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**REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2002
FOR
HLC ENVIRONMENTAL HOLDINGS LIMITED**

HLC ENVIRONMENTAL HOLDINGS LIMITED

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FOR THE YEAR ENDED 31ST DECEMBER 2002**

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HLC ENVIRONMENTAL HOLDINGS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2002**

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 2002**

The director presents his report with the financial statements of the company for the year ended 31st December 2002.

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 2002.

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:

	31.12.02	1.1.02
Ordinary £1 shares	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.

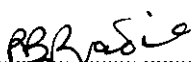
The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets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

AUDITORS

On 30th June 2004, Moore Stephens Birmingham completed their merger with Bentley Jennison. The firm will practise under the name of Bentley Jennison and the audit report has been signed accordingly.

A resolution to re-appoint Bentley Jennison for the ensuing year will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD:


.....
R B Radia - Secretary

Date: 25/8/2004

**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 2002 on pages four to ten. 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

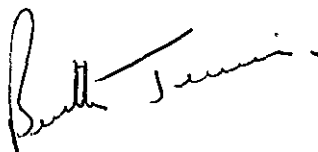
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates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

Included in fixed asset investments are amounts of £800,000 with respect 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 2002 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



- 9 SEP 2004

Date:

HLC ENVIRONMENTAL HOLDINGS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2002**

	Notes	2002 £	2001 £
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.

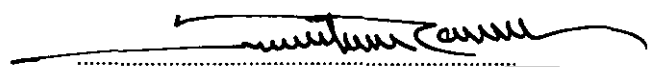
The notes form part of these financial statements

HLC ENVIRONMENTAL HOLDINGS LIMITED

**BALANCE SHEET
31ST DECEMBER 2002**

	Notes	2002 £	£	2001 £	£
FIXED ASSETS					
Investments	5		930,100		580,000
CURRENT ASSETS					
Debtors	6	1,010,000		-	
Cash at bank		363		771	
		<u>1,010,363</u>		<u>771</u>	
CREDITORS					
Amounts falling due within one year	7	<u>1,690,463</u>		<u>330,771</u>	
NET CURRENT LIABILITIES			<u>(680,100)</u>		<u>(330,000)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>250,000</u>		<u>250,000</u>
CAPITAL AND RESERVES					
Called up share capital	8		<u>250,000</u>		<u>250,000</u>
SHAREHOLDERS' FUNDS	11		<u>250,000</u>		<u>250,000</u>

ON BEHALF OF THE BOARD:



 H L De Brito Carvalho - Director

Approved by the Board on 25/8/2004

The notes form part of these financial statements

HLC ENVIRONMENTAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2002

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.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

Deferred tax

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

2. STAFF COSTS

There were no staff costs for the year ended 31st December 2002 nor for the year ended 31st December 2001.

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

	2002	2001
Director	<u>1</u>	<u>1</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	2002 £	2001 £
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 2002 nor for the year ended 31st December 2001.

HLC ENVIRONMENTAL HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2002**

5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1st January 2002	580,000
Addition	350,100
	<u>930,100</u>
At 31st December 2002	930,100
NET BOOK VALUE	
At 31st December 2002	<u>930,100</u>
At 31st December 2001	<u>580,000</u>

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

HLC Environmental Projects Limited

Nature of business: Development of waste environmental projects

	%		
Class of shares:	holding		
Ordinary	100.00		
		2002	2001
		£	£
Aggregate capital and reserves		(1,780,481)	(161,087)
Loss for the year		<u>(1,619,394)</u>	<u>(245,601)</u>

HLC Henley Burrowes Limited

Nature of business: Design & manufacture waste management plant

	%		
Class of shares:	holding		
Ordinary	100.00		
		2002	2001
		£	£
Aggregate capital and reserves		(885,869)	(89,808)
Loss for the year		<u>(1,046,061)</u>	<u>(112,424)</u>

HLC Waste Management Services Limited

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

	%		
Class of shares:	holding		
Ordinary	80.10		
		2002	2001
		£	£
Aggregate capital and reserves		120,300	(120,827)
Profit/(Loss) for the year		<u>121,127</u>	<u>(122,235)</u>

HLC ENVIRONMENTAL HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2002**

5. FIXED ASSET INVESTMENTS - continued

HLC (Neath Port Talbot) Holdings Limited

Nature of business: Holding company

	%		
Class of shares:	holding		
Ordinary	51.10		
		2002	2001
		£	£
Aggregate capital and reserves		<u>1,000</u>	<u>1,000</u>

HLC (Neath Port Talbot) Limited

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

	%		
Class of shares:	holding		
Ordinary	51.10		
		2002	2001
		£	£
Aggregate capital and reserves		<u>(2,779,666)</u>	<u>(941,097)</u>
Loss for the year		<u>(1,838,569)</u>	<u>(404,369)</u>

HLC (NPT) Waste Services Limited

Nature of business: Dormant

	%		
Class of shares:	holding		
Ordinary	64.00		
		2002	2001
		£	£
Aggregate capital and reserves		<u>1,000</u>	<u>901</u>

HLC Wrexham Limited

Nature of business: Design & construction of waste incineration plant

	%		
Class of shares:	holding		
Ordinary	100.00		
		2002	2001
		£	£
Aggregate capital and reserves		<u>25,055</u>	<u>25,055</u>
Profit for the year		<u>-</u>	<u>360</u>

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Amounts owed by related undertakings	<u>1,010,000</u>	<u>-</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Amounts owed to related undertakings	<u>1,690,463</u>	<u>330,771</u>

HLC ENVIRONMENTAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31ST DECEMBER 2002

8. CALLED UP SHARE CAPITAL

Authorised: Number:	Class:	Nominal value:	2002 £	2001 £
1,000,000	Ordinary	£1	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2002 £	2001 £
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 2002	-

10. RELATED PARTY DISCLOSURES

The company undertook the following transactions during the financial year with related parties, which are part of the HLC Group of companies and with other related parties :

	2002 £	2001 £
Group Undertakings		
HLC Environmental Projects Limited		
Amounts due to included in creditors: amounts falling due within one year	430,463	330,771
HLC Engenharia e Gestao de Projectos SA		
Amounts due from included in debtors	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	-

HLC ENVIRONMENTAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31ST DECEMBER 2002

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	-	-
Opening shareholders' funds	250,000	250,000
Closing shareholders' funds	250,000	250,000
Equity interests	250,000	250,000

12. CONTROL OF COMPANY

The company was controlled up to 5th April 2002 by its ultimate parent undertaking, Spire Investments Limited, a company registered in Guernsey. The shareholdings of that company are such that it is not known if there is a controlling party.

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.