

**MIDLAND RESOURCES UK LIMITED**

**DIRECTORS' REPORT**

**AND**

**FINANCIAL STATEMENTS**

**31ST DECEMBER 2005**



# MIDLAND RESOURCES UK LIMITED

## Directors

M. T. Pryor  
D R Roe  
A. Shnaider  
E. Chifrin

## Secretary and Registered Office

Mrs. M. E. Calvert  
Jubilee Works, Clifton Street  
Miles Platting, Manchester, M40 8HN

## DIRECTORS' REPORT

The directors submit their report financial statements for the year ended 31st December 2005.

### PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The company's principal activity in the year under review was to act as a sales agent for entities participating in the international trade in ferrous metals.

On 30 September 2003, the company withdrew from its agency agreements and ceased trading after experiencing a decline in the attainable turnover within its markets. The directors continue to seek alternative business opportunities through which activities can be expanded. In the interim, the shareholders continue to fund minimal operations.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period. The directors consider that in preparing the financial statements the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and confirm that all applicable accounting standards have been followed. The financial statements have been prepared on a going concern basis.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and for ensuring that the financial statements comply with the Companies Act 1985. The directors also have responsibility for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year are named above.

The interests of the directors in the ordinary share capital of the company during the year was as follows:-

	<b>£1 ordinary shares</b>	
	<b>At 31st December 2005</b>	<b>At 1st January 2005</b>
A. Shnaider	122,500	122,500

None of the remaining directors have a direct beneficial interest in the company.

**MIDLAND RESOURCES UK LIMITED**

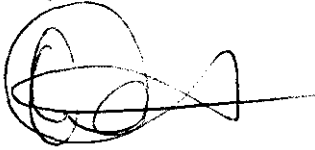
**DIRECTORS' REPORT – CONTINUED**

**AUDITORS**

Due to the cessation of operations, the company is exempt from the statutory requirement for audit of its financial statements. Accordingly AGN Shipleys resigned as auditors and were not replaced.

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

**By Order of the Board**

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a horizontal line and a small flourish.

**Mrs. M. E. Calvert  
Company Secretary**

**30 September 2006**

## MIDLAND RESOURCES UK LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2005

	Notes	2005 £	2004 £
TURNOVER & OTHER INCOME	1.1	24	478
ADMINISTRATIVE EXPENSES		<u>(297,351)</u>	<u>(324,749)</u>
OPERATING LOSS		(297,327)	(324,271)
EXCEPTIONAL ITEM	4	297,500	325,000
INTEREST PAYABLE		(16)	(1)
INTEREST RECEIVABLE		<u>-</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	157	728
TAXATION		<u>-</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT/(LOSS) FOR THE YEAR		157	728
RETAINED (LOSS)/PROFIT BROUGHT FORWARD		<u>(245,680)</u>	<u>(246,408)</u>
RETAINED LOSS CARRIED FORWARD		<u>£(245,523)</u>	<u>£(245,680)</u>

The notes on pages 5 to 7 form part of these financial statements.

## MIDLAND RESOURCES UK LIMITED

## BALANCE SHEET

AS AT 31ST DECEMBER 2005

	Notes	2005 £	2004 £
<b>FIXED ASSETS</b>			
Tangible assets	5	44,796	53,756
Investments	6	<u>193,473</u>	<u>193,473</u>
		238,269	247,229
<b>CURRENT ASSETS</b>			
Debtors	7	1,923	4,355
Cash at bank and in hand		<u>23,547</u>	<u>10,739</u>
		25,470	15,094
<b>CREDITORS : Amounts falling due within one year</b>	8	<u>(259,262)</u>	<u>(258,003)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(233,792)</u>	<u>(242,909)</u>
<b>NET ASSETS</b>		<u>£4,477</u>	<u>£4,320</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	250,000	250,000
Profit and loss account		<u>(245,523)</u>	<u>(245,680)</u>
		<u>£4,477</u>	<u>£4,320</u>

These accounts have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

For the year ended 31 December 2005 the company was entitled to exemption under section 249A(1) of the Companies Act 1985. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 249B(2). The directors acknowledge their responsibility for:

- i) ensuring the company keeps accounting records which comply with section 221; and
- ii) preparing accounts which give a true & fair view of the state of affairs of the company as at the end of its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

Approved by the Board on

  
D.R. Roe - Director

30 September 2006

The notes on pages 5 to 7 form part of these financial statements.

## MIDLAND RESOURCES UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005

**1. ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) and with applicable Accounting Standards. Any material departures from Accounting Standards are described below.

**1.1 Turnover**

Turnover is the aggregate value of sums received and receivable for consultancy fees and commissions.

**1.2 Depreciation**

Depreciation is provided on all tangible fixed assets in order to write off the cost of the fixed assets over their estimated useful lives as follows :-

Land and buildings	:	10% straight line
Leasehold improvements	:	20% straight line
Computer equipment	:	33 <sup>1</sup> / <sub>3</sub> % straight line
Fixtures and fittings	:	20% straight line

**1.3 Investments**

Investments are stated at cost less provision for any permanent diminution in value.

**1.4 Operating Leases**

Rental payments under operating leases are charged directly to the profit and loss account on a straight line basis over the lease term.

**1.5 Pension Costs**

The company operates a defined contribution pension scheme. All pension costs are written off to the profit and loss account when they are incurred.

**2. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**2005  
£2004  
£

The (loss)/profit is stated after charging:

Depreciation:

Owned assets

8,960

8,960

**3. DIRECTORS AND EMPLOYEES**

£

£

The amounts paid to directors in respect of remuneration was as follows:-

Aggregate emoluments

142,000

138,000

Pension costs

-

-

£142,000

£138,000

## MIDLAND RESOURCES UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

31ST DECEMBER 2005

4. EXCEPTIONAL ITEM	2005 £	2004 £
Waiver of funding loan from related party (Note 10)	£297,500	£325,000
5. TANGIBLE FIXED ASSETS		
	Land and Buildings £	
Cost		
At 1st January 2005	89,596	
Additions	-	
Disposals	-	
At 31st December 2005	<u>89,596</u>	
Depreciation		
At 1st January 2005	35,840	
On disposals	-	
Provided in year	<u>8,960</u>	
At 31st December 2005	<u>44,800</u>	
Net Book Value		
At 31st December, 2005	<u>£53,756</u>	
At 31st December, 2004	<u>£44,796</u>	
6. INVESTMENTS	2005 £	2004 £
Cost at 1st January 2005 and at 31st December 2005	<u>£193,473</u>	<u>£193,473</u>

The company holds 9% of the ordinary share capital of Joint Stock Commercial Bank "Industrialbank", a company registered in the Ukraine.

## MIDLAND RESOURCES UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

31ST DECEMBER 2005

7. DEBTORS	2005 £	2004 £
Other debtors	<u>1,923</u>	<u>4,355</u>
	<u>£1,923</u>	<u>£4,355</u>
8. CREDITORS : Amounts falling due within one year	2005 £	2004 £
Trade creditors	3,577	4,187
Amount due to related undertaking	<u>255,685</u>	<u>253,816</u>
	<u>£259,262</u>	<u>£258,003</u>
9. SHARE CAPITAL		
Authorised		
1,000,000 ordinary shares of £1 each	<u>£1,000,000</u>	<u>£1,000,000</u>
Issued, called up and fully paid		
250,000 ordinary shares of £1 each	<u>£250,000</u>	<u>£250,000</u>

## 10. RELATED PARTY TRANSACTIONS

Midland Resources Holding Limited provided funding for the company through an interest free loan. The balance due to MRH at 31st December 2005 was £255,685.21, after irrevocable waiver of £297,500 of the loan balance on 31st December, 2005 (2004 : £253,816.42). This portion of the loan balance was waived by the company's principals, after consultation with the shareholders, in order to maintain the solvency of the company.



**MIDLAND RESOURCES UK LIMITED**  
**TRADING AND PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2005**

	2005 £	2004 £
<b>TURNOVER &amp; OTHER INCOME</b>	24	478
<b>ADMINISTRATIVE EXPENSES – see page 9</b>	<u>(297,351)</u>	<u>(324,749)</u>
<b>OPERATING LOSS</b>	(297,327)	(324,271)
<b>EXCEPTIONAL ITEM</b>	297,500	325,000
Interest payable	(16)	(1)
Interest receivable	<u>-</u>	<u>-</u>
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE TAXATION</b>	<u><u>£157</u></u>	<u><u>£728</u></u>

This page does not form part of the financial statements.

## MIDLAND RESOURCES UK LIMITED

## SCHEDULE TO THE PROFIT AND LOSS ACCOUNT

31ST DECEMBER 2005

	2005 £	2004 £
<b>ADMINISTRATIVE EXPENSES</b>		
Directors' remuneration	142,000	138,000
Salaries	29,856	29,856
Social security	20,752	20,768
Rent, rates and service charge	31,845	37,665
Professional fees	150	2,233
Couriers	973	995
Telephone and fax	52,980	51,307
Printing, postage and stationery	315	938
Office cleaning and maintenance	866	2,332
Travel and subsistence	6,951	29,344
Entertaining	148	1,057
Bank charges	460	294
Subscriptions	1,095	1,000
Depreciation		
- Flat	8,960	8,960
	<u>£297,351</u>	<u>£324,749</u>

This page does not form part of the financial statements.