

OSKMET (DRI) LIMITED

Report and Financial Statements

**Period from the date of incorporation on
9 July 1996 to 31 December 1997**



REPORT AND FINANCIAL STATEMENTS 1997

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

I Falconer
R Stubbs
A Hejazi

SECRETARY

J P Gorman, FCA

REGISTERED OFFICE

Fifth Floor
100 Avenue Road
London NW3 3HF

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the period from the date of incorporation on 9 July 1996 to 31 December 1997.

ACTIVITIES

The company was incorporated on 9 July 1996 and commenced business on 20 August 1996. The company is engaged in the trading of direct reduced iron product.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors consider the results for the first period of trading to be satisfactory and expect the results for 1998 to show considerable improvement.

RESULTS AND DIVIDENDS

The results of the company for the period from the date of incorporation on 9 July 1996 to 31 December 1997 are set out in detail on page 6.

The directors do not recommend the payment of a dividend for the period ended 31 December 1997.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the period were as follows:

R Stubbs	-	appointed 9 July 1996
I Falconer	-	appointed 5 February 1997
A Hejazi	-	appointed 13 January 1998
MA Alikhani	-	appointed 9 July 1996, resigned 1 June 1998
Waterlow Nominees Limited	-	appointed 9 July 1996, resigned 9 July 1996

The interests of Messrs. Alikhani and Falconer in the share capital of the ultimate parent company are shown in the financial statements of that company. The directors did not hold beneficial interests in the shares of the company at 9 July 1996, or date of appointment, or 31 December 1997.

The interests of R Stubbs and A Hejazi in options over ordinary shares in the ultimate parent company granted under the Employee Share Option Scheme are as follows:

	No. of shares	Exercise price	Exercise dates
R Stubbs	1,700,000	8.1p	16.12.94 - 15.12.98
R Stubbs	1,000,000	3.5p	15.07.01 - 14.07.08
A Hejazi	750,000	5.25p	11.12.00 - 10.12.07
A Hejazi	1,500,000	3.5p	15.07.01 - 14.07.08

DIRECTORS' REPORT

ISSUE OF SHARES

Details of shares issued by the company during the period are set out in note 11 to the accounts.

CREDITOR PAYMENT POLICY

The company's policy is normally to pay trade creditors according to the agreed terms of business. These terms are usually agreed with trade creditors before they provide the goods and services. The company's policy is to adhere to the payment terms providing the relevant goods or services have been supplied in accordance with the agreements. The company's creditors days are one day.

AUDITORS

Deloitte & Touche, who were appointed during the period, have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board.



I Falconer

Director

31 July 1998

STATEMENT OF 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 as at the end of the financial year 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;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a 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.

AUDITORS' REPORT TO THE MEMBERS OF OSKMET (DRI) LIMITED

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 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 those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of the profit for the period from the date of incorporation on 9 July 1996 to 31 December 1997 and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche

Chartered Accountants
and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

31 July 1998

PROFIT AND LOSS ACCOUNT**Period from the date of incorporation on 9 July 1996 to 31 December 1997**

	Note	For the period from the date of incorporation on 9 July 1996 to 31 December 1997
		US\$
TURNOVER	2	74,192,902
Cost of sales		(72,755,802)
Gross profit		1,437,100
Administrative expenses		(295,728)
OPERATING PROFIT	3	1,141,372
Interest receivable and similar income		74,305
Interest payable and similar charges	5	(8,079)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,207,598
Tax on profit on ordinary activities	6	(386,495)
PROFIT FOR THE FINANCIAL PERIOD		821,103

All activities derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**Period from the date of incorporation on 9 July 1996 to 31 December 1997**

There are no recognised gains or losses other than the profit attributable to shareholders disclosed in the above profit and loss account.

BALANCE SHEET
31 December 1997

	Note	1997 US\$
FIXED ASSETS		
Tangible assets	7	11,798
CURRENT ASSETS		
Debtors	8	11,074,912
Cash at bank and in hand		23,339
		11,098,251
CREDITORS: amounts falling due within one year	9	(10,288,321)
NET CURRENT ASSETS		809,930
TOTAL ASSETS LESS CURRENT LIABILITIES		821,728
PROVISIONS FOR LIABILITIES AND CHARGES	10	(622)
		821,106
CAPITAL AND RESERVES		
Called up share capital	11	3
Profit and loss account		821,103
TOTAL EQUITY SHAREHOLDERS' FUNDS		821,106

These financial statements were approved by the Board of Directors on 31 July 1998.

Signed on behalf of the Board of Directors.



I Falconer

Director

NOTES TO THE ACCOUNTS**Period from the date of incorporation on 9 July 1996 to 31 December 1997****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention. The financial statements are presented in US dollars as this is the currency in which the majority of transactions are executed.

Tangible fixed assets

Depreciation is provided on an equal annual instalment basis over the anticipated useful lives of the assets at the following rate:

Office equipment 20 per cent on cost.

Deferred tax

Deferred tax is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Turnover

Turnover represents sales invoiced to external customers, excluding Value Added Tax.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rate of exchange ruling on the balance sheet date. Revenue and expense items are translated at average rates of exchange for the period. Resulting exchange gains and losses are taken to the profit and loss account.

2. GEOGRAPHICAL ANALYSIS OF RESULTS

	For the period from the date of incorporation on 9 July 1996 to 31 December 1997 US\$
Turnover by destination:	
Spain	21,433,867
Mexico	16,972,528
Singapore	12,539,116
Indonesia	9,151,567
Poland	6,696,513
USA	3,955,339
Guatemala	2,981,245
Italy	462,727
	<hr/> 74,192,902 <hr/>

All turnover derives from direct reduced iron trading activities.

NOTES TO THE ACCOUNTS**Period from the date of incorporation on 9 July 1996 to 31 December 1997****3. OPERATING PROFIT**

For the period from the
date of incorporation on
9 July 1996 to 31
December 1997

	US\$
Operating profit is after charging:	
Depreciation on tangible fixed assets	1,045
Auditors' remuneration	
- Audit fees	16,400
	<u>16,400</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no remuneration from the company for their services.

For the period from the
date of incorporation on
9 July 1996 to
31 December 1997

	No.
Employees	
Average number of persons employed in the period:	
Management	1
	<u>1</u>
	US\$
Staff costs	
Wages and salaries	58,177
	<u>58,177</u>

NOTES TO THE ACCOUNTS**Period from the date of incorporation on 9 July 1996 to 31 December 1997****5. INTEREST PAYABLE AND SIMILAR CHARGES**

For the period from the
date of incorporation on
9 July 1996 to
31 December 1997

US\$

Bank loans	386,467
Bank charges	206,350
	<hr/>
	592,817
Less included in cost of sales	(584,738)
	<hr/>
	8,079
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Interest on bank loans of US\$386,467 and bank charges of US\$198,271 have been included in cost of sales as these expenses are trade finance related.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

For the period from the
date of incorporation on
9 July 1996 to
31 December 1997

US\$

United Kingdom corporation tax at 31.5% based on profit for the period	385,873
Deferred tax	622
	<hr/>
	386,496
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NOTES TO THE ACCOUNTS

Period from the date of incorporation on 9 July 1996 to 31 December 1997

7. TANGIBLE FIXED ASSETS

	Office equipment US\$
Cost:	
At 9 July 1996	-
Additions	12,843
	<hr/>
At 31 December 1997	12,843
	<hr/>
Accumulated depreciation:	
At 9 July 1996	-
Charge for the period	1,045
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At 31 December 1997	1,045
	<hr/>
Net book value:	
At 31 December 1997	11,798
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8. DEBTORS

	1997 US\$
Trade debtors	10,529,800
Amount owed by ultimate parent company	3
Other debtors	349,451
Prepayments	195,658
	<hr/>
	11,074,912
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Included in other debtors as at 31 December 1997 is US\$345,934 due from Oskol Electrometallurgical Kombinat, ("OEMK"). This amount relates to the prepayment for deliveries of direct reduced iron products purchased by the company for resale.

NOTES TO THE ACCOUNTS

Period from the date of incorporation on 9 July 1996 to 31 December 1997

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 US\$
Bank overdraft	775,488
Bank loans	2,534,999
Trade creditors	527,112
Amount owed to immediate parent company	5,664,971
Amount owed to fellow subsidiary company	55,721
Corporation tax	385,873
Accruals and deferred income	344,157
	<hr/> 10,288,321 <hr/>

The company's bank loans of US\$2,534,999 at 31 December 1997 are secured on trade debtors.

10. PROVISIONS FOR LIABILITIES AND CHARGES

	1997 US\$
Deferred tax	
At 9 July 1996	-
Charged to the profit and loss account	622
	<hr/>
At 31 December 1997	622 <hr/>

The amount of deferred tax provided for in the financial statements and potential amount not provided for are:

	Provided 1997 US\$	Not provided 1997 US\$
Other timing differences	622	-
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS**Period from the date of incorporation on 9 July 1996 to 31 December 1997****11. CALLED UP SHARE CAPITAL**

	1997
	£
Authorised:	
1,000 ordinary shares of £1 each	1,000
	<hr/>
	US\$
Called up, allotted and unpaid:	
2 ordinary shares of £1 each	3
	<hr/>

On 9 July 1996, date of incorporation, 2 ordinary shares of £1 each were issued at par and remain unpaid.

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	For the period from the date of incorporation on 9 July 1996 to 31 December 1997 US\$
Profit for the period	821,103
Share capital subscribed on incorporation	3
	<hr/>
Net additions to shareholders' funds	821,106
Opening shareholders' funds	-
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Closing shareholders' funds	821,106
	<hr/>

13. RELATED PARTY INFORMATION

The company's controlling party is Middlesex Holdings plc. The company has taken advantage of the exemption granted under paragraph 3(c) of FRS 8 and not disclosed details of transactions with other group companies qualifying as related parties as it is a wholly owned subsidiary of Middlesex Holdings plc.

14. GUARANTEE

The company has received, with one of its fellow subsidiary companies, a guarantee of its borrowings of up to US\$50 million, from its ultimate parent company at 31 December 1997.

NOTES TO THE ACCOUNTS

Period from the date of incorporation on 9 July 1996 to 31 December 1997

15. PARENT COMPANY

The company's results are consolidated in the accounts of Middlesex Holdings plc, the company's ultimate parent company, which is incorporated in Great Britain. The consolidated accounts are available at Fifth Floor, 100 Avenue Road, London NW3 3HF.