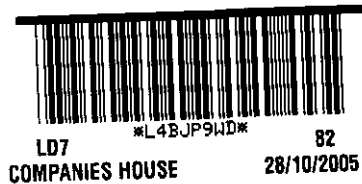


MMH RECYCLING SYSTEMS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004



MMH RECYCLING SYSTEMS LIMITED

COMPANY INFORMATION

Directors	P L Keatley P M G Keatley
Secretary	P L Keatley
Company number	3614648
Registered office	Unit 6, Broomers Hill Park Broomers Hill Lane Pulborough West Sussex RH20 2RY
Accountants	Hartley Fowler LLP 58 Wimbledon Hill Road Wimbledon London SW19 7PA
Business address	Unit 6, Broomers Hill Park Broomers Hill Lane Pulborough West Sussex RH20 2RY
Bankers	Barclays Bank PLC 54 Lombard Street London EC3V 9EX

MMH RECYCLING SYSTEMS LIMITED

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MMH RECYCLING SYSTEMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

Principal activities

The principal activities of the company in the year under review were the trade, installation and servicing of recycling plant and equipment.

Directors

The following directors have held office since 1 January 2004:

P L Keatley

P M G Keatley

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2004	1 January 2004
P L Keatley	150,000	150,000
P M G Keatley	-	-

	Preference shares of £ 1 each	
	31 December 2004	1 January 2004
P L Keatley	-	-
P M G Keatley	-	-

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

On behalf of the board



P L Keatley

Director

25 October 2005

MMH RECYCLING SYSTEMS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004**

		2004	2003
	Notes	£	£
Turnover	2	1,447,466	1,156,284
Cost of sales		(1,136,857)	(818,814)
Gross profit		310,609	337,470
Administrative expenses		(406,273)	(439,280)
Other operating income		157,528	112,900
Operating profit	3	61,864	11,090
Profit/loss on sale of tangible assets	3	2,350	-
Profit on ordinary activities before interest		64,214	11,090
Other interest receivable and similar income		1,090	4,939
Interest payable and similar charges		(1,720)	-
Profit on ordinary activities before taxation		63,584	16,029
Tax on profit on ordinary activities	4	(19,578)	(7,315)
Profit on ordinary activities after taxation	12	44,006	8,714

The profit and loss account has been prepared on the basis that all operations are continuing operations.

MMH RECYCLING SYSTEMS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2004

	2004	2003
	£	£
Profit for the financial year	44,006	8,714
Currency translation differences on foreign currency net investments	(392)	(11,455)
Total recognised gains and losses relating to the year	<u>43,614</u>	<u>(2,741)</u>

MMH RECYCLING SYSTEMS LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	5		17,890		12,480
Current assets					
Stocks		159,305		194,046	
Debtors	6	137,800		120,406	
Cash at bank and in hand		147,255		25,639	
		<u>444,360</u>		<u>340,091</u>	
Creditors: amounts falling due within one year	7	<u>(273,854)</u>		<u>(210,025)</u>	
Net current assets			170,506		130,066
Total assets less current liabilities			<u>188,396</u>		<u>142,546</u>
Creditors: amounts falling due after more than one year	8		(2,236)		-
Provisions for liabilities and charges	9		<u>(10,000)</u>		<u>(10,000)</u>
			<u>176,160</u>		<u>132,546</u>
Capital and reserves					
Called up share capital	11	500,000		500,000	
Other reserves	12	4,759		5,151	
Profit and loss account	12	<u>(328,599)</u>		<u>(372,605)</u>	
Shareholders' funds	13	<u>176,160</u>		<u>132,546</u>	
Equity interests		(173,840)		(217,454)	
Non-equity interests		350,000		350,000	
		<u>176,160</u>		<u>132,546</u>	

MMH RECYCLING SYSTEMS LIMITED

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2004

In preparing these financial statements:

- (a) The directors are of the opinion that the company is entitled to the exemption from audit conferred by Section 249A(1) of the Companies Act 1985;
- (b) No notice has been deposited under Section 249B(2) of the Companies Act 1985, and
- (c) The directors acknowledge their responsibilities for:
 - (i) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
 - (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.

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

The financial statements were approved by the Board on 25 October 2005

P L Keatley
Director



MMH RECYCLING SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Sales are not recognised until the goods have been delivered and installed with the customer.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	10% on cost
Computer equipment	25% on cost
Office furniture and fittings	25% on cost
Motor vehicles	25% on cost

1.4 Leasing

Rentals payable under operating leases are charged against income in the periods in which they are incurred.

1.5 Stock

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

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.7 Foreign currency translation

Non-branch assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into the profit and loss account for the year.

Foreign branches accounting in their local currency are incorporated into the financial statements using the closing rate method. Assets, liabilities and profit and loss items are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are taken to the currency translation reserve account.

This is in accordance with Statement of Standard Accounting Practice 20, "Foreign Currency Translation".

2 Turnover

In the year to 31 December 2004 65.24% (2003- 52.86%) of the company's turnover was to markets outside the United Kingdom.

MMH RECYCLING SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2004

3	Operating profit	2004	2003
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	6,457	7,797
	Loss on foreign exchange transactions	-	6,684
	Operating lease rentals		
	- Plant and machinery	3,781	874
	- Other assets	56,037	58,952
	Auditors' remuneration	1,295	4,400
	Directors' emoluments	58,155	58,433
	and after crediting:		
	Profit on foreign exchange transactions	(3,203)	-
		<u> </u>	<u> </u>
4	Taxation		
		£	£
	Foreign corporation tax		
	Foreign corporation tax	19,578	7,315
		<u> </u>	<u> </u>
	Current tax charge	19,578	7,315
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	63,584	16,029
		<u> </u>	<u> </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 19.00%)	12,081	3,046
		<u> </u>	<u> </u>
	Effects of:		
	Non deductible expenses	-	195
	Depreciation add back	1,227	1,481
	Capital allowances	(1,400)	(1,930)
	Tax losses utilised	(11,908)	-
	Foreign tax on overseas branches	19,578	7,315
	Other tax adjustments	-	(2,792)
		<u> </u>	<u> </u>
		7,497	4,269
		<u> </u>	<u> </u>
	Current tax charge	19,578	7,315
		<u> </u>	<u> </u>

MMH RECYCLING SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2004

5 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 January 2004	112,244
Additions	11,866
	<hr/>
At 31 December 2004	124,110
	<hr/>
Depreciation	
At 1 January 2004	99,763
Charge for the year	6,457
	<hr/>
At 31 December 2004	106,220
	<hr/>
Net book value	
At 31 December 2004	17,890
	<hr/>
At 31 December 2003	12,480
	<hr/>

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles
	£
Net book values	
At 31 December 2004	8,434
	<hr/>
Depreciation charge for the year	
31 December 2004	1,206
	<hr/>

6 Debtors	2004	2003
	£	£
Trade debtors	91,890	80,018
Other debtors	45,910	40,388
	<hr/>	<hr/>
	137,800	120,406
	<hr/>	<hr/>

MMH RECYCLING SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2004

7 Creditors: amounts falling due within one year	2004	2003
	£	£
Net obligations under finance leases	3,603	-
Trade creditors	89,015	75,268
Taxation and social security	16,984	13,090
Other creditors	164,252	121,667
	<u>273,854</u>	<u>210,025</u>

8 Creditors: amounts falling due after more than one year	2004	2003
	£	£
Net obligations under finance leases	2,236	-
	<u>2,236</u>	<u>-</u>
Net obligations under finance leases		
Repayable within one year	3,603	-
Repayable between one and five years	2,236	-
	<u>5,839</u>	<u>-</u>
Included in liabilities falling due within one year	(3,603)	-
	<u>2,236</u>	<u>-</u>

9 Provisions for liabilities and charges	Other
	£
Balance at 1 January 2004 & at 31 December 2004	<u>10,000</u>

The provision relates to the costs to be incurred in the future for warranty claims expected to arise on products sold.

10 Pension costs		
Defined contribution		
	2004	2003
	£	£
Contributions payable by the company for the year	<u>14,498</u>	<u>16,586</u>

MMH RECYCLING SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2004

11 Share capital	2004	2003
	£	£
Authorised		
300,000 Ordinary shares of £1 each	300,000	300,000
350,000 Preference shares of £1 each	350,000	350,000
	<u>650,000</u>	<u>650,000</u>
Allotted, called up and fully paid		
150,000 Ordinary shares of £1 each	150,000	150,000
350,000 Preference shares of £1 each	350,000	350,000
	<u>500,000</u>	<u>500,000</u>

The preference shares carry interest at 8% per annum and are redeemable in instalments of £50,000 annually on 1 January 2003, 2004 and 2005 and £100,000 annually on 1 January 2006 and 2007. Interest of £28,000 per annum has been waived by the preference share holders for each period to 31 December 2004 and there has not been a redemption of the shares on 1 January 2004 or 2005.

12 Statement of movements on reserves

	Other reserves (see below)	Profit and loss account
	£	£
Balance at 1 January 2004	5,151	(372,605)
Retained profit for the year	-	44,006
Foreign currency translation differences	(392)	-
Balance at 31 December 2004	<u>4,759</u>	<u>(328,599)</u>
Other reserves		
Currency translation reserve		
Balance at 1 January 2004	5,151	
Currency translation movement	(392)	
Balance at 31 December 2004	<u>4,759</u>	

Foreign branches accounting in their local currency are incorporated into the financial statements using the closing rate method, resulting in foreign exchange differences which are taken to the currency translation reserve account and not directly to the profit and loss reserve account.

MMH RECYCLING SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2004

13 Reconciliation of movements in shareholders' funds	2004	2003
	£	£
Profit for the financial year	44,006	8,714
Other recognised gains and losses	(392)	(11,455)
Net addition to/(depletion in) shareholders' funds	43,614	(2,741)
Opening shareholders' funds	132,546	135,287
Closing shareholders' funds	176,160	132,546

14 Financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2004	2003
	£	£
Expiry date:		
Between two and five years	9,200	39,000

15 Transactions with directors

The company owed P Keatley, a director, £30,056 (2003: £9,942) at the balance sheet date. This amount does not bear interest and has no repayment terms.

16 Control

The ultimate controlling party is P Keatley, a director who holds 100% of the ordinary share capital.