

No. 3498790

**REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2003
FOR
HLC ENVIRONMENTAL HOLDINGS LIMITED**



HLC ENVIRONMENTAL HOLDINGS LIMITED

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FOR THE YEAR ENDED 31ST DECEMBER 2003**

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HLC ENVIRONMENTAL HOLDINGS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2003**

DIRECTOR: H L De Brito Carvalho

SECRETARY: R B Radia

REGISTERED OFFICE: 4th Floor
15 Berkeley Street
London
W1J 8DY

REGISTERED NUMBER: 3498790

AUDITORS: Bentley Jennison
Chartered Accountants
and Registered Auditors
Charterhouse
Legge Street
Birmingham
B4 7EU

BANKERS: HSBC Bank plc
26-28 St. Ann's Road
Harrow
Middlesex
HA1 1AL

HLC ENVIRONMENTAL HOLDINGS LIMITED

REPORT OF THE DIRECTOR FOR THE YEAR ENDED 31ST DECEMBER 2003

The director presents his report with the financial statements of the company for the year ended 31st December 2003.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of an investment holding company.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 31st December 2003.

DIRECTOR

H L De Brito Carvalho was the sole director during the year under review.

His beneficial interest in the issued share capital of the company was as follows:

	31.12.03	1.1.03
Ordinary £1 shares	250,000	250,000


STATEMENT OF DIRECTOR'S RESPONSIBILITIES

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

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

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

ON BEHALF OF THE BOARD:


.....
R B Radia - Secretary

Date: 15TH OCTOBER 2004

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
HLC ENVIRONMENTAL HOLDINGS LIMITED**

We have audited the financial statements of HLC Environmental Holdings Limited for the year ended 31st December 2003 on pages four to twelve. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditors

As described on page two the company's director is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Director is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

We read the Report of the Director and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

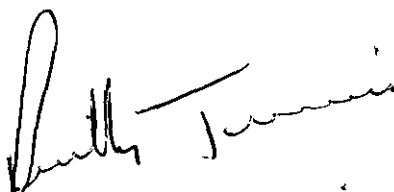
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director 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.

Qualified opinion arising from disagreement about accounting treatment

The fixed asset investments of £800,000 relate to the cost of investments in group undertakings. The carrying value of these amounts cannot be ascertained with any certainty. In our opinion, these amounts should be written off to profit and loss account, increasing the loss and net liabilities by these amounts. Except for the failure to write these amounts off, the financial statements give a true and fair view of the state of the company's affairs at 31st December 2003 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Bentley Jennison
Chartered Accountants
and Registered Auditors
Charterhouse
Legge Street
Birmingham
B4 7EU



Date: **27 OCT 2004**

HLC ENVIRONMENTAL HOLDINGS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2003**

	Notes	2003 £	2002 £
TURNOVER		-	-
OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	-	-
Tax on profit on ordinary activities	4	-	-
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		-	-
RETAINED PROFIT FOR THE YEAR		-	-

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

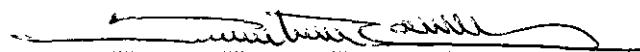
The company has no recognised gains or losses for the current year or previous year.

HLC ENVIRONMENTAL HOLDINGS LIMITED

**BALANCE SHEET
31ST DECEMBER 2003**

		2003		2002	
	Notes	£	£	£	£
FIXED ASSETS					
Investments	5		800,000		930,100
CURRENT ASSETS					
Debtors	6	1,425,000		1,010,000	
Cash at bank		76		363	
		<u>1,425,076</u>		<u>1,010,363</u>	
CREDITORS					
Amounts falling due within one year	7	<u>1,975,076</u>		<u>1,690,463</u>	
NET CURRENT LIABILITIES			<u>(550,000)</u>		<u>(680,100)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u><u>250,000</u></u>		<u><u>250,000</u></u>
CAPITAL AND RESERVES					
Called up share capital	8		<u>250,000</u>		<u>250,000</u>
SHAREHOLDERS' FUNDS	11		<u><u>250,000</u></u>		<u><u>250,000</u></u>

ON BEHALF OF THE BOARD:



H L De Brito Carvalho - Director

Approved by the Board on 15th October 2004

HLC ENVIRONMENTAL HOLDINGS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2003**

	Notes	2003 £	2002 £
Net cash (outflow)/inflow from operating activities	1	(287)	349,692
Capital expenditure and financial investment	2	<u>-</u>	<u>(350,100)</u>
Decrease in cash in the period		<u>(287)</u>	<u>(408)</u>

**Reconciliation of net cash flow
to movement in net funds**

	3		
Decrease in cash in the period		<u>(287)</u>	<u>(408)</u>
Change in net funds resulting from cash flows		<u>(287)</u>	<u>(408)</u>
Movement in net funds in the period		<u>(287)</u>	<u>(408)</u>
Net funds at 1st January		<u>363</u>	<u>771</u>
Net funds at 31st December		<u><u>76</u></u>	<u><u>363</u></u>

The notes form part of these financial statements

HLC ENVIRONMENTAL HOLDINGS LIMITED

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2003**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£	£
Increase in debtors	(415,000)	(1,010,000)
Increase in creditors	414,713	1,359,692
Net cash (outflow)/inflow from operating activities	(287)	349,692

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2003	2002
	£	£
Capital expenditure and financial investment		
Purchase of fixed asset investments	-	(350,100)
Net cash outflow for capital expenditure and financial investment	-	(350,100)

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1/1/03	Cash flow	At
	£	£	31/12/03
			£
Net cash:			
Cash at bank	363	(287)	76
	363	(287)	76
Total	363	(287)	76

HLC ENVIRONMENTAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2003

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The directors consider the going concern basis appropriate on the basis of support from group companies.

Exemption from preparing consolidated financial statements

The financial statements contain information about HLC Environmental Holdings Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 248 of the Companies Act 1985 from the requirements to prepare consolidated financial statements.

Deferred tax

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

Investments

Investments are stated at the lower of cost and recoverable value.

2. STAFF COSTS

There were no staff costs for the year ended 31st December 2003 nor for the year ended 31st December 2002.

The average monthly number of employees during the year was as follows:

	2003	2002
Director	<u>1</u>	<u>1</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	2003 £	2002 £
Director's emoluments	<u>-</u>	<u>-</u>

4. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31st December 2003 nor for the year ended 31st December 2002.

HLC ENVIRONMENTAL HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2003

5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Interest in other participating interests £	Totals £
COST			
At 1st January 2003	930,100	-	930,100
Disposals	(130,100)	-	(130,100)
Reclassification/transfer	(500,000)	500,000	-
At 31st December 2003	<u>300,000</u>	<u>500,000</u>	<u>800,000</u>
NET BOOK VALUE			
At 31st December 2003	<u>300,000</u>	<u>500,000</u>	<u>800,000</u>
At 31st December 2002	<u>930,100</u>	<u>-</u>	<u>930,100</u>

The company's investments at the balance sheet date in the share capital of companies include the following:

HLC Henley Burrowes Limited

Nature of business: Design & manufacture waste management plant

%

Class of shares: holding

Ordinary 100.00

	2003 £	2002 £
Aggregate capital and reserves	(1,399,912)	(885,869)
Loss for the year	<u>(514,043)</u>	<u>(1,046,061)</u>

HLC Environmental Projects Limited

Nature of business: Development of waste environmental projects

%

Class of shares: holding

Ordinary 20.00

	2003 £	2002 £
Aggregate capital and reserves	(121,766)	(1,780,481)
Loss for the year	<u>(341,285)</u>	<u>(1,619,394)</u>

HLC (Neath Port Talbot) Holdings Limited

Nature of business: Holding company

%

Class of shares: holding

Ordinary 10.20

	2003 £	2002 £
Aggregate capital and reserves	<u>1,000</u>	<u>1,000</u>

HLC ENVIRONMENTAL HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2003**

5. FIXED ASSET INVESTMENTS - continued

HLC (Neath Port Talbot) Limited

Nature of business: Operation of a materials recycling/energy centre

	%
Class of shares:	holding
Ordinary	10.20

	2003	2002
	£	£
Aggregate capital and reserves	(7,512,956)	(2,779,666)
Loss for the year	(4,733,290)	(1,838,569)

HLC (NPT) Waste Services Limited

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	12.80

	2003	2002
	£	£
Aggregate capital and reserves	1,000	1,000

HLC Wrexham Limited

Nature of business: Design & construction of waste incineration plant

	%
Class of shares:	holding
Ordinary	20.00

	2003	2002
	£	£
Aggregate capital and reserves	25,055	25,055

On 19th December 2003, the company transferred its investment in the ordinary shares in HLC Waste Management Services Limited to its subsidiary undertaking, HLC Environmental Projects Limited at the cost of £130,100.

On the same day, HLC Environmental Projects Limited issued and allotted additional ordinary shares, which diluted the investment from a holding of 100% to 20%. Consequently, the holdings in the subsidiaries of HLC Environmental Projects Limited have reduced proportionately.

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Amounts owed by related undertakings	1,425,000	1,010,000

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Amounts owed to related undertakings	1,975,076	1,690,463

HLC ENVIRONMENTAL HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2003**

8. CALLED UP SHARE CAPITAL

Authorised:		Nominal value:	2003		2002
Number:	Class:		£	£	
1,000,000	Ordinary	£1	<u>1,000,000</u>	<u>1,000,000</u>	
Allotted, issued and fully paid:		Nominal value:	2003		2002
Number:	Class:		£	£	
250,000	Ordinary	£1	<u>250,000</u>	<u>250,000</u>	

9. RESERVES

	Profit and loss account £
Retained profit for the year	-
At 31st December 2003	<u>-</u>

10. RELATED PARTY DISCLOSURES

The company undertook the following transactions with related parties during the financial year:

	2003 £	2002 £
Group Undertakings		
HLC Environmental Projects Limited		
Amounts due to included in creditors: amounts falling due within one year	1,975,076	430,463
HLC Henley Burrowes Limited		
Amounts due from included in debtors	75,000	-
HLC Engenharia e Gestao de Projectos SA		
Amounts due from included in debtors	1,310,000	1,010,000
Other Related Parties		
Anglo Portuguese Properties Investments Limited		
Amounts due to included in creditors: amounts falling due within one year	-	1,260,000
Amounts due from included in debtors	40,000	-

HLC ENVIRONMENTAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - *continued*
FOR THE YEAR ENDED 31ST DECEMBER 2003

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Profit for the financial year	-	-
Opening shareholders' funds	250,000	250,000
	<u>250,000</u>	<u>250,000</u>
Closing shareholders' funds	250,000	250,000
	<u>250,000</u>	<u>250,000</u>
Equity interests	<u>250,000</u>	<u>250,000</u>

12. CONTROL OF COMPANY

From 5th April 2002, the company was controlled by H L De Brito Carvalho by virtue of him holding all of the issued ordinary share capital of the company.