

**MIDLAND RESOURCES UK LIMITED**

**DIRECTORS' REPORT**

**AND**

**FINANCIAL STATEMENTS**

**31ST DECEMBER 2002**



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**MIDLAND RESOURCES UK LIMITED****Directors**

M. T. Pryor  
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 and the audited financial statements for the year ended 31st December 2002.

**PRINCIPAL ACTIVITY AND SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE**

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.

**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 2002</b>	<b>At 1st January 2002</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 will resign as auditors and will not be 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**



**M. T. Pryor**  
**Director**

30 October 2003

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MIDLAND RESOURCES UK LIMITED**

We have audited the financial statements of Midland Resources UK Limited for the year ended 31st December, 2002, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

**Basis of audit 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MIDLAND RESOURCES UK LIMITED – CONTINUED**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December, 2002 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'AEW Shipleys', followed by a horizontal flourish line.

**Registered Auditors  
10 Orange Street  
London  
WC2H 7DQ**

**31 October 2003**

## MIDLAND RESOURCES UK LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2002

	Notes	2002 £	2001 £
TURNOVER	1.1	974,950	1,235,682
OTHER INCOME	2	-	5,546
ADMINISTRATIVE EXPENSES		(1,172,363)	(1,240,256)
OPERATING (LOSS)/PROFIT		(197,413)	972
INTEREST PAYABLE		(21)	-
INTEREST RECEIVABLE		<u>189</u>	<u>7,818</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(197,245)	8,790
TAXATION	5	<u>11,953</u>	<u>(15,878)</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE YEAR		(185,292)	(7,088)
RETAINED PROFIT BROUGHT FORWARD		<u>16,665</u>	<u>23,753</u>
RETAINED (LOSS)/PROFIT CARRIED FORWARD		<u>£(168,627)</u>	<u>£16,665</u>

The notes on pages 7 to 10 form part of these financial statements.

## MIDLAND RESOURCES UK LIMITED

## BALANCE SHEET

AS AT 31ST DECEMBER 2002

	Notes	2002 £	2001 £
<b>FIXED ASSETS</b>			
Tangible assets	6	107,575	142,367
Investments	7	<u>193,473</u>	<u>193,473</u>
		301,048	335,840
<b>CURRENT ASSETS</b>			
Debtors	8	162,489	62,137
Cash at bank and in hand		<u>589</u>	<u>32,295</u>
		163,078	94,432
<b>CREDITORS : Amounts falling due within one year</b>	9	<u>(382,753)</u>	<u>(163,607)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(219,675)</u>	<u>(69,175)</u>
<b>NET ASSETS</b>		<u>£81,373</u>	<u>£266,665</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	250,000	250,000
Profit and loss account		<u>(168,627)</u>	<u>16,665</u>
		<u>£81,373</u>	<u>£266,665</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).

Approved by the Board on 30 October 2003

  
M.T. Pryor - Director

The notes on pages 7 to 10 form part of these financial statements.

## MIDLAND RESOURCES UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2002

**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. OTHER INCOME**

	<b>2002</b>	<b>2001</b>
Premium received on surrender of lease	£Nil ==	£5,546 =====



## MIDLAND RESOURCES UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

31ST DECEMBER 2002

<b>3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>2002 £</b>	<b>2001 £</b>
The (loss)/profit is stated after charging:		
Depreciation:		
Owned assets	37,572	46,252
Auditors' remuneration:		
Audit fees	4,500	4,500
Pension costs	50,592	38,436
	<u>          </u>	<u>          </u>
<b>4. DIRECTORS AND EMPLOYEES</b>	<b>£</b>	<b>£</b>
The amounts paid to directors in respect of remuneration was as follows:-		
Aggregate emoluments	290,672	272,470
Pension costs	21,600	23,956
	<u>          </u>	<u>          </u>
	£312,272	£296,426
	<u>          </u>	<u>          </u>
<b>5. TAXATION</b>		
United Kingdom corporation tax based on the loss for the year:		
Under-provision in prior year	4,485	1,580
Corporation tax (repayable)/payable at 30%	(16,438)	14,298
	<u>          </u>	<u>          </u>
	£(11,953)	£15,878
	<u>          </u>	<u>          </u>

## MIDLAND RESOURCES UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

31ST DECEMBER 2002

## 6. TANGIBLE FIXED ASSETS

	Investment Land and Buildings £	Leasehold Improvements £	Computer Equipment £	Fixtures & Fittings £	Total £
<b>Cost</b>					
At 1st January, 2002	89,596	42,040	32,785	79,273	243,694
Additions	-	-	2,780	-	2,780
Disposals	-	-	-	-	-
At 31st December, 2002	<u>89,596</u>	<u>42,040</u>	<u>35,565</u>	<u>79,273</u>	<u>246,474</u>
<b>Depreciation</b>					
At 1st January, 2002	8,960	11,223	26,264	54,880	101,327
On disposals	-	-	-	-	-
Provided in year	<u>8,960</u>	<u>8,408</u>	<u>4,349</u>	<u>15,855</u>	<u>37,572</u>
At 31st December, 2002	<u>17,920</u>	<u>19,631</u>	<u>30,613</u>	<u>70,735</u>	<u>138,899</u>
<b>Net Book Value</b>					
At 31st December, 2002	<u>£71,676</u>	<u>£22,409</u>	<u>£4,952</u>	<u>£8,538</u>	<u>£107,575</u>
At 31st December, 2001	<u>£80,636</u>	<u>£30,817</u>	<u>£6,521</u>	<u>£24,393</u>	<u>£142,367</u>

In the opinion of directors, the market value of the investment land and buildings is equal to the cost.

7. INVESTMENTS	2002 £	2001 £
Cost at 1st January 2002 and at 31st December 2002	<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.

8. DEBTORS	2002	2001
Corporation tax	16,438	-
Other debtors	<u>146,051</u>	<u>62,137</u>
	<u>£162,489</u>	<u>£62,137</u>

## MIDLAND RESOURCES UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

31ST DECEMBER 2002

9. CREDITORS : Amounts falling due within one year	2002 £	2001 £
Bank overdraft	10,377	-
Trade creditors	49,325	40,312
Amount due to related undertaking	307,923	64,202
Corporation tax	-	30,750
Other creditors	-	19,026
Accruals and deferred income	15,128	9,317
	<u>£382,753</u>	<u>£163,607</u>

## 10. SHARE CAPITAL

## Authorised

1,000,000 ordinary shares of £1 each	£1,000,000	£1,000,000
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## Issued, called up and fully paid

250,000 ordinary shares of £1 each	£250,000	£250,000
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## 11. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:-

	Land and Buildings	
	2002 £	2001 £
Operating leases which expire:		
In less than one year	68,762	175
In more than one year	-	-
In more than five years	-	63,707
	<u>£68,762</u>	<u>£63,882</u>

## 12. RELATED PARTY TRANSACTIONS

During the year, the company invoiced Midland Resources Holding Limited, a company registered in Guernsey with common shareholders, £172,828 (2001 : £232,807) for commission on steel sales at agreed rates on an arm's length basis, and £475,000 (2001 : £475,000) for research and development of new markets, pursuant to an agreement, on normal commercial terms, between the two companies. Midland Resources Holding Limited also provided funding for the company through an interest free loan. The balance due to MRH at 31st December 2002 was £307,923 (2001 : £64,202).