

MIDLAND RESOURCES UK LIMITED

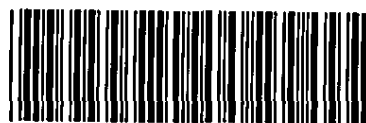
DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

31ST DECEMBER 2006

TUESDAY



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COMPANIES HOUSE

MIDLAND RESOURCES UK LIMITED

Directors

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 2006.

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:-

	£1 ordinary shares	
	At 31st December 2006	At 1st January 2006
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

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 series of loops and a horizontal stroke.

Mrs. M. E. Calvert
Company Secretary

29 October 2007

MIDLAND RESOURCES UK LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2006

	Notes	2006 £	2005 £
TURNOVER & OTHER INCOME	1 1	-	24
ADMINISTRATIVE EXPENSES		<u>(356,664)</u>	<u>(297,351)</u>
OPERATING LOSS		(356,664)	(297,327)
EXCEPTIONAL ITEM	4	357,000	297,500
INTEREST PAYABLE		(1)	(16)
INTEREST RECEIVABLE		<u>-</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	335	157
TAXATION		<u>-</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE YEAR		335	157
RETAINED LOSS BROUGHT FORWARD		<u>(245,523)</u>	<u>(245,680)</u>
RETAINED LOSS CARRIED FORWARD		<u>£(245,188)</u>	<u>£(245,523)</u>

MIDLAND RESOURCES UK LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Tangible assets	5	35,836	44,796
Investments	6	<u>193,473</u>	<u>193,473</u>
		229,309	238,269
CURRENT ASSETS			
Debtors	7	-	1,923
Cash at bank and in hand		<u>8,972</u>	<u>23,547</u>
		8,972	25,470
CREDITORS : Amounts falling due within one year	8	<u>(233,469)</u>	<u>(259,262)</u>
NET CURRENT LIABILITIES		<u>(224,497)</u>	<u>(233,792)</u>
NET ASSETS		<u>£4,812</u>	<u>£4,477</u>
CAPITAL AND RESERVES			
Called up share capital	9	250,000	250,000
Profit and loss account		<u>(245,188)</u>	<u>(245,523)</u>
		<u>£4,812</u>	<u>£4,477</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 2006 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

29 October 2007

MIDLAND RESOURCES UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER 2006

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 $\frac{1}{3}$ % 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. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2006	2005
	£	£
The profit is stated after charging:		
Depreciation:		
Owned assets	8,960	8,960
	<u> </u>	<u> </u>
3. DIRECTORS AND EMPLOYEES	£	£
The amounts paid to directors in respect of remuneration was as follows -		
Aggregate emoluments	184,229	142,000
Pension costs	<u> </u>	<u> </u>
	<u>£184,229</u>	<u>£142,000</u>

MIDLAND RESOURCES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

31ST DECEMBER 2006

4. EXCEPTIONAL ITEM	2006 £	2005 £
Waiver of funding loan from related party (Note 10)	£357,000	£297,500
5. TANGIBLE FIXED ASSETS		
	Land and Buildings £	
Cost		
At 1st January 2006	89,596	
Additions	-	
Disposals	-	
At 31st December 2006	<u>89,596</u>	
Depreciation		
At 1st January 2006	44,800	
On disposals	-	
Provided in year	<u>8,960</u>	
At 31st December 2006	<u>53,760</u>	
Net Book Value		
At 31st December, 2006	<u>£35,836</u>	
At 31st December, 2005	<u>£44,796</u>	
6. INVESTMENTS	2006 £	2005 £
Cost at 1st January 2006 and at 31st December 2006	<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 2006

7. DEBTORS	2006 £	2005 £
Other debtors	-	1,923
	<u>£ -</u>	<u>£1,923</u>
8. CREDITORS : Amounts falling due within one year	2006 £	2005 £
Trade creditors	4,060	3,577
Tax & social security	6,836	-
Amount due to related undertaking	<u>222,573</u>	<u>255,685</u>
	<u>£233,469</u>	<u>£259,262</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 2006 was £222,572 76, after irrevocable waiver of £357,000 of the loan balance on 31st December, 2006 (2005 : £255,685 21). 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 2006

	2006 £	2005 £
TURNOVER & OTHER INCOME	-	24
ADMINISTRATIVE EXPENSES – see page 9	<u>(356,664)</u>	<u>(297,351)</u>
OPERATING LOSS	(356,664)	(297,327)
EXCEPTIONAL ITEM	357,000	297,500
Interest payable	(1)	(16)
Interest receivable	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE YEAR BEFORE TAXATION	<u><u>£335</u></u>	<u><u>£157</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 2006

	2006 £	2005 £
ADMINISTRATIVE EXPENSES		
Directors' remuneration	184,229	142,000
Salaries	34,571	29,856
Social security	26,721	20,752
Rent, rates and service charge	37,780	31,845
Professional fees	3,610	150
Couriers	724	973
Telephone and fax	54,459	52,980
Printing, postage and stationery	976	315
Office cleaning and maintenance	597	866
Travel and subsistence	2,597	6,951
Entertaining	509	148
Bank charges	381	460
Subscriptions	550	1,095
Depreciation		
- Flat	8,960	8,960
	<u>£356,664</u>	<u>£297,351</u>

This page does not form part of the financial statements