)	(15)
Net book amount at 1 January 2007 & 8 February 2006	**304**	**134**	-	-
Net book amount at 31 December	**1,215**	**106**	304	134

Leasehold improvements	€'000	€'000	€'000	€'000
Cost at 1 January 2007 & 8 February 2006	**-**	**-**	-	-
Additions	**416**	**-**	-	-
Cost at 31 December	**416**	**-**	-	-
Accumulated depreciation at 1 January 2007 & 8 February 2006	**-**	**-**	-	-
Charge for the period	**(25)**	**-**	-	-
Accumulated depreciation at 31 December	**(25)**	**-**	-	-
Net book amount at 1 January 2007 & 8 February 2006	**-**	**-**	-	-
Net book amount at 31 December	**391**	**-**	-	-

Total	€'000	€'000	€'000	€'000
Cost at 1 January 2007 & 8 February 2006	**331**	**149**	-	-
Additions	**1,458**	**12**	330	149
Acquired through business combinations (note 15)	**223**	**-**	1	-
Cost at 31 December	**2,012**	**161**	331	149
Accumulated depreciation at 1 January 2007 & 8 February 2006	**(27)**	**(15)**	-	-
Charge for the period	**(379)**	**(40)**	(27)	(15)
Accumulated depreciation at 31 December	**(406)**	**(55)**	(27)	(15)
Net book amount at 1 January 2007 & 8 February 2006	**304**	**134**	-	-
Net book amount at 31 December	**1,606**	**106**	304	134

Finance leases The Group leases equipment under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at a beneficial price. Arrangements which are not in the legal form of a lease are still accounted for as such based on their terms and conditions. The leased equipment secures lease obligations. At 31 December 2007 the net carrying amount of leased computer and office equipment was €572,000 (2006: nil).

13 Goodwill on acquisition and other intangible assets

	Group 2007 Goodwill on acquisition €'000	Group 2007 Other intangible assets €'000	Group 2007 Total €'000	Group 2006 Goodwill on acquisition €'000	Group 2006 Other intangible assets €'000	Group 2006 Total €'000
Cost at 1 January 2007 & 8 February 2006	**1,156**	**-**	**1,156**	-	-	-
Acquisitions	**13,801**	**1,685**	**15,486**	1,156	-	1,156
Revision to original purchase consideration (note 15)	**(1,075)**	**-**	**(1,075)**	-	-	-
Revision to provisional fair values at acquisition (note 15)	**531**	**-**	**531**	-	-	-
Cost at 31 December	**14,413**	**1,685**	**16,098**	1,156	-	1,156
Amortisation at 1 January 2007 & 8 February 2006	**-**	**-**	**-**	-	-	-
Amortisation charge	**-**	**(222)**	**(222)**	-	-	-
Amortisation at 31 December	**-**	**(222)**	**(222)**	-	-	-
Net book value at 31 December 2006 & 8 February 2006	**1,156**	**-**	**1,156**	-	-	-
Net book value at 31 December	**14,413**	**1,463**	**15,876**	1,156	-	1,156

Goodwill in the period arose on the acquisition of ESD Partners Limited and its subsidiaries and Bradshaw Consulting Limited (note 15). The impairment testing for these assets is described in note 33.

14 Carbon development contracts

	Group 2007 €'000	Group 2006 * €'000	Company 2007 €'000	Company 2006 €'000
Cost at 1 January 2007 & 8 February 2006 as previously stated	**12,389**	-	**6,123**	-
Revision to provisional fair values at acquisition of MCF (note 15)	**(1,498)**	-	**-**	-
Cost at 1 January 2007 & 8 February 2006 as restated	**10,891**	-	**6,123**	-
Acquisitions	**-**	9,210	**-**	4,716
Carbon development contract costs capitalised	**2,811**	1,681	**2,599**	1,407
Cost at 31 December	**13,702**	10,891	**8,722**	6,123
Utilisation and write-down at 1 January 2007 & 8 February 2006	**(140)**	-	**-**	-
Amount charged to cost of sales in the period	**(107)**	(68)	**(80)**	-
Write-down of CDC costs previously capitalised	**(153)**	(72)	**-**	-
Utilisation and write-down at 31 December	**(400)**	(140)	**(80)**	-
Net book value at 1 January 2007 & 8 February 2006 as restated	**10,751**	-	**6,123**	-
Net book value at 31 December	**13,302**	10,751	**8,642**	6,123

* As restated (note 15)

The write-down of CDC costs was recognised following a review of the carrying amounts of CDCs. Where the discounted future cash flows on the contract were deemed insufficient to support the recoverability of the asset a write-down to the lower value was made.

Notes cont.

15 Business combinations

Acquisition of ESD Partnership Ltd On 30 April 2007, the Group acquired 100% of the share capital of ESD Partners Ltd the holding company for the Energy for Sustainable Development Group of companies (together "ESD"). The group is primarily engaged in the provision of consulting services in the field of climate change science and technology. The total purchase consideration was €13,020,000.

Fair value of identifiable net assets of ESD at date of acquisition	Acquiree's book values €'000	Provisional fair value adjustments €'000	Revision to fair value adjustments €'000	Revised acquisition amounts €'000
Customer relationships and contracts	-	443	-	443
Property, plant and equipment	201	-	-	201
Other investments	138	-	158	296
Deferred tax asset	-	-	414	414
Trade and other receivables and other assets	2,987	-	-	2,987
Overdraft	(997)	-	-	(997)
Trade and other payables	(1,750)	-	(29)	(1,779)
Current tax liability	-	-	(1,169)	(1,169)
Provisions	-	(207)	95	(112)
Deferred tax liability	-	(124)	-	(124)
Minority interest reserve	(30)	-	-	(30)
Net identifiable assets/(liabilities) acquired	**549**	**112**	**(531)**	**130**

Net cash out flow to acquire ESD	€'000
Cash consideration	4,414
Acquisition costs	296
Overdraft acquired	997
Net cash out flow	**5,707**

Goodwill recognised on acquisition	€'000
Cash consideration	4,414
Shares issued (10,333,333 at 60p per share)	9,065
Revision to original purchase consideration	(755)
Acquisition costs	296
Total purchase consideration	**13,020**
Less fair value of identifiable net assets acquired	(130)
Goodwill recognised on acquisition	**12,890**

The value placed by the Directors on ESD's personnel, history, reputation and synergies gave rise to the goodwill on acquisition. ESD's personnel are the most experienced and technically astute in the business. ESD's history dates back to 1989 when ESD commenced trading as one of the original environmental consultancy firms. During this time, a reputation has been built that means ESD is now a global market leader in the provision of low carbon energy and sustainable development solutions. The main synergy identified is the access of the carbon project development business to new clients and early access to new projects. Goodwill acquired has an indefinite useful economic life.

In the period from date of acquisition on 30 April to 31 December 2007, the ESD Group recorded a retained loss of €423,000. If ESD had been part of the Group from 1 January 2007 management estimates that the recorded retained loss would have been €12,419,000 with additional revenue of €3,702,000.

The total purchase consideration of €13,020,000 does not include any deferred consideration as at this stage the Directors are of the opinion it is not possible to calculate a reliable estimate of the final settlement amount. The maximum earn-out payment is £10,000,000 settled in cash or shares.

Provisional fair value adjustments were made in respect of intangible assets identified (customer relationships and contracts €443,000) and the consequent deferred tax liability (€124,000). Also, two provisions were recognised for contractual disputes identified following due diligence work (€207,000). One of these provisions was subsequently revised (see below).

The revision to fair value adjustments include a current tax liability of €1,169,000 arising in ESD Limited that related to pre-acquisition profits. An asset has been recognised in Other receivables of €755,000 being the recoverable amount from the former shareholders of ESD Partners Ltd. This covenant formed part of the sale and purchase agreement between Camco International Ltd and the vendors of ESD Partners Ltd (note 30). A deferred tax asset of €414,000 has been recognised in respect of losses acquired that can be utilised in the future (note 9). A provision (€95,000) identified during the acquisition due diligence has subsequently found not to be required.

Acquisition of Bradshaw Consulting Ltd On 10 May 2007, the Group acquired 100% of the share capital of Bradshaw Consulting Limited ("BCL"), a company engaged in the development of software to monitor and analyse carbon usage in industrial processes, for a total purchase consideration of €1,705,000.

	Acquiree's book values	Provisional fair value adjustments	Acquisition amounts
Fair value of identifiable net assets of BCL at date of acquisition	€'000	€'000	€'000
Software products	-	1,134	1,134
Customer relationships and contracts	-	108	108
Property, plant and equipment	22	-	22
Cash and cash equivalents	12	-	12
Trade and other receivables	212	-	212
Loan note	475	-	475
Trade and other payables	(277)	-	(277)
Deferred tax liability	-	(348)	(348)
Net identifiable assets/(liabilities) acquired	**444**	**894**	**1,338**

Net cash out flow to acquire BCL	€'000
Cash consideration paid	585
Cash and cash equivalents acquired	(12)
Net cash out flow	**573**

Goodwill recognised on acquisition	€'000
Cash consideration paid	585
Shares issued (296,296 at 67.5p per share)	293
Foregiveness of loan note	475
Deferred consideration at 10 May 2007	672
Revision to original purchase consideration (note 26)	(320)
Total purchase consideration	**1,705**
Less fair value of identifiable net assets acquired	(1,338)
Goodwill recognised on acquisition	**367**

The value placed by the Directors on BCL's personnel and reputation gave rise to the goodwill on acquisition. BCL's personnel designed and developed the software products identified above. They have also built a strong reputation for providing IT and engineering based cost reduction solutions for operational integration in a wide range of industrial, manufacturing and commercial businesses.

In the period from date of acquisition on 10 May to 31 December 2007, BCL recorded a profit of €54,000. If BCL had been part of the Group from 1 January 2007 management estimates that the recorded loss would have been €12,044,000 with additional revenue of €129,000.

Provisional fair value adjustments were made in respect of intangible assets identified (software products and customer relationships and contracts €1,134,000 and €108,000) and the consequent deferred tax liability (€348,000).

Notes cont.

15 Business combinations cont.

Acquisition of MCF Finance and Consulting Co. Ltd On 22 September 2006, the Company acquired 100% of the charter capital of MCF Finance and Consulting Co. Ltd ("MCF"), a company registered in the Russian Federation that is engaged in CDCs, for a total purchase consideration of €2,122,000.

Fair value of identifiable net assets of MCF at date of acquisition	Acquiree's book values €'000	Provisional fair value adjustments €'000	Revision to fair value adjustment €'000	Revised acquisition amounts €'000
Carbon development contracts	-	2,462	(1,498)	964
Property, plant and equipment	1	-	-	1
Cash and cash equivalents	1	-	-	1
Trade and other receivables	1	-	-	1
Trade and other payables	(1)	-	-	(1)
Net identifiable assets acquired	2	2,462	(1,498)	966

Net cash out flow to acquire MCF	€'000
Cash consideration paid	200
Acquisition costs	166
Cash and cash equivalents acquired	(1)
Net cash out flow	365

Goodwill recognised on acquisition	€'000
Cash consideration paid	200
Acquisition costs	166
Deferred consideration at 22 September 2006	3,254
Revision to original purchase consideration (note 26)	(1,498)
Total purchase consideration	2,122
Less fair value of identifiable net assets acquired	(966)
Goodwill recognised on acquisition	1,156

During the period, the Directors revised the deferred consideration on the MCF acquisition following new information related to the projects on which the deferred consideration is contingent. The reassessment equates to a €1,498,000 reduction in the deferred consideration amount and the fair value of the CDCs acquired (note 26).

Acquisition of Dallas Clean Energy On 29 November 2007, the Group purchased the assets related to operating and developing the Dallas Clean Energy (formerly McCommas Bluff) landfill methane collection and destruction plant for cash consideration of €7,822,000. The Dallas Clean Energy project is intended to be sold to a carbon asset fund within 6 to 9 months. The Group intends to transfer the Dallas Clean Energy asset into this fund whereupon it will be managed by a dedicated operations team based in North America. The assets acquired are described in note 19.

16 Investments in subsidiaries

	Company 2007 €'000	Company 2006 €'000
Cost at 1 January 2007 & 8 February 2006	4,997	-
Acquisition through business combinations	13,775	4,996
Revision to original purchase consideration	(755)	-
Additions	3	1
Cost at 31 December	18,020	4,997
Net book value at 1 January 2007 & 8 February 2006	4,997	-
Net book value at 31 December	18,020	4,997

A full list of significant subsidiaries is provided in note 31.

17 Equity accounted investees and joint ventures

The Group's share of profit in its equity accounted investees and joint ventures for the period was €nil (2006: €nil). The Group has not recognised losses relating to any of these entities, totalling €20,000 since acquisition through business combination, because the Group has no obligation in respect of these losses.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group.

	Investment	Holding	Total assets €'000	Total liabilities €'000	Net assets €'000	Revenue €'000	Expenses €'000	Loss €'000
ESD Biomass Ltd	Joint venture	50%	**20**	**(115)**	**(95)**	**-**	**(13)**	**(13)**
Re-Fuel Tech Ltd	Associate	43%	**1,057**	**(1,115)**	**(58)**	**-**	**(4)**	**(4)**
Camco International Ltd	Joint venture	50%	**-**	**-**	**-**	**-**	**-**	**-**

The net book value of each equity accounted investee and joint venture was €nil at 31 December 2007.

ESD Biomass Ltd has no non-current assets or liabilities. The Re-Fuel Tech Ltd assets are all non-current and €384,000 of its liabilities are non-current.

18 Other investments

	Group 2007 €'000	Group 2006 €'000
Cost at 1 January 2007 & 8 February 2006	**-**	-
Acquisition through business combinations	**296**	-
Exchange movements	**(21)**	-
Cost at 31 December	**275**	-

The investments held at 31 December 2007 are listed below.

	Holding	€'000	€'000
Other investment	**Holding**		
Renewable Energy Partnerships Ltd	7.50%	**271**	-
Heliodynamics Ltd	14.08%	**4**	-
Cost at 31 December		**275**	-

The Group has two joint venture investments and an investment in associate all of which have net liabilities hence are not recognised in these financial statements. No provisions have been made in respect of these investments because there is no constructive or legal obligation for the Group to settle any future liabilities on their behalf.

19 Asset and liabilities classified as held for sale

On 29 November 2007, the Group purchased the assets related to operating and developing the Dallas Clean Energy (formerly McCommas Bluff) landfill methane collection and destruction plant for cash consideration of €7,822,000. The Dallas Clean Energy project is intended to be sold to a carbon asset fund within 6 to 9 months. The Group intends to transfer the Dallas Clean Energy asset into this fund whereupon it will be managed by a dedicated operations team based in North America.

Dallas Clean Energy	2007 €'000	2006 €'000
Property, plant and equipment	**2,086**	-
Customer relationships and contracts	**5,736**	
Prepayments and accrued income	**690**	-
Assets classified as held for sale	**8,512**	-
Trade and other payables	**(143)**	-
Liabilities classified as held for sale	**(143)**	-

The purchase consideration was €7,822,000 in cash and was equal to the assets acquired being property, plant and equipment (€2,086,000) and customer relationships and contracts (€5,736,000). The main customer contract provides Dallas Clean Energy the right to sell methane gas to the City of Dallas (a municipal corporation of the State of Texas, USA) under a long-term lease. There is also a contract in place that provides Dallas Clean Energy the right to develop the site and increase capacity.

Notes cont.

20 Trade and other receivables

	Group 2007 €'000	Group 2006 €'000	Company 2007 €'000	Company 2006 €'000
Interest receivable	**218**	301	**218**	301
Trade receivables	**3,956**	681	**535**	676
Other receivables	**1,203**	130	**663**	-
Amounts due from equity accounted investees, joint ventures & subsidiary undertakings	**301**	-	**13,662**	1,083
	5,678	1,112	**15,078**	2,060

Other receivables includes €699,000 recoverable from the former shareholders of ESD Partner Ltd in relation to a tax liability arising in ESD Limited derived from pre-acquisition profits. €206,000 of this amount is receivable from related parties (note 30).

21 Cash and cash equivalents

	Group 2007 €'000	Group 2006 €'000	Company 2007 €'000	Company 2006 €'000
Cash on deposit	**20,552**	24,719	**19,098**	24,063
Bank overdrafts used for cash management purposes (note 24)	**(939)**	-	**-**	-
Cash and cash equivalents in the cash flow statements	**19,613**	24,719	**19,098**	24,063

22 Financial risk management

A comprehensive risk management framework is operated by the Group which covers all of the Company's subsidiaries. This framework addresses the following key risks.

Market risk The carbon market is subject to political and regulatory risk on a national, regional and global basis.

The consequence of the interaction of these frameworks and regulation is that the market price for carbon credits may be significantly affected by demand and supply considerations which leads to large fluctuations in market prices. The Group does not currently actively manage this risk. A €1 movement in the market price for a carbon credit may give rise to a movement in resources over the next five years of up to approximately €40 million based on the current carbon credit portfolio under management by the Group.

Credit risk The Group's exposure to credit risk arises from the Group's receivables from customers. Following the acquisitions during the year the aging profile of receivables has changed considerably following the inclusion of trade debtors from the consulting business. At 31 December 2007, the Group's trade receivables were classed as current (€1,586,000), due less than 90 days (€1,237,000) and due greater than 90 days (€1,133,000). The majority of the amounts due greater than 90 days relates to contracts with European government departments where the risk of default is small. At 31 December 2006, all trade receivables (€681,000) were classed as current.

The Group has no history of impairment losses relating to receivables as a result of prudent and careful management.

Liquidity risk Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach is to maintain sufficient funds on call to meet these requirements as they fall due with the rest of cash on term deposit in the relevant currencies as set out below.

Foreign exchange risk The Group is exposed to foreign exchange risk on sales, purchases and cash when transactions denominated in a currency other than the functional currency of the Group which is the Euro. The currency exposure on cash held is set out below:

Cash and cash equivalents

	Euro €'000	Sterling €'000	US Dollar €'000	Russian Rouble €'000	Chinese Yuan €'000	South African Rand €'000	Other €'000	Total €'000
Balance at 31 December 2007	**6,646**	**12,367**	**29**	**137**	**397**	**27**	**10**	**19,613**
Balance at 31 December 2006	546	24,078	-	69	26	-	-	24,719

Interest rate risk The Group has €939,000 of borrowing in the form of an overdraft over which interest is charged. The Directors consider interest rate risk to be immaterial. The majority of the Group's cash is deposited at a competitive money market rate based on LIBOR.

Fair value of financial assets and liabilities The Directors are of the view that there is no difference between the carrying values and fair values of the Group's financial assets and liabilities except for deferred consideration which is held at a discount that has unwound by €97,000 (2006: € 58,000).

Capital Management The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

From time to time the Group purchases its own shares on the market primarily to be used for issuing shares under the Group's share option programme. The Group does not have a defined share buy-back plan.

23 Trade and other payables

	Group 2007 €'000	Group 2006 €'000	Company 2007 €'000	Company 2006 €'000
Trade payables and other accruals	5,525	1,955	**1,172**	1,401
Deferred income	234	161	**-**	-
Amounts due to subsidiary undertakings	-	-	**-**	337
	5,759	2,116	**1,172**	1,738

The Directors consider that the fair value of other accruals approximates to the carrying value of other accruals.

24 Loans and borrowings

				Group 2007	Group 2006
Non-current liabilities	**Currency**	**Nominal rate**	**Maturity**	**€'000**	**€'000**
Secured bank loan				**-**	-
Finance lease liabilities	GBP	Various	2009-2010	**297**	-
				297	-
Current liabilities				**€'000**	**€'000**
Secured bank overdraft	GBP	Base+2.5%	2008	**939**	-
Secured bank loan	GBP	Base+3.0%	2008	**110**	-
Finance lease liabilities	GBP	Various	2008	**244**	-
				1,293	-

25 Provisions

	Group 2007 €'000	Group 2006 €'000
Onerous lease contract	**92**	-
Onerous commercial contract	**111**	-
	203	-

The onerous lease contract follows the vacation of ESD Limited's London office premises following the combination of two existing London offices of the Group. The onerous commercial contract results from an ongoing dispute over payments on a consulting business contract.

Notes cont.

26 Deferred consideration

	Group 2007 €'000	Group 2006 * €'000	Company 2007 €'000	Company 2006 €'000
Balance at 1 January 2007 & 8 February 2006 as previously stated	**3,312**	-	**-**	-
Revision to original purchase consideration of MCF	**(1,498)**	-	**-**	-
Balance at 1 January 2007 & 8 February 2006 as restated	**1,814**	-	**-**	-
Arising from acquisition in the period	**672**	1,756	**-**	-
Revision to original purchase consideration of BCL	**(320)**	-	**-**	-
Unwinding of discount	**97**	58	**-**	-
Exchange movements	**(27)**	-	**-**	-
Balance at 31 December	**2,236**	1,814	**-**	-

* As restated (note 15)

During the period, the Directors revised the deferred consideration on the MCF Finance and Consulting Co. Ltd ("MCF") acquisition following new information related to the projects on which the deferred consideration is contingent. The reassessment equates to a €1,498,000 reduction in the deferred consideration amount. The unwinding of the discount has been charged within net finance income (note 8). The deferred amount can be settled, at the Group's option, in cash or by issuing shares in the Company. €1,720,000 is due for settlement within one year.

On 10 May 2007, the Group acquired 100% of the share capital of Bradshaw Consulting Limited (note 15). The total purchase consideration included deferred consideration with a discounted value of €672,000 at date of acquisition. This value was revised downward by €320,000 in the period. The unwinding of the discount has been charged within net finance income (note 8). The deferred amount can be settled, at the Group's option, in cash or by issuing shares in the Company. €141,000 in cash is due for settlement within 1 year.

27 Issued capital

	2007 Number '000	2007 €'000	2006 Number '000	2006 €'000
Authorised				
Ordinary shares of €0.01	**1,250,000**	**12,500**	1,250,000	12,500
Issued and fully paid				
All ordinary shares of €0.01 (all classified in shareholders' funds)				
Issued on 1 January 2007 and 8 February 2006	**129,899**	**1,299**	-	-
Issued for cash	**23,589**	**236**	49,439	494
Issued as consideration in business combinations	**11,963**	**120**	80,460	805
Issued for share-based payments	**700**	**7**	-	-
Issued at 31 December	**166,151**	**1,662**	129,899	1,299

28 Equity

	Group 2007 Share capital €'000	Group 2007 Share premium €'000	Group 2007 Share-based payment reserve €'000	Group 2007 Retained earnings €'000	Group 2007 Translation reserve €'000	Group 2007 Own shares €'000	Group 2007 Total equity attributable to share holders of the Company €'000	Group 2007 Minority interest €'000	Group 2007 Total equity €'000
Balance at 1 January 2007	**1,299**	**36,909**	**577**	**(3,975)**	**(22)**	**(181)**	**34,607**	**-**	**34,607**
Total recognised income and expense	**-**	**-**	**-**	**(12,131)**	**337**	**-**	**(11,794)**	**41**	**(11,753)**
Share-based payments	**-**	**-**	**2,028**	**-**	**-**	**-**	**2,028**	**-**	**2,028**
Issuance of shares	**363**	**34,445**	**-**	**-**	**-**	**(1,170)**	**33,638**	**-**	**33,638**
Costs incurred in the raising of capital	**-**	**(357)**	**-**	**-**	**-**	**-**	**(357)**	**-**	**(357)**
Own shares	**-**	**-**	**(38)**	**-**	**-**	**80**	**42**	**-**	**42**
Acquisition of minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30**	**30**
Balance at 31 December 2007	**1,662**	**70,997**	**2,567**	**(16,106)**	**315**	**(1,271)**	**58,164**	**71**	**58,235**

	Group 2006 Share capital €'000	Group 2006 Share premium €'000	Group 2006 Share-based payment reserve €'000	Group 2006 Retained earnings €'000	Group 2006 Translation reserve €'000	Group 2006 Own shares €'000	Group 2006 Total equity attributable to share holders of the Company €'000	Group 2006 Minority interest €'000	Group 2006 Total equity €'000
Balance at 8 February 2006	-	-	-	-	-	-	-	-	-
Total recognised income and expense	-	-	-	(3,975)	(22)	-	(3,997)	-	(3,997)
Share-based payments	-	-	577	-	-	-	577	-	577
Issuance of shares	1,299	39,978	-	-	-	-	41,277	-	41,277
Costs incurred in the raising of capital	-	(3,069)	-	-	-	-	(3,069)	-	(3,069)
Own shares	-	-	-	-	-	(181)	(181)	-	(181)
Balance at 31 December 2006	1,299	36,909	577	(3,975)	(22)	(181)	34,607	-	34,607

	Company 2007 Share capital €'000	Company 2007 Share premium €'000	Company 2007 Share based payment reserve €'000	Company 2007 Retained earnings €'000	Company 2007 Translation reserve €'000	Company 2007 Own shares €'000	Company 2007 Total equity €'000
Balance at 1 January 2007	**1,299**	**36,909**	**577**	**(2,536)**	**-**	**(181)**	**36,068**
Total recognised income and expense	**-**	**-**	**-**	**(9,730)**	**-**	**-**	**(9,730)**
Share-based payments	**-**	**-**	**2,028**	**-**	**-**	**-**	**2,028**
Issuance of shares	**363**	**34,445**	**-**	**-**	**-**	**(1,170)**	**33,638**
Costs incurred in the raising of capital	**-**	**(357)**	**-**	**-**	**-**	**-**	**(357)**
Own shares	**-**	**-**	**(38)**	**-**	**-**	**80**	**42**
Balance at 31 December 2007	**1,662**	**70,997**	**2,567**	**(12,266)**	**-**	**(1,271)**	**61,689**

Notes cont.

28 Equity cont.

	Company 2006 Share capital €'000	Company 2006 Share premium €'000	Company 2006 Share based payment reserve €'000	Company 2006 Retained earnings €'000	Company 2006 Translation reserve €'000	Company 2006 Own shares €'000	Company 2006 Total equity €'000
Balance at 8 February 2006	-	-	-	-	-	-	-
Total recognised income and expense	-	-	-	(2,536)	-	-	(2,536)
Share-based payments	-	-	577	-	-	-	577
Issuance of shares	1,299	39,978	-	-	-	-	41,277
Costs incurred in the raising of capital	-	(3,069)	-	-	-	-	(3,069)
Own shares	-	-	-	-	-	(181)	(181)
Balance at 31 December 2006	1,299	36,909	577	(2,536)	-	(181)	36,068

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. During the period the Company issued 36,252,335 ordinary shares for a consideration of €34,808,000 settled in cash (€24,280,000), shares in subsidiaries (€9,358,000) and shares transferred to the EBT (€1,170,000).

As at 31 December 2007, the EBT held 3,470,476 ordinary shares of the Company (2006: 3,735,000), acquired for a total consideration of €1,271,219. Transactions of the EBT are treated as being those of the Company and shares held by the EBT are therefore reflected in the financial statements as a reduction in reserves of €1,271,219. The EBT shares have a nominal value of €34,705 representing 2.1% of the issued share capital of the Company.

The shares held by the EBT had a market value of €2,046,000 at 31 December 2007 (2006: €1,908,000).

29 Financial commitments

The Group and Company's financial commitments are outlined below.

Operating lease commitments	Group 2007 €'000	Company 2007 €'000	Group 2006 €'000	Company 2006 €'000
Office rental charges within 1 year	**462**	**-**	224	10
Office rental charges between 1 and 5 years	**1,192**	**-**	-	-
Office rental charges after 5 years	**-**	**-**	-	-

At 31 December 2007, the Group was committed to office rental charges totalling €1,654,000 (2006: €224,000) and the Company €nil (2006: €10,000).

30 Related parties

The Group has various related parties stemming from relationships with founding shareholders, a related business partner and key management personnel. In addition, the Company has related parties in respect of its subsidiaries.

Acquisition of Energy for Sustainable Development Limited ("ESD")

Jeffrey Kenna is currently the Chief Executive Officer of the Company and was formerly both a non-Executive Director of the Company and CEO of ESD. As a result, the acquisition was regarded as a related party transaction. The Directors of the Company (with the exception of Jeff Kenna) consider, having consulted with KBC Peel Hunt Ltd in its capacity as the Company's nominated adviser, that the terms of the acquisition are fair and reasonable insofar as the Company's shareholders are concerned.

Shareholders and related business partners

The founding shareholders who continue to hold a significant interest in the Company and who provide services to the Group are ClearWorld Energy Limited ("CWE") and the shareholders of KWI Consulting AG ("KWI"). Energy for Sustainable Development Limited ("ESD") had a significant shareholding prior to the ESD acquisition.

CWE and ESD both provide support, management and environmental services to the Group under a number of separate agreements. KWI provide environmental and accountancy services to the Group. The amounts charged to administration expenses in respect of these services is shown in the table below.

In addition, the Group and Company also purchased assets from CWE, ESD and KWI including carbon development contracts, investment in subsidiary and fixed assets. These assets are outlined in the table below.

The related business partner is Consortia Partnership Limited ("Consortia") who has been appointed Company Secretary. Michael Farrow, a non-executive Director of the Company, is a Director of Consortia. Consortia also provide accounting services to the Company. The amounts charged to administration expenses in respect of these services is shown in the table below.

Income statement **Administration expenses**	**Group 2007 €'000**	**Company 2007 €'000**	**Group 2006 €'000**	**Company 2006 €'000**
Clear World Energy Limited	**235**	**235**	435	435
Energy for Sustainable Development Limited *	**238**	**238**	559	559
Consortia Partnership Limited	**134**	**134**	63	63
KWI Consulting AG	**23**	**8**	33	-

* for the 4 month period prior to acquisition.

Balance sheet **Asset purchases**	**Group 2007 €'000**	**Company 2007 €'000**	**Group 2006 €'000**	**Company 2006 €'000**
Carbon development contracts purchased from CWE	-	-	3,027	3,027
Carbon development contracts purchased from ESD	-	-	46	46
Investment in subsidiary purchased from shareholders of KWI	-	-	-	4,996
Fixed assets purchased from CWE	-	-	64	-
Trade and other receivables	**€'000**	**€'000**	**€'000**	**€'000**
KWI Consulting AG	**93**	**-**	-	-
Trade and other payables	**€'000**	**€'000**	**€'000**	**€'000**
Energy for Sustainable Development Limited	-	-	199	199
Consortia Partnership Limited	**4**	**4**	22	22
KWI Consulting AG	-	-	3	-

Notes cont.

30 Related parties cont.

Key management personnel

The Group's key management personnel comprises the Board of Directors whose emoluments are shown in the Report of the Remuneration Committee. Directors' interests in the shares of the Company are disclosed in note 32.

Other receivables includes €699,000 recoverable from the former shareholders of ESD Partner Ltd in relation to a tax liability arising in ESD Limited derived from pre-acquisition profits. €206,000 of this amount is receivable from Jeffrey Kenna.

In addition to the emoluments outlined in the Report of the Remuneration Committee and shares held in the Company (note 32), Jeffrey Kenna also has a beneficial interest (50% voting rights) in two companies that receive payments from the Group for use of office premises owned by the companies. The companies are Overmoor Ltd and Overmoor SSAS and they received €19,000 each during the period.

At 31 December 2007, Jeffrey Kenna had provided a personal guarantee to Barclays Bank plc over the overdraft facility in ESD Ltd of £100,000.

Equity accounted investees and joint ventures

Amounts receivable from equity accounted investees and joint ventures is €301,000. The majority of this balance (€282,000) arose on acquisition of ESD (note 15).

Subsidiaries

The Company has entered into services agreements with most of its immediate subsidiaries. The carbon segment related subsidiaries either provide directly or procure services for the Company relating to origination, marketing, management and advisory in the field of CDC project management. Once the Company enters into CDCs a subsidiary may manage the project on the Company's behalf. The consulting and ventures related subsidiaries are investments of the Company.

Carbon Asset Management International GmbH ("Camco GmbH"), an immediate subsidiary of the Company, also enters into CDCs. The Company provides services to Camco GmbH in respect of these contracts resulting in service fee income.

The income and expense in respect of each subsidiary is analysed below.

Income statement

Services fee income	Company 2007 €'000	Company 2006 €'000
Camco GmbH	**120**	200
Services fee expense	**€'000**	**€'000**
Camco GmbH	**(54)**	(175)
Camco Services (UK) Limited	**(2,998)**	(1,453)
CI Camco (Cyprus) Limited	**(55)**	(58)
Camco (Mauritius) Limited	**(3,025)**	(92)

The balance sheet position with each subsidiary is analysed below.

Balance sheet

Amounts due from subsidiary undertakings	Company 2007 €'000	Company 2006 €'000
Camco Services (UK) Limited	**941**	166
CI Camco (Cyprus) Limited	**1,335**	637
Camco (Mauritius) Limited	**290**	8
Camco Ventures Limited	**834**	-
Camco International Carbon Assets Information Consulting (Beijing) Co. Ltd.	**9**	-
Dallas Clean Energy LLC	**8,305**	-
Energy for Sustainable Development Limited	**1,136**	
MCF Finance and Consulting Co. Ltd	**-**	272
Amounts due to subsidiary undertakings	**€'000**	**€'000**
Camco GmbH	**(119)**	(337)

During the year, the Company also purchased CDCs from Camco GmbH for total consideration of €nil (2006: €1,643,000).

31 Group entities

Significant subsidiaries

Investment	Country of incorporation	Principal Activity	Ownership 2007	Ownership 2006
Direct subsidiary undertakings				
Camco Services (UK) Limited	England and Wales	Support Services	100%	100%
CI Camco (Cyprus) Limited	Cyprus	Holding company	100%	100%
Carbon Asset Management International GmbH	Austria	Business Services	100%	100%
Camco (Mauritius) Limited	Mauritius	Holding company	100%	100%
ESD Partners Limited	England and Wales	Holding company & Consultancy	100%	-
Indirect subsidiary undertakings				
Camco Russian branch	Russia	Business services	100%	100%
MCF Finance and Consulting Co. Ltd	Russia	Business services	100%	100%
Camco International Carbon Assets Information Consulting (Beijing) Co. Ltd.	The People's Republic of China	Business services	100%	100%
Camco Asset Management Company (Pty) Ltd	Republic of South Africa	Business services	100%	100%
Energy for Sustainable Development Limited	England and Wales	Research & Consultancy	100%	-
Camco Ventures Limited	England and Wales	Research & Consultancy	100%	-
ESD Carbon Systems Limited	England and Wales	Research & Consultancy	100%	-
Edinburgh Centre for Carbon Management	England and Wales	Research & Consultancy	100%	-
ESD Bulgaria Limited	Bulgaria	Research & Consultancy	80%	-
EPES Limited	England and Wales	Building Certification software	90%	-
Sinosphere HK Limited	Hong Kong	Holding company & Consultancy	51%	-
Sinosphere Beijing (WOFE) Ltd.	The People's Republic of China	Research & Consultancy	51%	-
Camco International Group Inc.	United States of America	Business services	100%	-
Dallas Clean Energy LLC	United States of America	Holding vehicle	100%	-
Bradshaw Consulting Limited	England and Wales	Software consultancy	100%	-

Each of the above subsidiary undertaking is included in the consolidated accounts of the Group.

32 Directors' share interests

	2007 Number	2006 Number
Executive Directors		
Scott McGregor	**192,857**	-
Jeffrey Kenna	**2,775,119**	1,546,831
Non-executive Directors		
David Potter	**80,645**	80,645
Michael Farrow	**72,004**	72,004
Herta von Stiegel	**72,004**	72,004

The beneficial interests of the Directors in the ordinary share capital of the Company are shown above. In addition, the executive Directors have conditional rights to acquire shares arising from awards granted under the Camco International Limited 2006 Executive Share Plan and Long-Term Incentive Plan. These awards are detailed in the Report of the Remuneration Committee on pages 31 to 33.

Notes cont.

33 Accounting estimates and judgements

Below is a discussion of the key assumptions concerning the future and key sources of estimation or uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year.

Balance sheet

	Group 2007 €'000	Group 2006* €'000
Carbon development contracts	**13,302**	10,751

* As restated (note 15)

Initial allocation of CDC cost on acquisition of projects The CDC purchase cost has been determined by first allocating the acquisition price to the fair value of the likely CDCs with the remaining value classified as a customer relationship intangible asset and then goodwill on acquisition. CDC purchases were generally for multiple contracts at varying degrees of completion ranging from those in the advanced stages of the CER process to those considered pipeline projects. The CDC purchase cost has been allocated to individual projects. For the purposes of this exercise the Directors have only allocated purchase cost to CDCs that were considered 100% certain to progress to signed CDC status. This assumption excludes pipeline projects from the initial allocation. The allocation was made pro rata based on the Directors' valuation of these projects at date of acquisition.

The initial impact of this policy is that more of the total purchase cost has been attributed to less CDCs. However, these CDCs are more certain to provide future profits. This policy directly affects the amount and timing of future write-downs in the event that a CDC fails to deliver the forecast carbon credit revenue.

Realisable value reviews The Group policy is to perform regular realisable value reviews to ensure the carrying amount of CDCs is not above fair value. The fair value is determined by discounting CDC cash flows to identify the net present value of the contract. The key assumptions made in this calculation relate to amount and timing of cash flows (project development risk) and revenue cash flows (price risk).

The project development risk is managed by the Group's continued development of strong internal control systems to better forecast and maximise delivery of carbon credits. However, severe project delays or technical difficulties in delivering carbon credits may result in the impairment of CDCs.

The carbon credit price used in the calculation is a conservative estimate in line with the average market price in the period less a discount for assumed selling costs. The carbon credit price used is the same as that currently widely accepted by brokers and analysts when valuing the Group and our competitors. The impact of a sustained fall in the carbon credit price may result in the impairment of CDCs.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, the aggregate carrying amounts of goodwill allocated to each of the acquisitions are as follows:

Balance sheet

	Group 2007 €'000	Group 2006 €'000
MCF	**1,156**	1,156
ESD	**12,890**	-
BCL	**367**	-
	14,413	1,156

The Directors have carried out their impairment review based on the next three year business plan. This business plan is considered to be an appropriate basis on which to consider whether goodwill is impaired.

Value in use was determined by discounting future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- For ESD and BCL, profit growth of 25% per annum.
- For MCF, the profit value of the projects are expected to at least cover the carrying value of goodwill.
- A discount rate of 12 % was applied in determining the recoverable amount of the units.This represents the investment hurdle over which the Board will authorise investment decisions.

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