

Hybrid Fuels, Inc - Essential Chemical Services, Inc
 Consolidated Financial Statements
 Unaudited

	30-Jun 2011	31-Mar 2011
ASSETS		
Current		
Cash	635	-
Inventory	-	-
Accts receivable	-	-
Due from affiliate	-	-
Total current assets	<u>635</u>	<u>-</u>
Property & equipment	-	747,972
Intangible asseete	-	<u>421,487</u>
TOTAL ASSETS	<u>635</u>	<u>1,169,459</u>
LIABILITIES		
Current		
Accts payable	-	899,566
Note payable (Advanced by shareholder)	30,270	-
Leases & redeemable shares	-	<u>227,555</u>
Total Liabilities	<u>30,270</u>	<u>1,127,121</u>
STOCKHOLDERS' EQUITY		
SHARE CAPITAL		
190,000,000 no par valu Common share,authorized		
151,999,733 outstanding	62,100	30,112
10,000,000 Preferred shares authorized		
10,000,000 outstanding (see Note 7)	1,000	
Additional Paid in capital	2,436,788	2,436,788
Donated capital	739,916	739,916
Common Stock Subscribed (see note 2)	-	1,946
Accumulated Other Comprehensive Loss		(732)
Accumulate deficit	(3,269,439)	(3,165,692)
Shareholders' Equity (Gain - Loss)	<u>(29,635)</u>	<u>42,338</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>635</u>	<u>1,169,459</u>

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HYBRID FUELS, INC, INC
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

REVENUE		
Gross Income	6,786	-
	-	-
	-	-
GROSS MARGIN	<u>6,786</u>	<u>-</u>
EXPENSES		
Cost of goods	-	-
Depreciation and amortization	-	158,845
Foreign exchange loss (gain)	-	4,948
General and administrative	6,151	133,682
Imputed interest	-	<u>59,183</u>
Total Expenses	<u>6,151</u>	<u>356,658</u>

HYBRID FUELS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 (UNAUDITED)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a) Organization and Business

HYBRID FUELS, INC. (the "Company") incorporated in the State of Florida and subsequently re-domiciled in Nevada in May 1998, for converting various organic waste materials into a motor quality biofuel fuel. oil and raising capital for furtherance of its business plan which is the

b) Basis of Presentation:

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. At the balance sheet date, the Company has a stockholders' deficiency and a deficit accumulated during the development stage. Management plans to issue more shares of common stock in order to raise funds.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. In the opinion of management, these financial statements include all adjustments necessary in order to make them not misleading.

c) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d) Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Company considers highly liquid financial instruments purchased with maturity of three months or less to be cash equivalents.

e) Income taxes:

The Company utilizes the liability method of accounting for income taxes. Under the liability method deferred tax assets and liabilities are determined based on the differences between financial reporting basis and the tax basis of the assets and liabilities and are measured using enacted tax rates and laws that will be in effect, when the differences are expected to reverse. An allowance against deferred tax assets is recognized, when it is more likely than not, that such tax benefits will not be realized.

Any deferred tax asset is considered immaterial and has been fully offset by a valuation allowance because at this time the Company believes that it is more likely than not that the future tax benefit will not be realized as the Company has no current operations.

HYBRID FUELS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 (UNAUDITED)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

f) Loss per Common Share:

Basic loss per share is calculated using the weighted-average number of common shares outstanding during each reporting period. Diluted loss per share includes potentially dilutive securities such as outstanding options and warrants, using various methods such as the treasury stock or modified treasury stock method in the determination of dilutive shares outstanding during each reporting period. The Company does not have any potentially dilutive instruments.

g) Fair Value of Financial Instruments:

The carrying value of cash, due from affiliate and due to shareholder approximate their fair value due to the short period of time to maturity.

h) Comprehensive Income:

Comprehensive income (loss) is not presented in the Company's financial statements since there is no difference between net loss and comprehensive loss in any period presented.

NOTE 2 – CAPITAL STOCK

The total number of shares of capital stock, which the Company shall have authority to issue, is 200,000,000 shares consisting of 190,000,000 common shares par value \$0.0001 and 10,000,000 preferred shares par value \$0.0001. There are no subscriptions to purchase the company's common or preferred stock

Holders of shares of common stock are entitled to cast one vote for each share held at all stockholders' meetings for all purposes, including the election of directors. The common stock does not have cumulative voting rights.

NOTE 3 -RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

We adopted the provisions of the FASB Statement on Generally Accepted Accounting Principles ("GAAP") relating to the FASB Accounting Standards Codification ("Codification") on September 30, 2009. This Statement establishes the Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead, the FASB will issue Accounting Standards Updates.

HYBRID FUELS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 (UNAUDITED)

NOTE 3 -RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS
CONTINUED

Accounting Standards Updates will not be authoritative in their own right, as they will only serve to update the Codification. The adoption did not have an impact on our consolidated financial position, results of operations or cash flows.

In May 2009, the FASB issued Accounting Standards Codification 855 Subsequent Events ("ASC 855"). ASC 855 establishes the standards for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 went into effect for interim or annual periods ending after June 15, 2009. In accordance with the provisions of ASC 855, we have evaluated subsequent events through April 27, 2010. No subsequent events requiring recognition were identified and therefore none were incorporated into our financial statements presented herein,

In June 2009, the FASB updated ASC Topic 860, Transfers and Servicing, which significantly changes the accounting for transfers of financial assets and will be effective January 1, 2010. The update to ASC 860 eliminates the qualifying special purpose entity ("QSPE") concept, establishes conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies the financial asset de-recognition criteria, revises how interests retained by the transferor in a sale of financial assets initially are measured, and removes the guaranteed mortgage securitization re-characterization provisions. We are currently assessing the potential impact of adopting this new accounting guidance.

In September 2009, the Emerging Issues Task Force issued guidance relating to revenue recognition. This guidance will change the accounting for revenue recognition for arrangements with multiple deliverables and will enable entities to separately account for individual deliverables for many more revenue arrangements. This guidance eliminates the requirement that all undelivered elements must have objective and reliable evidence of fair value before a company can recognize the portion of the overall arrangement fee that is attributable to items that already have been delivered. As a result, the new guidance may allow some companies to recognize revenue on transactions that involve multiple deliverables earlier than under current requirements. This guidance is effective for us January 1, 2011, and we are currently assessing the impact this guidance will have on our financial statements.

NOTE 4 – DUE FROM AFFILIATE

Amounts due from an affiliated company are unsecured, non-interest bearing and have no fixed terms of repayment.

NOTE 5 – DUE TO SHAREHOLDER

Advances by a shareholder are unsecured, non-interest bearing and have no fixed terms of repayment.

HYBRID FUELS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 (UNAUDITED)

NOTE 6 – INCOME TAXES

For the year ended June 30, 2011, the Company has incurred net losses and, therefore, has no tax liability. The net deferred tax asset generated by the loss carry-forward has been fully reserved., and will begin to expire in the year 2025.

NOTE 7 - STOCKHOLDERS' EQUITY

Preferred Stock

On May 27, 2011, the stockholders of the Company approved the restatement of the Articles of Incorporation to increase the authorized common shares to 190,000,000, created a class of preferred stock, and authorized the Board of Directors to establish and designate the number of shares and relative rights, preferences and limitations of the preferred stock.

Series A Preferred Stock

Series A Preferred Stock (i) is convertible into one hundred shares of common stock for each share of Series A Preferred Stock converted; (ii) provides the holders with one hundred votes per share held and the right to vote for any purpose that the holders of the Company's common stock may vote; (iii) any voluntary or involuntary liquidation, entitles the holders to receive out of the assets of the Company an amount per share equal to the amount per share to be distributed to the holders of one share of the common stock..

As of June 6, 2011, 10,000,000 Series A shares were authorized. 10,000,000 shares are issued and outstanding

Common Stock

As of June 6, 2011 the Company's common stock is:

- 190,000,000 shares authorized at par value of \$0.0001;
- 151,988,733 issued and outstanding.

NOTE 8 – GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the foregoing financial statements, the Company incurred losses since its inception and has not produced enough revenues from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event that the Company cannot continue as a going concern. Management anticipates that it will be able to raise additional working capital through the issuance of stock and additional loans from investors.

The ability of the Company to continue as a going concern is dependent upon the Company's ability to attain a satisfactory level of profitability and obtain suitable and adequate financing. There can be no assurance that management's plan will be successful.

CERTIFICATION

I, Warren Wheeler Vice President of HYBRID FUELS, Inc., certify that:

The consolidated financial statements and the attached notes filed herewith are in conformity with consistently applied accounting principles generally accepted in the United States, and fairly present, in all material respects, the financial position and results of operations for the period ended June 30, 2011

/S/Warren Wheeler,
President