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MILL HILL ENGINEERING (HOLDINGS) PLC

ANNUAL REPORT AND ACCOUNTS
31ST AUGUST 2000



BROUGHTON TUIE TAN & CO

MILL HILL ENGINEERING (HOLDINGS) PLC

DIRECTORS: A. Molloy
M. Molloy

SECRETARY: P. Barton

REGISTERED OFFICE: c/o McBride Wilson & Co
The Courtyard
Queens House
55/56 Lincolns Inn Fields
LONDON WC2A 3LJ

ANNUAL REPORT AND ACCOUNTS - 31ST AUGUST 2000

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	3	Report of the auditors
	4	Consolidated profit & loss account
	5	Consolidated balance sheet
	6	Balance sheet
	7	Cash flow statement
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The following pages do not form
part of the statutory accounts.

14	Trading and profit and loss account
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MILL HILL ENGINEERING (HOLDINGS) PLC
REPORT OF THE DIRECTOR

The director presents his annual report with the accounts of the company for the year ended 31st August 2000.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of engineering.

REVIEW OF BUSINESS

A summary of the results of the year's trading is given on page 4 of the accounts. The director considers the results to be satisfactory.

DIVIDENDS

No dividends were paid during the year (1999 - Nil).

DIRECTORS RESPONSIBILITIES

Company law requires the directors 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 and 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; and
Prepare the financial statements 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 to enable them to ensure that the financial statements 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.

PAYMENT OF CREDITORS

It is company policy, in respect of all of its suppliers to settle the terms of payment when agreeing the terms of each transaction; to ensure that suppliers are made aware of the terms of payment; and to abide by the terms of payment.

MILL HILL ENGINEERING (HOLDINGS) PLC
REPORT OF THE DIRECTOR
(continued)

DIRECTOR

The director in office in the year and his beneficial interest in the issued share capital were as follows:

	<u>31st August 2000</u>	<u>1st September 1999</u>
A. Molloy	50,000	50,000

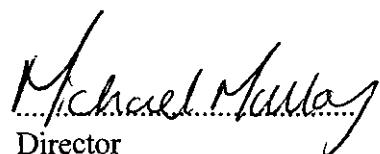
FIXED ASSETS

Acquisitions of fixed assets during the year are recorded in the notes to the accounts.

AUDITORS

The auditors, Broughton Tuite Tan & Co will be proposed for re-appointment in accordance with Section 384 of the Companies Act 1985.

Signed on behalf of the
board of Directors


Director

Approved by the board: 29.3.2001

REPORT OF THE AUDITORS TO THE MEMBERS OF
MILL HILL ENGINEERING (HOLDINGS) PLC

We have audited the accounts set out on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on these statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practice 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.

In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31st August 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985, as amended.



Registered Auditors
Yeoman House
168-172 Old Street
London EC1V 9BP



MILL HILL ENGINEERING (HOLDINGS) PLC
AND SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED - 31ST AUGUST 2000

		<u>2000</u>	<u>1999</u>
	<u>Notes</u>	£	£
TURNOVER		-	1,205,618
Cost of Sales		<u>9,065</u>	<u>667,787</u>
GROSS PROFIT / (LOSS)		(9,065)	537,831
Selling and distribution costs		1,409	137,669
Administrative expenses		<u>64,859</u>	<u>328,512</u>
		<u>66,268</u>	<u>466,181</u>
OPERATING PROFIT / (LOSS)	3	(75,333)	71,650
EXCEPTIONAL ITEM	4	<u>(63,909)</u>	<u>(178,988)</u>
		(139,242)	(107,338)
Other income	5	<u>41,667</u>	<u>5,000</u>
		(97,575)	(102,338)
Interest payable	6	<u>1,446</u>	<u>10,283</u>
LOSS on ordinary activities before taxation		(99,021)	(112,621)
TAXATION	7	<u>-</u>	<u>(373)</u>
LOSS for the financial year		<u>£ (99,021)</u>	<u>£ (112,248)</u>

In accordance with the exemption allowed under S.230 of the Companies Act 1985, as amended the company's profit and loss account is not separately presented.

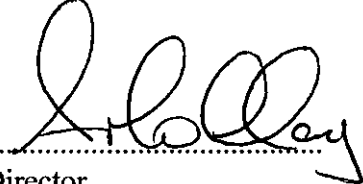
TOTAL RECOGNISED GAINS AND LOSSES

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

MILL HILL ENGINEERING (HOLDINGS) PLC
AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET - 31ST AUGUST 2000

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
		£	£
FIXED ASSETS			
Tangible Assets	8	220,500	248,056
CURRENT ASSETS			
Debtors	10	1,631	197,301
Cash at bank and in hand		<u>-</u>	<u>77,568</u>
		<u>1,631</u>	<u>274,869</u>
CREDITORS: amounts falling due within one year	11	<u>252,193</u>	<u>303,947</u>
NET CURRENT LIABILITIES		<u>250,562</u>	<u>29,078</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(30,062)	218,978
CREDITORS: amounts falling due after more than one year	12	<u>1,195</u> <u>(31,257)</u>	<u>4,778</u> <u>214,200</u>
PROVISION FOR LIABILITIES AND CHARGES			
Liquidation of subsidiary	4	<u>45,000</u>	<u>178,988</u>
		<u>£ (76,257)</u>	<u>£ 35,212</u>
CAPITAL AND RESERVES			
Called up share capital	13	50,000	50,000
Profit and loss account	14	<u>(126,257)</u>	<u>(14,788)</u>
SHAREHOLDERS' FUNDS			
EQUITY INTEREST	15	<u>£ (76,257)</u>	<u>£ 35,212</u>

Signed on behalf of
board of directors

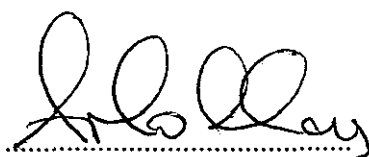

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Director

Approved by the board: 29.3.2001

MILL HILL ENGINEERING (HOLDINGS) PLC
BALANCE SHEET - 31ST AUGUST 2000

	Notes	£	2000 £	£	1999 £
FIXED ASSETS					
Tangible fixed assets	8		220,500		248,056
Investments	9		<u>-</u>		<u>4</u>
			220,500		248,060
CURRENT ASSETS					
Debtors	10	1,631		72,331	
Cash at bank		<u>-</u>		<u>43,491</u>	
		<u>1,631</u>		<u>115,822</u>	
CREDITORS: amounts falling due within one year					
	11	<u>252,193</u>		<u>188,096</u>	
NET CURRENT LIABILITIES					
			<u>250,562</u>		<u>72,274</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			(30,062)		175,786
CREDITORS: Amounts falling due after more than one year					
Other loan	12		<u>1,195</u>		<u>4,778</u>
			(31,257)		171,008
PROVISION FOR LIABILITIES AND CHARGES					
Liquidation of subsidiary	4		<u>45,000</u>		<u>148,244</u>
			<u>£ (76,257)</u>		<u>£ 22,764</u>
CAPITAL RESERVES					
Called up share capital	13		50,000		50,000
Profit and loss account	14		<u>(126,257)</u>		<u>(27,236)</u>
SHAREHOLDERS' FUNDS					
EQUITY INTEREST	15		<u>£ (76,257)</u>		<u>£ 22,764</u>

Signed on behalf of
board of directors



Director

Approved by the board:

The notes on pages 8 to 13 form part of these accounts

MILL HILL ENGINEERING (HOLDINGS) PLC
AND SUBSIDIARY COMPANIES
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST AUGUST 2000

Reconciliation of operating profit to net cash inflow from operating activities.

	<u>2000</u>		<u>1999</u>	
	£	£	£	£
Operating Profit		(139,242)		(107,338)
Depreciation charges		41,611		39,140
Decrease in stocks		-		103,885
Decrease in debtors		195,670		1,356
Decrease in creditors		(172,725)		211,489
Loss on disposal of motor vehicle		-		3,544
Reserves and share capital of subsidiary in liquidation		(12,448)		(5,987)
Net cash inflow / (outflow) from operating activities		<u>£ (87,134)</u>		<u>£ 246,089</u>

CASH FLOW STATEMENT

Net cash inflow from operating activities		(87,134)		246,089
Returns on investments and servicing of finance (note 1)				
Interest paid	(1,446)		(10,029)	
Interest element of hire purchase payments	<u>-</u>		<u>(254)</u>	
		(1,446)		(10,283)
Taxation (note 1)				
Corporation tax recovered/(paid)	<u>(16,600)</u>		<u>(5,521)</u>	
		(16,600)		(5,521)
Capital expenditure (note 1)				
Payment to acquire tangible fixed assets	(14,055)		(54,695)	
Receipts from sale of tangible fixed assets	-		10,500	
Receipts from grant	-		5,000	
Receipts from other income	<u>41,667</u>		<u>-</u>	
		<u>27,612</u>		<u>(39,195)</u>
		(77,568)		191,090
Equity dividends paid		<u>-</u>		<u>-</u>
		(77,568)		191,090
Management of liquid resources (note 1)		-		-
Financing				
Capital element of hire purchase payments	-		(5,172)	
New loan repayable	4,379		11,000	
Repayment of loan	<u>(4,379)</u>		<u>(2,639)</u>	
		<u>£(77,568)</u>		<u>£ 194,279</u>

Reconciliation of net cash flow to movement in net debt (note 2)

Decrease in cash in the period		(77,568)		194,279
Cash out flow from decrease in the hire purchase		<u>-</u>		<u>5,172</u>
Change in net debt resulting from cash flows		(77,568)		199,451
New hire purchase		<u>-</u>		<u>-</u>
Movement in net debt in the period		(77,568)		199,451
Net debt at 1.9.99		<u>77,568</u>		<u>(121,883)</u>
Net debt at 31.8.00		<u>£ -</u>		<u>£ 77,568</u>

MILL HILL ENGINEERING (HOLDINGS) PLC
NOTES TO THE ACCOUNTS - 31ST AUGUST 2000

1. ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared in accordance with the Companies Act 1985, as amended, and with applicable Accounting Standards.

(b) Basis of consolidation

The consolidation financial statements comprise the accounts of Mill Hill Heavy Engineering Ltd and Cam Paper Machinery Ltd.

(c) Turnover

Turnover represents net invoiced sales, excluding value added tax.

(d) Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold Property	-	25% on cost
Plant and equipment	-	5% on written down value
Fixtures and fittings	-	25% on written down value
Motor vehicles	-	25% on cost

(e) Leased Assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit as incurred. Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability. The interest element of rental obligations is charged to profit and loss account over the period of the lease at a constant proportion of the outstanding balance of capital repayments.

(f) Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value.

(g) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transaction in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange rate differences are taken into account in arriving at the operating profit.

MILL HILL ENGINEERING (HOLDINGS) PLC
NOTES TO THE ACCOUNTS - 31ST AUGUST 2000

2. TURNOVER

The turnover and loss before taxation is attributable to the one principal activity of the company.

An analysis of turnover is given below	<u>2000</u>	<u>1999</u>
	£	£
United Kingdom	-	42,055
United States of America	-	1,163,563
	<u>£ -</u>	<u>£1,205,618</u>

3. OPERATING PROFIT

This is stated after charging:	<u>2000</u>	<u>1999</u>
	£	£
Depreciation	41,611	39,140
Auditors remuneration	<u>2,500</u>	<u>8,750</u>

4. EXCEPTIONAL ITEM

	<u>2000</u>		<u>1999</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Cam Paper Machinery Ltd	-	-	178,988	148,244
Mill Hill Heavy Engineering Ltd	<u>45,000</u>	<u>45,000</u>	-	-
	<u>£ 45,000</u>	<u>£ 45,000</u>	<u>£ 178,988</u>	<u>£ 148,244</u>

The company's subsidiary Mill Hill Heavy Engineering Limited went into liquidation on 18th December 2000. Mill Hill Engineering (Holdings) plc acted as a guarantor of its bank overdraft and a provision of £45,000 is required to meet this undertakings.

5. OTHER INCOME	<u>2000</u>	<u>1999</u>
	£	£
Grants	-	5,000
Rental income	31,667	-
Rental equipment income	<u>10,000</u>	<u>-</u>
	<u>£ 41,667</u>	<u>£ 5,000</u>

6. INTEREST PAYABLE	<u>2000</u>	<u>1999</u>
Interest payable on loans and overdrafts repayable within 1 year	<u>£ 1,446</u>	<u>£ 10,283</u>

7. TAXATION

Tax credit (1999 - charge) on ordinary activities for the year was as follows:

	<u>2000</u>	<u>1999</u>
Corporation tax based on the adjusted results of the year	<u>£ -</u>	<u>£ (373)</u>

MILL HILL ENGINEERING (HOLDINGS) PLC
NOTES TO THE ACCOUNTS - 31ST AUGUST 2000

8. TANGIBLE FIXED ASSETS

	<u>Leasehold Property</u>	<u>Plant & Machinery</u>	<u>Motor Vehicles</u>	<u>Fixtures & Fittings</u>	<u>Total</u>
	£	£	£	£	£
GROUP AND COMPANY COST					
At 1st September 1999	106,215	270,147	5,634	31,178	413,174
Additions	<u>10,445</u>	<u>3,610</u>	<u>-</u>	<u>-</u>	<u>14,055</u>
At 31st August 2000	<u>116,660</u>	<u>273,757</u>	<u>5,634</u>	<u>31,178</u>	<u>427,229</u>
DEPRECIATION					
At 1st September 1999	46,590	92,455	2,782	23,291	165,118
Charge for year	<u>29,165</u>	<u>9,065</u>	<u>1,409</u>	<u>1,972</u>	<u>41,611</u>
At 31st August 2000	<u>75,755</u>	<u>101,520</u>	<u>4,191</u>	<u>25,263</u>	<u>206,729</u>
Written down values					
At 31st August 2000	<u>£ 40,905</u>	<u>£ 172,237</u>	<u>£ 1,443</u>	<u>£ 5,915</u>	<u>£ 220,500</u>
At 31st August 1999	<u>£ 59,625</u>	<u>£ 177,692</u>	<u>£ 2,852</u>	<u>£ 7,887</u>	<u>£ 248,056</u>

9. INVESTMENTS

2000

1999

Investments	<u>£ -</u>	<u>£ 4</u>
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Details of group companies are set out below. All shareholdings comprise of ordinary shares.

Subsidiary CompaniesActivity

Mill Hill Heavy Engineering Ltd
 Cam Paper Machinery Ltd

Engineering
 Engineering

The subsidiary companies are 100% owned by Mill Hill Engineering (Holdings) Plc and are incorporated in England.

MILL HILL ENGINEERING (HOLDINGS) PLC
NOTES TO THE ACCOUNTS - 31ST AUGUST 2000

10. DEBTORS	<u>2000</u>		<u>1999</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Trade debtors	-	-	110,767	-
Other debtors	-	-	61,726	69,206
Social security and other taxes	-	-	21,221	1,683
Prepayments	<u>1,631</u>	<u>1,631</u>	<u>3,587</u>	<u>1,442</u>
	<u>£ 1,631</u>	<u>£ 1,631</u>	<u>£ 197,301</u>	<u>£ 72,331</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>2000</u>		<u>1999</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Trade creditors	29,177	29,177	176,375	25,556
Social security and other taxes	653	653	-	-
Other creditors	175,519	175,519	-	76,036
Accruals	3,150	3,150	16,870	7,000
Directors current account	40,111	40,111	90,519	75,921
Other loan	<u>3,583</u>	<u>3,583</u>	<u>3,583</u>	<u>3,583</u>
	252,193	252,193	287,347	188,096
Taxation	<u>-</u>	<u>-</u>	<u>16,600</u>	<u>-</u>
	<u>£ 252,193</u>	<u>£ 252,193</u>	<u>£303,947</u>	<u>£ 188,096</u>

The director's current account is secured by a first fixed charge over the plant and equipment. The bank facilities are secured by a fixed and floating charge over the assets of the company. In addition, the company has also entered into a cross guarantee arrangement with the company's bankers with regard to its subsidiaries, Mill Hill Heavy Engineering Ltd and Cam Paper Machinery Ltd.

12. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	<u>2000</u>		<u>1999</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Other Loan	<u>£ 1,195</u>	<u>£ 1,195</u>	<u>£ 4,778</u>	<u>£ 4,778</u>

MILL HILL ENGINEERING (HOLDINGS) PLC
NOTES TO THE ACCOUNTS - 31ST AUGUST 2000

13.	CALLED UP SHARE CAPITAL			<u>2000</u>	<u>1999</u>
	Authorised				
	250,000 ordinary shares of £1 each			<u>£ 250,000</u>	<u>£ 250,000</u>
	Allotted, called up and fully paid				
	50,000 ordinary shares of £1 each			<u>£ 50,000</u>	<u>£ 50,000</u>
14.	PROFIT AND LOSS			<u>2000</u>	<u>1999</u>
		<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
		£	£	£	£
	Balance at 1st September 1999	(14,788)	(27,236)	103,447	14,110
	Profit/(Loss) for the financial year	(99,021)	(99,021)	(112,248)	(41,346)
	Cam Paper Machinery Ltd reserves at 1st September 1999	-	-	(5,987)	-
	Mill Hill Heavy Engineering Ltd reserves at 1st September 1999	<u>(12,448)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>£ (126,257)</u>	<u>£ (126,257)</u>	<u>£ (14,788)</u>	<u>£ (27,236)</u>
15.	RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS				
		<u>2000</u>		<u>1999</u>	
		<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	Profit/(Loss) for the financial year after taxation	(99,021)	(99,021)	(112,248)	(41,346)
	Cam Paper Machinery Ltd reserves at 1st September 1999	-	-	(5,987)	-
	Mill Hill Heavy Engineering Ltd reserves at 1st September 1999	<u>(12,448)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		(111,469)	(99,021)	(118,235)	(41,346)
	Opening shareholders' funds at 1 September 1999	<u>35,212</u>	<u>22,764</u>	<u>153,447</u>	<u>64,110</u>
	Closing shareholders' funds at 31 August 2000	<u>£ (76,257)</u>	<u>£ (76,257)</u>	<u>£ 35,212</u>	<u>£ 22,764</u>

MILL HILL ENGINEERING (HOLDINGS) PLC
NOTES TO THE ACCOUNTS - 31ST AUGUST 2000

16. NOTES TO THE CASH FLOW STATEMENTS

NOTE 1 - GROSS CASH FLOWS

Cash flows are shown gross in the cash flow statement

NOTE 2 - ANALYSIS OF CHANGES IN NET DEBT

	<u>At 01.09.99</u>	<u>Cash</u>	<u>Other non-</u>	<u>At 31.08.00</u>
	£	flow	cash changes	£
		£	£	
Cash in hand	77,568	(77,568)	-	-
Bank overdraft	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>£ (77,568)</u>	<u>£ (77,568)</u>	<u>£ -</u>	<u>£ -</u>

17. POST BALANCE SHEET EVENT

The subsidiary company Mill Hill Heavy Engineering Ltd went into liquidation on 18th December 2000.