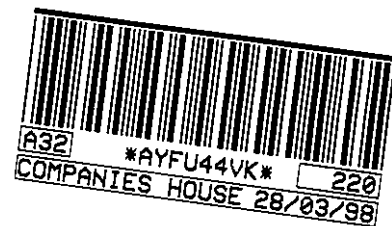


WATLING HOPE (SERVICE) LIMITED

(Registered No. 2837339)

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST JULY 1997**



**The Graham Fulford Partnership
Chartered Accountants
61 Bedford Street
Leamington Spa
Warwickshire
CV32 5DN**

WATLING HOPE (SERVICE) LIMITED

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WATLING HOPE (SERVICE) LIMITED

Directors

M.J. Palin

G. Mansell

Joint Secretaries

G. Mansell
Mrs M.J. Palin

Registered Office

The Chantry
Wroxton
Banbury
Oxon
OX15 6QS

Accountants

The Graham Fulford Partnership
Chartered Accountants
61 Bedford Street
Leamington Spa
CV32 5DN

WATLING HOPE (SERVICE) LIMITED

REPORT OF THE DIRECTORS

The Directors present their annual report and financial statements of the company for the year ended 31 July 1997.

PRINCIPAL ACTIVITY

The principle activity of the company during the year under review was that of waste water and environmental engineers.

DIRECTORS

The directors in office during the year and their beneficial interests in the company's issued ordinary shares were:

| | 31.7.97 | 31.7.96 |
|-----------|----------------|----------------|
| M J Palin | Nil | Nil |
| G Mansell | 12 | 12 |

In accordance with the company's Articles, no director is required to retire by rotation.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 directors are required to:

- * Select suitable accounting policies and then apply them consistently;
- * Make judgements and estimates that are reasonable and prudent;
- * Follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts.
- * Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

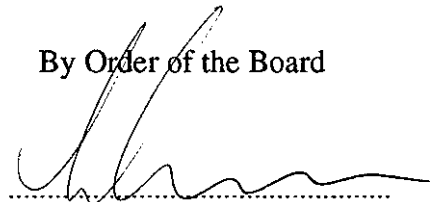
WATLING HOPE (SERVICE) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

SPECIAL EXEMPTIONS

This report has been prepared in accordance with the special provision of Part VII of the Companies Act 1985 relating to small companies.

By Order of the Board

A handwritten signature in dark ink, appearing to be 'G. Mansell', written over a horizontal dotted line.

G. Mansell
Secretary

The Chantry
Wroxton
Banbury
Oxon
OX15 6QS

WATLING HOPE (SERVICE) LIMITED**PROFIT AND LOSS ACCOUNT**
FOR THE YEAR ENDED 31 JULY 1997

| | Notes | 1997 £ | 1996 £ |
|--|-------|-----------|-----------|
| TURNOVER | 2 | 225,058 | 211,946 |
| Cost of Sales | | (162,493) | (137,152) |
| | | <hr/> | <hr/> |
| GROSS PROFIT | | 62,565 | 74,794 |
| Administrative expenses | | (62,144) | (74,541) |
| | | <hr/> | <hr/> |
| OPERATING PROFIT | 3 | 421 | 253 |
| Interest payable | 4 | (9) | - |
| Interest Received | | - | 124 |
| | | <hr/> | <hr/> |
| PROFIT on ordinary activities before taxation | | 412 | 377 |
| TAXATION | 5 | (101) | (90) |
| | | <hr/> | <hr/> |
| PROFIT for the year | | 311 | 287 |
| Profit and Loss account balance brought forward | | 912 | 625 |
| | | <hr/> | <hr/> |
| Profit and Loss account carried forward | | £1,223 | £912 |
| | | ===== | ===== |

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the above two financial periods.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the above two financial periods.

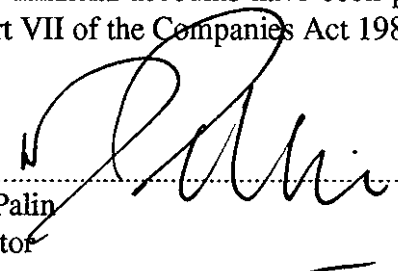
WATLING HOPE (SERVICE) LIMITED**BALANCE SHEET AS AT 31 JULY 1997**

| | Notes | 1997 £ | 1996 £ |
|--|-------|------------------------|------------------------|
| CURRENT ASSETS | | | |
| Stock and work in progress | 6 | 14,229 | 9,000 |
| Debtors | 7 | 75,057 | 44,146 |
| Cash at bank | | 8,313 | 17,090 |
| | | <u>97,599</u> | <u>70,236</u> |
| CREDITORS : amounts falling due within one year | | | |
| | 8 | <u>96,288</u> | <u>69,236</u> |
| NET CURRENT ASSETS: | | <u>£1,311</u> ===== | <u>£1,000</u> ===== |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 9 | 88 | 88 |
| Profit and loss account | | 1,223 | 912 |
| Total Shareholders Funds | 10 | <u>£1,311</u> ===== | <u>£1,000</u> ===== |

All the above is attributable to the equity shareholders.

The directors consider that the company is entitled to exemption from the requirements to have an audit under the provisions of section 249a (2) of the Companies Act 1985. Shareholders holding 10% or more of the nominal value of the company's share capital have not issued a notice requiring an audit. The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985, and for preparing accounts which give a true and fair view of the state of affairs of the company as at 31 July 1997 and of its profit for the year then ended. They are in accordance with the requirements of section 226, which otherwise comply with the requirements of the Act relating to the accounts so far as applicable to the company.

These financial accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

 Signed 26/3/98 Date _____
M.J. Palin
Director

WATLING HOPE (SERVICE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JULY 1997

1. ACCOUNTING POLICIES

(a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and incorporate the results of the principal activity which is described in the directors report and which is continuing.

The company has taken advantage of the exemption in FRS1 from the requirements to prepare a cash flow statement on the grounds that it is a small company.

(b) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

(c) Stock and Work in progress

Stock and work in progress is valued at the lower of cost and net realisable value.

Cost is defined as the cost incurred in bringing each product to its present location and condition as follows:-

| | |
|---------------|--|
| Raw materials | Purchase cost on a first in first out basis. |
|---------------|--|

Net realisable value is based on the estimated selling price, less further costs expected to be incurred to completion and disposal.

2. TURNOVER

Turnover represents the invoiced amount of services provided stated net of Value Added Tax.

The Turnover and profit on ordinary activities, before taxation, is attributable to one activity, that of waste and environmental engineering and one market, the United Kingdom.

WATLING HOPE (SERVICE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31ST JULY 1997**

| | 1997 £ | 1996 £ |
|---|-----------|-----------|
| 3. OPERATING PROFIT | | |
| The operating profit is stated after charging: | | |
| Management charges | 54,000 | 58,000 |
| Hire charges - Plant and Equipment | 2,345 | 1,526 |
| | ===== | ===== |
| The management charges are from Watling Hope (Installations) Limited a company effectively controlled by the directors, who have drawn no remuneration directly from the company. | | |
| 4. INTEREST PAYABLE | | |
| Bank interest | £9 | - |
| | ===== | ===== |
| 5. TAXATION | | |
| The charge for taxation is based upon the result for the year as follows: | | |
| | £ | £ |
| Corporation tax at 24% (1996 24%) | 98 | 90 |
| Under Provisions - Prior Years | 3 | - |
| | ----- | ----- |
| | 101 | 90 |
| | ===== | ===== |
| 6. STOCK AND WORK IN PROGRESS | | |
| | £ | £ |
| Goods for resale | 1,000 | 1,000 |
| Work in progress | 13,229 | 8,000 |
| | ----- | ----- |
| | £14,229 | £9,000 |
| | ===== | ===== |
| 7. DEBTORS | | |
| | £ | £ |
| Trade Debtors | 59,499 | 40,827 |
| Due from associated company | 11,197 | - |
| Other debtors | 4,361 | 3,319 |
| | ----- | ----- |
| | £75,057 | £44,146 |
| | ===== | ===== |

WATLING HOPE (SERVICE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 JULY 1997****8. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 1997 | 1996 |
|---------------------------|----------------|----------------|
| | £ | £ |
| Trade creditors | 64,719 | 26,741 |
| Accruals | 480 | 1,200 |
| Advance contracts | 30,991 | 23,811 |
| Corporation tax | 98 | 90 |
| Due to Associated Company | - | 17,394 |
| | <u>£96,288</u> | <u>£69,236</u> |
| | ===== | ===== |

9. CALLED UP SHARE CAPITAL

| | | |
|------------------------------------|---------|---------|
| Authorised | | |
| 10000 ordinary shares of £1 each | £10,000 | £10,000 |
| | ===== | ===== |
| Allotted, called up and fully paid | | |
| 88 ordinary shares of £1 each | £88 | £88 |
| | ===== | ===== |

10. MOVEMENT IN SHAREHOLDERS FUNDS

| | | |
|------------------------------------|--------------|--------------|
| Profit for the year after taxation | 311 | 287 |
| | <u>311</u> | <u>287</u> |
| Net addition to shareholders fund | | |
| Opening shareholders fund at | | |
| 1 August 1996 | 1,000 | 713 |
| | <u>1,311</u> | <u>£1000</u> |
| | ===== | ===== |

11. TRANSACTIONS WITH DIRECTORS

During the year the company purchased goods and services amounting to £333 from and sold goods and services amounting to £3,662 to Watling Hope (Products) Ltd. Also, the company purchased goods and services amounting to £347 from and sold goods and services amounting to £9,620 to Watling Hope (Installations) Ltd. M J Palin is a director of both companies. The company also incurred a management charge of £54,000 payable to Watling Hope (Installations) Ltd. All transactions are at arms length.

12. CONTINGENT LIABILITIES

The company has a set-off agreement with its bankers in respect of any bank borrowings of Watling Hope (Installations) Limited. At 31st July 1997 Watling Hope (Installations) Limited had an overdrawn bank balance of £14,773.