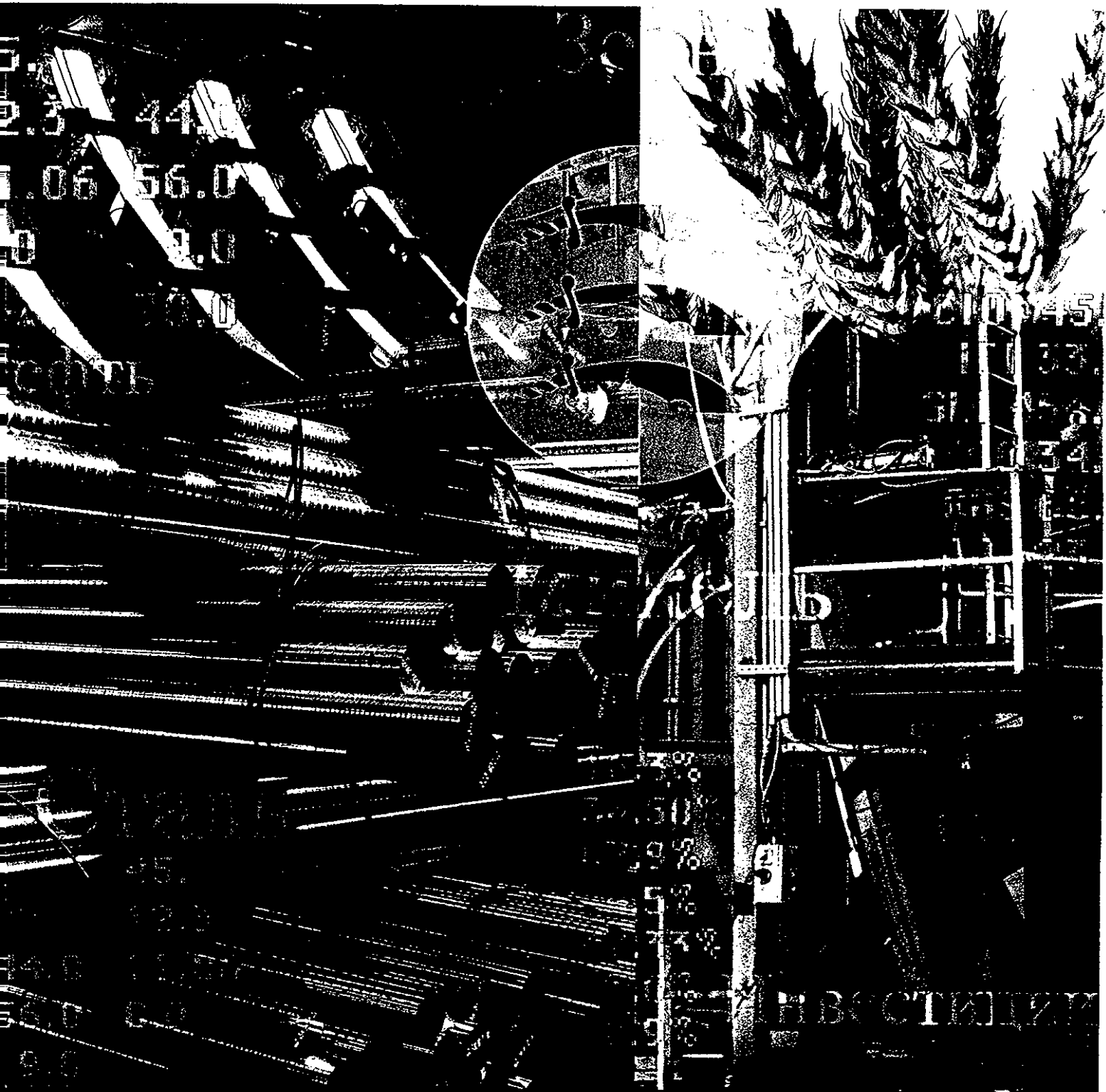


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Middlesex Holdings plc

Annual Report & Accounts 1996

Highlights

Gross profit

up 118% to
£9.9 million

Total net assets

up 97% to
£29.3 million

Pre-tax profit

up 54% to
£8.0 million

3	Group strategy
4	Financial management
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1816510



Middlesex is an international company operating predominantly in the CIS and particularly in Russia, in five key business areas: steel; non-ferrous metals; financial services; energy and agribusiness. It also has other investments in gold and insurance.

While the CIS remains the major focus of Middlesex's activities, the Company continues to develop interests elsewhere in the world.

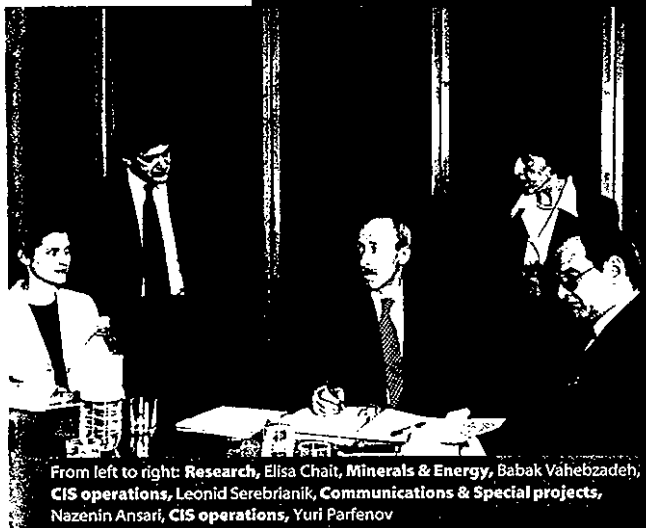
Middlesex's key objective is the development of its asset and earnings base and the enhancement of shareholders' wealth.



Financial accounting team (left to right): Ian Falconer, Anita Carr, Kishor Sodha, Bimal Rathod



Metals trading team (left to right): Yuri Mirkin, Victor Voronov, Anastasia Pells, Ahmad Hejazi, Houshang Khosrowpour, Simon Grant-Rennick, Robert Stubbs



From left to right: **Research**, Elisa Chait, **Minerals & Energy**, Babak Vahebzadeh, **CIS operations**, Leonid Serebrianik, **Communications & Special projects**, Nazenin Ansari, **CIS operations**, Yuri Parfenov



Soft commodities & Agribusiness team (left to right): Guy Guldentops, Marc Hirschowitz, Said Alikhani



The Senior Executive team: Lord Owen (far left), Farhad Moshiri (left) and Masoud Alikhani (right) meeting with Alisher Usmanov, General Director of Interfin (centre)

Group offices are located in

UK

Russia

Ukraine

Israel

South Africa

Australia

Mexico

USA

Canada

strategy

- Identify companies within our core businesses and geographical areas which require working capital, logistical and managerial support and an international trade network.
- Provide these services to create value, improve profitability and increase the return on our investments.

statement Chairman's



1996 was an important year for Middlesex in which we expanded our interests into steel and nickel. During the past year we have developed solid working partnerships with major Russian companies, including RAO Gazprom and OEMK.

Financial highlights

In the year ended 31 December 1996, the Group increased its turnover, mainly as a result of steel trading activities, to £178.0 million (1995: £39.2 million), an increase of 354%, and achieved a pre-tax profit of £8.0 million (1995: £5.2 million), an increase of 54%. We also increased our consolidated net assets by 97% to £29.3 million (1995: £14.9 million). Basic earnings per share was 0.62p (1995: 0.61p). The increase in earnings per share was less than the corresponding increase in pre-tax profit largely due to changes in the taxation of Controlled Foreign Companies. To give an indication of the underlying performance, the Group's earnings per share, calculated before taxation and minority interest, was 1.13p (1995: 0.79p), an increase of 43%. Your Board is pleased to recommend a dividend of 0.1p per share (1995: 0.077p) for the year, a 30% increase, reflecting the overall success of the Group.

Strategy

1996 has been an important year in the development of Middlesex's business. Our corporate strategy is to develop five key business areas:

- Steel
- Non-ferrous metals
- Financial services
- Energy
- Agribusiness

Middlesex also has other investments in gold and insurance. It is geographically focused in the CIS and particularly Russia, but also has interests in other developing economies.

Our primary purpose is to identify companies within our five key business and geographical areas which require working capital, logistical and managerial support and an international trade network. By providing these services, Middlesex is able to improve the profitability of the return on its investments, thereby creating shareholder value. The senior management of Middlesex, your Chief

Executive, Masoud Alikhani, and Managing Director, Farhad Moshiri, have extensive relationships in the CIS with leaders of the private and public sectors which enable the Company to identify and take up investment opportunities which would not normally present themselves to Western companies. In particular, Middlesex has a developing relationship with RAO Gazprom ("Gazprom"), Russia's largest company and the world's largest producer of natural gas. Your Board believes that significant investment opportunities will follow from such a close relationship with Gazprom.

Steel

We continue to build a close relationship with the Russian steel mill Oskol Electrometallurgical Kombinat ("OEMK"), a world-class steel making facility with a sound management team, well positioned to exploit significant growth opportunities in the domestic Russian and export markets. We intend to further increase our shareholding in OEMK during this coming year both to develop our asset base and to strengthen our position with this major quality supplier of specialist steels to both Russian and world markets.

Non-ferrous metals

The worldwide market for specialist steel has created a growing demand for nickel, and we are now developing our nickel trading activities through a relationship with Yuzhuralnickel in the South Urals. This is one of the largest Russian producers of nickel, cobalt and nickel salts, and has its own ore reserves.

Financial services

Our financial services interests, comprising principally a 40% interest in Interfin Services ("Interfin"), a trade investment in which two major Russian banks and Gazprom are shareholders, provide us with direct access to expertise and trade finance in the Russian financial

markets. With Interfin, we are building up a financial services and investment business. We have recently been assisting Gazprom in connection with their international fundraising and corporate finance activities.

Energy

Within Russia and the CIS, there exist significant natural resources in both oil and gas which offer major opportunities to Western partners with technical knowledge and access to capital for development. Accordingly your Board has decided to create a separate vehicle for developing our energy interests, and with Interfin we recently acquired the rights to a controlling interest in Dominion Energy PLC ("Dominion"), which is listed on the London Stock Exchange and has interests in oil production and exploration.

Agribusiness

During the past few years Middlesex has identified an increasing number of food-related business opportunities worldwide, including a grain business in Ukraine and fruit and vegetable processing in Israel. In order to capitalise on and develop these interests your Board intends in due course to establish a separate vehicle to consolidate these agribusinesses.

Your Board will implement this strategy by constantly reviewing both existing and new business opportunities in the CIS and identifying new investments and strategic partners in other emerging markets.

Stock Exchange listing

In October 1996 Middlesex successfully applied to be admitted to the Official List of the London Stock Exchange.

Strengthening the Board

During the past year we have strengthened the structure of your Board. On 31 May 1996, Farhad Moshiri was appointed to the Board as Managing Director. He was


formerly Group Financial Controller and prior to that he worked with Ernst & Young and Deloitte & Touche. Farhad Moshiri has been instrumental in developing and strengthening our relationships with OEMK and Gazprom. In addition, Ian Falconer, who was previously Financial Accountant for Middlesex and prior to that worked with Deloitte & Touche, was appointed as Finance Director on 26 June 1997.

On 25 October 1996, following the completion of the acquisition of Wolff Steel, Ian Spratling, Chief Executive of Wolff Steel and Chairman of the Confederation of British Industry in Wales, was appointed to the Board as an Executive Director. On 14 April 1997, we welcomed Alexei Ugarov, the General Director of OEMK, to our Board as an Executive Director.

Finally, Dr Vladislavlev who has been on the Board since February 1994, David Hillel who has been the Group's Finance Director since April 1990 and Phillip Enoch, a Non-Executive Director since June 1993, will all retire at the forthcoming Annual General Meeting. I would like to thank the three of them for their contributions and wish them much success in the future.

Advisers

I am pleased to report that we have recently appointed Hoare Govett Corporate Finance Limited as our stockbrokers and Charterhouse Bank Limited as our financial advisers. We believe these appointments will help us to broaden investors' knowledge of the Group.



Lord Owen

Chairman

1 July 1997

Middlesex

Main operations

Activity

Percentage of gross profit

Steel

Steel trading.
Tinplate service centres

Direct reduced iron

Trading
of special steels

41%

Aluminium

Prefinancing
& trading

Nickel

Prefinancing
& trading

25%

Agribusiness

Trading of grains,
barter transactions. Canned
& processed fruits and
vegetables. Production of
grapes & wine

7%

Investments

Financial services

Trade in Russian equity
markets, assessment
of venture capital projects

Insurance

Investment in company
managing insurance
for CIS market











Oil

Logistical management

Gold

Exploration, mining
& production

27%

Area of operation	Contribution to the value chain			
	Raw material	Production	Distribution	Trading
UK Russia Mexico USA Canada Australia				
Tajikistan Russia Russia				
Ukraine Israel South Africa				

UK
Russia

UK
CIS

Russia
Belarus
USA

Russia
USA

Middlesex maximises its financial returns and enhances shareholders' wealth through sound risk management and reinvestment of income generated from main operations and trade investments.

Chief Executive's review



Middlesex has developed a unique position for a Western company trading in Russia and the CIS. We look forward to increasing value for shareholders in the years ahead.

1996 was a year of fundamental change for Middlesex, during which the Company continued to grow both organically and by acquisition.

In February 1996, we signed an agreement with OEMK, Russia's most modern and highly automated steelworks, to purchase up to US\$300 million (£184 million at current exchange rates) of OEMK steel products per annum for export to world markets. In the same month we also acquired a small equity interest in OEMK which we increased to 7.91% in April 1997. On 20 August 1996, the Company acquired 100% of the issued share capital of D.R.I. (IOM) Limited ("DRI Ltd"), which has a worldwide distribution agreement with OEMK for the sale of metallised iron ore pellets outside Russia. This acquisition reflects the growing importance of our steel interests and a further step forward in the development of our relationship with OEMK. Expenditure incurred in negotiating and finalising these agreements has been written off in the 1996 profit and loss account.

On 25 October 1996, shareholders approved the acquisition of the whole of the issued share capital of Wolff Steel and its subsidiary companies for a consideration of £3.96 million. The acquisition strengthens the management and infrastructure of Middlesex's steel division and reinforces the Company's expertise in one of the main areas of its operations. Wolff Steel's worldwide network of both agents and trading associates complements our marketing arrangements for steel products.

On 13 March 1997, our wholly owned subsidiary, Clogau (Nevada) Inc. ("Clogau") acquired a new joint venture partner for the exploration and development of the Golden Arrow properties in Nevada, USA. The interests of Kennecott Exploration Company ("Kennecott") were acquired by Tombstone Exploration Co Ltd ("Tombstone"), a Canadian mineral resource exploration company which plans to expand the defined resources in Golden Arrow towards its target of greater than 1 million ounces.

During 1996 Middlesex expanded its agricultural business and diversified into trading in soft commodities through a 100% subsidiary. The new operation comprises the counter trade of various commodities including gasoil for grain in Ukraine.

In December 1996, our associated company, Agrifarm International Limited ("Agrifarm"), purchased a 52% equity interest in Pri Ha'emek (Canned and Frozen Foods) 88 Limited ("Pri Ha'emek"), a company listed on the Israeli Stock Exchange. Pri Ha'emek cans and freezes fruit and vegetables for local consumption and export, and is one of the five largest companies in its sector in Israel.

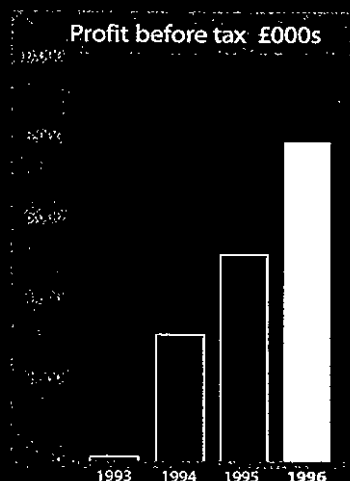
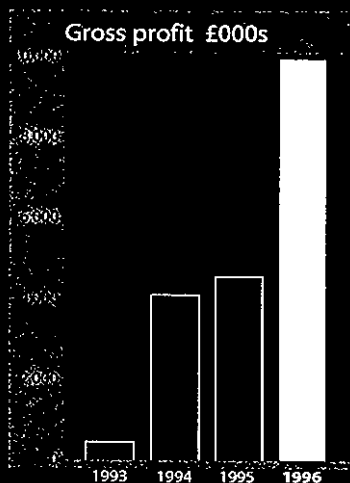
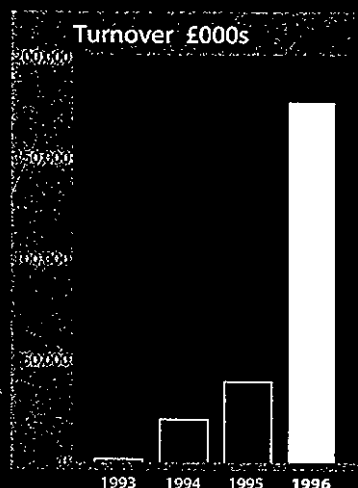
Masoud Alikhani

Over the past four years Middlesex has developed a unique position for a Western company trading in Russia and the CIS. We will continue to develop corporate value by using cash flows from our main areas of business to acquire assets. We will maximise the value of these assets through the investment of capital and expertise.

I would like to thank the Directors and staff of Middlesex whose contributions have positioned Middlesex for a successful future. Together we look forward to increasing value for shareholders in the years ahead.

Masoud Alikhani

Masoud Alikhani
Chief Executive
1 July 1997





Steel

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Middlesex has successfully expanded its activities in the steel sector, a principal area of the Group's operations, and we are now in a position to exploit steel trading opportunities worldwide.

Steel

During 1996 Middlesex successfully expanded its activities in the steel sector, making it the principal area of the Group's operations. This expansion originated with the development of a strong partnership with OEMK and continued with the acquisition of DRI Ltd and Wolff Steel. As a result, the Group is now in a position to exploit substantial worldwide opportunities in steel.

OEMK

Located in Stary Oskol, OEMK's German built steel mill began operations in 1982 and was the first in Russia to use the direct iron reduction process. A 100% privatised business, with no residual state shareholding, it remains Russia's most modern and highly automated steelworks.

OEMK has the highest level of capacity utilisation among Russian steel mills. It has an annual production capacity of 1.7 million tonnes and with electric arc furnaces and waste treatment facilities produces high quality, low cost steel in a process which is environmentally acceptable. In February 1996, Middlesex signed an agreement with OEMK to purchase for export up to US\$300 million (£184 million at current exchange rates) of OEMK steel products per annum.

As part of our steel products export agreement with OEMK, Middlesex negotiated the right to subscribe for a maximum of 20% of OEMK's share capital and at that time acquired a 3% equity holding, which was increased to 7.91% in April 1997. For the year ended 1 January 1996, OEMK reported an unaudited profit before tax of US\$23.7 million (£14.9 million) on a turnover of US\$620.8 million (£389.5 million). OEMK's unaudited net assets at that date amounted to US\$1.2 billion (£783.7 million).

DRI Ltd

In August 1996, Middlesex acquired DRI Ltd for a maximum consideration of £2.8 million (based on a price of 7p per ordinary share at the date of the acquisition agreement). DRI Ltd has an exclusive ten year agreement with OEMK for the distribution, outside Russia, of a minimum of 40,000 tonnes per month of direct reduced iron ore ("DRI") pellets. DRI pellets are used by steelworks worldwide as raw material for the production of high quality steels.

Wolff Steel

In October 1996, Middlesex purchased Wolff Steel for a consideration of £3.96 million. Wolff Steel has interests in international steel trading and steel stockholding, has a wholly-owned subsidiary in Australia and trade investments in Canada, the USA and Mexico. Wolff Steel's principal trade investment is Afon Tinplate Company Limited ("Afon"), which is a joint venture with British Steel plc. Afon is one of the largest tinplate service centres in Europe providing packaging material for a wide range of industries and applications.

Non-ferrous metals



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In 1996 we strengthened our
non-ferrous metals activities
by expanding into nickel.



Non-ferrous metals

The non-ferrous metals trading activities of Middlesex were strengthened in 1996 by the expansion into nickel. The Company procures finance to purchase foundry coke from Kemerovo, arranges its transport to the OAU Kombinat Yuzhuralnickel ("Yuzhuralnickel") plant in the South Urals, and in return receives nickel as payment. The nickel is subsequently sold on the world market, supplying plants throughout the world which process it into refined steel products such as stainless steel.

Throughout 1996, aluminium trading conditions in Tajikistan were difficult, and trading with Tadaz, the aluminium smelting plant, was at a much reduced level. Consequently, the Company took the strategic decision to diversify its aluminium trading operations away from Tajikistan and into other countries of the CIS.



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During 1996 Middlesex diversified its agricultural business from Israel and South Africa into Ukraine.



Agribusiness

The agricultural business operations of Middlesex are situated in Ukraine, Israel and South Africa. Following the establishment of a strong local trading presence, the Company intends to develop its investment and expand its business and trading potential in these and other areas.

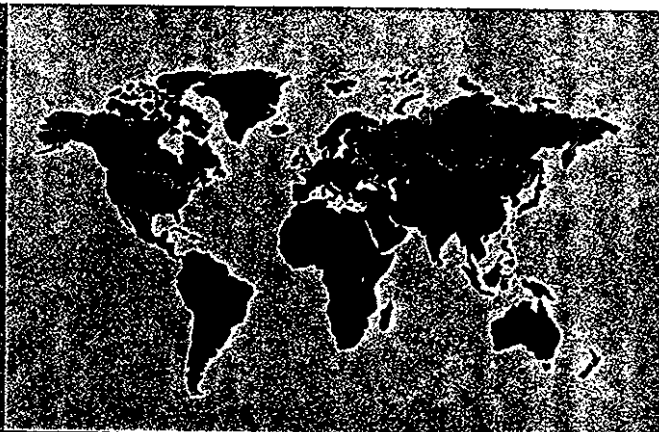
In Ukraine the Company developed its agribusiness by expanding into trading in soft commodities in 1996. The new operation, which began with the counter trade of various commodities, including gasoil for grain, presently comprises trading wheat, barley, corn, yellow pea and sunflower seeds. In addition, in 1997 exclusive distribution agreements for herbicides and fertilisers were established with BASF, Du Pont and Zeneca.

In Israel and South Africa, Middlesex's agribusiness operations are conducted through Agrifarm, in which the Company holds a 40% equity stake. In Israel, through Pri Ha'emek, Agrifarm cans and freezes fruit and vegetables for local consumption and export. In South Africa, Agrifarm owns the Delaire vineyard and winery in Stellenbosch, near Cape Town. Delaire's operations include the cultivation of grapes and the production of wine.

Investments



Middlesex maximises the value of its assets through the introduction of capital and Western management skills. We increase earnings from our investments and realise profits through selling or reducing our stakes.



Financial services

In 1995 Middlesex subscribed for a 40% interest in Interfin, together with two major Russian partners, Mapo Bank and Vozrozhdeniye Bank ("V Bank"). Interfin procures trade finance and provides financial advisory services for companies conducting business in the CIS.

During 1996, Imperial Bank, Russia's tenth largest bank, acquired V Bank's 30% holding in Interfin. More recently, Gazprom, one of the world's leading integrated natural gas companies and the world's largest producer of natural gas, has subscribed for a 25% interest in Interfin.

Insurance

Middlesex holds a 5.7% equity stake in Riceman Insurance Investments plc ("Riceman"), which is listed on the Alternative Investment Market of the London Stock Exchange. Although principally an investment company, Riceman also acts as a management services provider and reinsurance manager to foreign corporations investing in the CIS and to significant CIS businesses.

Riceman has recently been appointed jointly with Anglo-Russia Insurance Company, one of its associated companies, by Gazprom to arrange certain international insurance coverages. It has also been involved in the insurance arrangements of Uzbek Air for both their Eastern and Western fleets.

Energy

In 1996 crude oil transactions made an important contribution to Group profit from the income generated from co-ordinating financial packages covering the transport of crude oil from the Tyumen region of Russia to refineries in Belarus and Moscow. Since the year end, we have further developed our oil operations by acquiring, along with Interfin, interests in Dominion and also by renewing our share option agreement with Yugraneft joint stock oil company situated in Western Siberia. This underlines Middlesex's transition from oil trading to an equity holder and investor in oil operations.

In April 1997, Middlesex acquired two non-transferable call options over 23.7% of the issued ordinary share capital of Dominion, a listed UK company involved in the development and production of oil and natural gas reserves in the US. Simultaneously, Interfin acquired 29.73% of the issued ordinary share capital of Dominion. Middlesex and Interfin intend to maintain Dominion's existing oil and gas properties in the US and develop opportunities elsewhere.

In addition Middlesex has renewed an option agreement to acquire shares representing 20% of the issued ordinary share capital in Yugraneft, a joint stock oil company situated in the Khanty Mansiisk region in Western Siberia; and Interfin has an 18.7% stake in Arkhangelskgeologiya dobycha, a natural resources company.

Investments

continued

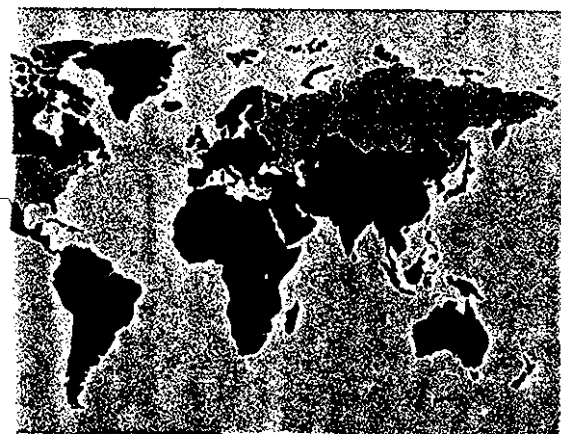
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Gold

Middlesex is involved in gold mining operations in the USA and Russia. A wholly owned subsidiary of Middlesex, Clogau owns the exploration and mining rights for the Golden Arrow and Goldfield properties in Nevada, USA.

In March 1997, Tombstone, a Canadian mineral exploration and development company listed on the Toronto Stock Exchange, acquired the interests of Kennecott in the Golden Arrow properties to become our new joint venture partner. Golden Arrow covers an area of 4,000 acres of private and government owned mineral lands. Previous work has defined a resource estimated at a minimum of 290,000 ounces of gold and a minimum of 4.1 million ounces of silver.

Since 30 June 1996, Middlesex has increased its shareholding in the UK holding companies for the gold mining operations at Karalveem and Valunistoye, situated in the Siberian province of Chukotka. The Company now holds 20.9% of Northern Maritime (Karalveem) and 20.9% of Forestrealm (Valunistoye).



Middlesex is an established player
in the CIS, providing trade finance,
investment and management
expertise and access to global
markets. We reinvest earnings
from our investments in our key
businesses. We continue to develop
interests elsewhere in the world.

Directors and advisers

Directors

The Rt Hon the Lord Owen of the City of Plymouth, CH

M A Alikhani

A F Moshiri

I Falconer, CA (SA)

D Hillel

Dr A P Vladislavlev

I P Spratling

A A Ugarov

P M Enoch

J P A Wolff

J G West

Chairman

Chief Executive

Managing Director

Finance Director

Executive Director

Executive Director

Executive Director

Executive Director

Non-Executive Director

Non-Executive Director

Non-Executive Director

Secretary and registered office

J P Gorman, FCA

100 Avenue Road

London NW3 3HF

Solicitors

Clifford Chance

200 Aldersgate Street

London EC1A 4JJ

Watson, Farley & Williams

15 Appold Street

London EC2A 2HB

Stockbrokers

Hoare Govett Corporate Finance Limited

4 Broadgate

London EC2M 7LE

Auditors

Deloitte & Touche

Chartered Accountants

Hill House

1 Little New Street

London EC4A 3TR

Financial advisers

Charterhouse Bank Limited

1 Paternoster Row

St. Paul's

London EC4M 7DH

Registrars

Independent Registrars Group Limited

Bourne House

34 Beckenham Road

Beckenham

Kent BR3 4TU

Company Number 1816510

The Directors have pleasure in presenting their report on the affairs of the Group, together with the audited financial statements, for the year ended 31 December 1996.

Principal activities and business review

The principal activity is as a holding company for subsidiaries involved in metal trading and providing support services to natural resource industries and financial services, principally in the Commonwealth of Independent States.

Further details of the business and future developments are given in the Chairman's statement, Chief Executive's review and Review of operations on pages 4 to 19.

Important events occurring after the end of year are given in Note 34 to the financial statements.

Results and dividend

The consolidated profit after taxation and minority interest for the year amounted to £4,420,000 (1995 - £4,014,000). The Directors recommend the payment of a dividend of 0.1p per ordinary share (1995 - 0.077p), payable on 5 September 1997 to shareholders on the register at 8 August 1997.

Issues of shares and warrants

On 6 August 1996 the Company placed 35,600,000 new ordinary shares of 0.25p each at a price of 6.075p per share in order to provide additional working capital. On 20 August 1996 the Company issued 20,000,000 new ordinary shares of 0.25p each at a price of 7.0p per share to acquire all of the share capital of D.R.I. (IOM) Limited. On 25 October 1996 the Company issued 24,516,129 new ordinary shares of 0.25p each at a price of 7.75p per share as part of the consideration for the acquisition of Wolff Steel Limited. On 5 December 1996 the Company issued 29,379,688 new ordinary shares of 0.25p each at a price of 7.0p per share on the exercise of the warrants issued to Wmac Investment Corporation. On 25 September 1996, 8,000,000 new ordinary shares were issued on the exercise of options granted under the Executive Share Incentive Scheme, at an exercise price of 1.0p.

Special business

Resolutions will be proposed at the Annual General Meeting as set out in the formal notice on pages 67 and 68.

The following explanatory notes relate to Resolutions numbered 8 and 9 which will constitute Special Business.

- (i) Resolution 8 - The Directors currently have a general authority to allot unissued shares of the Company, but this expires on the conclusion of the Annual General Meeting. Resolution 8 is proposed as an Ordinary Resolution to provide the Directors with authority to issue ordinary shares up to an aggregate nominal amount of £801,484.42, such authority to expire on 18 November 1998 or the date of the Annual General Meeting to be held in 1998, whichever is the earlier. The Directors have no present intention of exercising this authority. This authority represents 40.1 per cent of the total issued share capital.

- (ii) Resolution 9 is to renew the Directors' authority to allot relevant securities up to a nominal value of £110,000 representing approximately 5.0 per cent of the nominal value of the Company's issued and to be issued share capital. This will provide the Directors with the authority to issue ordinary shares of 0.25p for cash when the Board considers it to be in the best interests of shareholders, such authority to terminate on 18 November 1998 or the date of the Annual General Meeting to be held in 1998, whichever is the earlier.

Directors

The Directors of the Company, who served throughout the year except where otherwise shown, are as follows:

The Rt Hon the Lord Owen of the City of Plymouth, CH, Chairman

M A Alikhani, Chief Executive

A F Moshiri, Managing Director, appointed 31 May 1996

I Falconer, CA (SA), Finance Director, appointed 26 June 1997

D Hillel, Executive Director

Dr A P Vladislavlev, Executive Director

I P Spratling, Executive Director, appointed 25 October 1996

A A Ugarov, Executive Director, appointed 14 April 1997

P H Edmonds, Executive Director, retired 10 June 1996

P M Enoch, Non-Executive Director

J P A Wolff, Non-Executive Director

J G West, Non-Executive Director

In accordance with the Articles of Association, A F Moshiri, I P Spratling, A A Ugarov, I Falconer and P M Enoch retire at the forthcoming Annual General Meeting. A F Moshiri, I P Spratling, A A Ugarov and I Falconer being eligible, offer themselves for re-election. A F Moshiri and I Falconer are engaged under contracts of employment which are terminable on twelve and three months notice, respectively. I P Spratling has a service contract for an initial term of two years expiring on 25 October 1998 and continuing thereafter until terminated by either party giving twelve months notice on the anniversary of the commencement date.

A A Ugarov has no service contract.

P M Enoch is not standing for re-election. D Hillel and Dr A P Vladislavlev will be retiring from the Board at the Annual General Meeting.

Non-Executive Directors

Philip Enoch, MA (Oxon) ATII aged 49, is a partner in the firm of Franks, Charlesly & Co., a firm of solicitors. He is also a non-executive director of a number of other companies.

John Wolff, aged 57, has over 35 years experience of brokerage on the London Metal Exchange, physical trading in non-ferrous metals and steel, financing, foreign exchange and bullion. He was for many years a director of Rudolf Wolff & Co Ltd and is a former chairman of the London Metal Exchange.

James West, FCA aged 50, was formerly a managing director of Lazard Brothers and Co Ltd and prior to that was managing director of Globe Investment Trust plc. He is currently non-executive chairman or director of a number of public and private companies.

Directors' interests

The beneficial interests of Directors at 31 December 1996 in the shares of the Company are as follows:

	31 December 1996 ordinary shares of 0.25p each	1 January 1996 (or date of appointment if later) ordinary shares of 0.25p each
Lord Owen	2,000,000	1,000,000
M A Alikhani	84,000,000	84,000,000
A F Moshiri	5,874	—
D Hillel	787,500	787,500
I P Spratling	8,516,129	8,516,129
J P A Wolff	1,781,988	228,600
J G West	500,000	500,000

M A Alikhani's shareholding shown above is held by Bankhill Trustees Limited, a sole corporate trustee for a settlement established for the benefit of M A Alikhani and his immediate family. On 3 May 1996 Bankhill Trustees Limited granted to Lord Owen an option to acquire up to 6,000,000 ordinary shares of 0.25p in the Company at a price of 6.5p per share. The option is exercisable at any time from 3 May 1996 until 31 October 1998. The Directors' interests are all beneficial.

On 11 February 1997, J G West acquired 500,000 ordinary shares of 0.25p. There have been no other changes in Directors' interests in the ordinary share capital of the Company since 31 December 1996.

Share options

The options over ordinary shares outstanding at 31 December 1996 under the Executive and Employee Share Incentive Schemes are disclosed in Notes 9 and 21 to the financial statements.

Transactions with Directors

Details of contracts with related parties are set out in Note 33 to the financial statements.

Environmental matters

The Group undertakes a review of environmental matters prior to proceeding with an investment in a new operation. Once the investment is made the environmental implications are monitored on a regular basis and where necessary improvements are proposed.

Donations

During the year the Group made charitable donations of £5,300 (1995 - £nil).

Employees

The Group's policy is to give full and fair consideration to the recruitment of disabled persons having regard to their particular aptitudes and abilities. Appropriate training will be arranged for disabled persons, including retraining for alternative work of employees who become disabled to promote their career development within the organisation.

The Group's personnel policies ensure that all its employees are made aware on a regular basis of the Group's policies, programmes and progress and they are consulted on a regular basis on decisions taken, which are likely to affect their interests. The Group encourages the involvement of employees in the Group's performance through an Employee Share Incentive Scheme.

Creditor payment policy

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

Substantial shareholdings

On 30 June 1997 the Company was aware of the following interests in 3 per cent or more of the Company's ordinary share capital:

	Number of ordinary shares	%
Bankhill Trustees Limited	84,000,000	10.51
Imperial Bank of Moscow	78,200,000	9.78
Wmac Investment Corporation	29,379,688	3.67

The shares held by Bankhill Trustees Limited are held for the benefit of M A Alikhani and his immediate family (see Directors' interests shown above).

Auditors

Deloitte & Touche 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.

J P Gorman, FCA

Secretary

100 Avenue Road

London NW3 3HF

1 July 1997

The Directors of Middlesex Holdings plc ("Middlesex") are committed to business integrity, financial probity and high ethical values. They encourage the highest standards contained in the Code of Best Practice recommended by the Report of the Cadbury Committee on the financial aspects of corporate governance, published in December 1992.

The Company complied for the year ended 31 December 1996 with all the recommendations of the Code of Best Practice with the exception that:

- (i) P M Enoch and J P A Wolff, who are Non-Executive Directors, were not appointed under fixed term contracts as required under Section 2.3 of the Code. On 30 April 1996, J P A Wolff was appointed for a fixed period of two years. P M Enoch is not standing for re-election at the forthcoming Annual General Meeting; and
- (ii) Until the appointment of J G West as an additional Non-Executive Director on 3 May 1996, the Audit Committee did not have three Non-Executive Directors as required under Section 3.3 of the Code.

The Board of Directors

The Board of Directors currently comprises eight Executive and three Non-Executive Directors. During the past year the Board has met formally on a bi-monthly basis and on other occasions as required.

The Board has a schedule of matters which are specifically reserved for its decision. The Board is responsible for overall Group strategy, resolves important financing matters, and approves major acquisitions, disposals and capital expenditure. In addition, it authorises the financial statements and announcements issued on behalf of the Group and the appointment of Directors.

The roles of Chairman and Chief Executive of the Company are separately carried out by The Right Honourable the Lord Owen of the City of Plymouth, CH and M A Alikhani, respectively. A F Moshiri was appointed Managing Director and a Director on 31 May 1996, I P Spratling was appointed an Executive Director on 25 October 1996, A A Ugarov was appointed an Executive Director on 14 April 1997, I Falconer was appointed Finance Director and a Director on 26 June 1997, and all four will be standing for election at the forthcoming Annual General Meeting. The remaining Executive Directors are D Hillel (Finance Director until replaced by I Falconer on 26 June 1997) and Dr A P Vladislavlev. Both will be retiring from the Board at the forthcoming Annual General Meeting. P H Edmonds was an Executive Director of the Company but did not stand for re-election at the Annual General Meeting held on 10 June 1996.

The Non-Executive Directors are P M Enoch, J P A Wolff and J G West. P M Enoch is a partner in Franks Charlesly & Co., who have acted as solicitors to the Company and will not be standing for re-election at the forthcoming Annual General Meeting; J P A Wolff has a two year fixed term contract expiring on 30 April 1998. J G West was appointed as an additional Non-Executive Director of the Company on 3 May 1996 and has a three year fixed term contract expiring on 3 May 1999. Details of the Non-Executive Directors are given in the Directors' report on pages 22 and 23.

Each Director has access to the Company Secretary and full access to the external auditors, in addition to being able to take independent professional advice in the furtherance of his duties.

The Audit Committee

The Audit Committee comprises the three Non-Executive Directors and the Finance Director. P M Enoch is the Chairman of the Committee, the other members being J P A Wolff, J G West and D Hillel, until he was replaced by I Falconer on 26 June 1997, respectively. J G West was appointed to the Audit Committee with effect from 3 May 1996. At the invitation of the Committee Chairman, the Chairman, Chief Executive and Managing Director usually attend the proceedings. When P M Enoch retires as a Non-Executive Director at the forthcoming Annual General Meeting there will only be two Non-Executive Directors on the Audit Committee. It is the Directors' intention to appoint a further Non-Executive Director in 1997. The terms of reference for this Committee have been drawn up in accordance with the requirements of the Cadbury Code. In addition to having full access to information, the Committee is provided with explicit authority to investigate all matters relating to its terms of reference, and is supported with all necessary resources towards this end.

Report on internal control procedures

The Directors acknowledge their responsibilities for the Group's system of internal financial control. In fulfilling these responsibilities, the Board has reviewed the effectiveness of the system of internal financial control on the basis of the criteria set out in the Guidance for Directors 'Internal Control and Financial Reporting'. It has considered the major business and financial risks.

As might be expected in a Group of this size, which is highly entrepreneurial and operates in the emerging economies, a key control procedure during the financial year was the day-to-day involvement of the Chief Executive and Managing Director. The Board reviews bi-monthly financial and management information for the Group and each of the operating companies and receives regular reports from the Chief Executive and Managing Director. The Board also undertakes, inter alia, a detailed review of major transactions and approves new investments. The Board is aware of the need for stringent financial controls and felt that a full time Finance Director should be appointed during the financial year 1997 and as reported in the Chairman's statement this has now been done.

As a result of the Directors' review, areas for improvement were identified and appropriate actions agreed. No weaknesses have resulted in any material losses, contingencies or uncertainties which would require disclosures as recommended by the Guidance for Directors.

On the basis that a system can provide only reasonable but not absolute assurance against material misstatement and that it relates only to the needs of the business at that time, the system of internal financial control as a whole was found to be generally appropriate to the size and nature of the business as at the time of approving the financial statements.

Going concern

The Directors, having made appropriate enquiries, are satisfied that the Group and Company have adequate resources to continue in operation for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the accounts.

Nominations Committee

The Board has not established a Nominations Committee, preferring to deal with the appointments of Directors through a formal process involving the whole Board.

Remuneration Committee

Annual report to shareholders for the year ended 31 December 1996

Statement of compliance

Throughout the year the Company complied with Section A of the Best Practice Provisions as annexed to the Listing Rules except that P H Edmonds was Chairman of the Remuneration Committee and an Executive Director of the Company until the Annual General Meeting held on 10 June 1996, when he retired from the Board.

Constitution

The Remuneration Committee is chaired by P M Enoch, with J P A Wolff and J G West as additional members. J P A Wolff and P M Enoch both acted as Non-Executive Directors throughout the year. J G West was appointed to the Remuneration Committee with effect from 3 May 1996. Except as disclosed above in respect of P H Edmonds, none of the Committee has or has had any day-to-day involvement in running the business. At the invitation of the Committee Chairman, Directors may attend the proceedings.

None of the Committee has any personal financial interests (other than as shareholders) or conflicts of interests arising from cross-directorships. The Committee consults the Chairman, Chief Executive and Managing Director about their proposals and has access to professional advice from inside and outside the Company.

Duties of the committee

Formal terms of reference for the Remuneration Committee have been adopted. The Committee determines, inter alia, the annual remuneration package of Executive Directors and key members of senior management, including Directors of subsidiary companies, and the grant of share options to Directors and employees.

The remuneration of the Non-Executive Directors is determined by the Board. No Director plays a part in any discussion about his or her own remuneration.

Company policy on remuneration of Executive Directors and senior managers

There are two main elements of the remuneration package for Executive Directors and senior management, being basic salary and share option incentives. Historically, basic salaries were lower than comparable market rates in order to assist the development of the Group. This was compensated by the granting of share options under the Executive and Employee Share Incentive Schemes. The Remuneration Committee is keeping the balance of remuneration and share options under review. Since July 1996 the policy has been amended to ensure basic salaries are more in line with comparable market rates, and less reliance is now placed on the granting of share options.

In framing their remuneration policy the Committee has given full consideration to Section B of the Best Practice Provisions annexed to the Listing Rules.

Share options

The Company has a policy of granting options to Executive Directors and employees under the Executive and Employee Share Incentive Schemes in order to provide an additional incentive and to take account of the contribution made by an individual to the Company's development. These share options are granted at the Board's discretion after considering the prevailing market price and the price at which previous options have been granted. No options have been granted at below the market price prevailing at the time. Details of share options outstanding at 31 December 1996 are disclosed in Notes 9 and 21 to the financial statements.

Directors' service contracts

Lord Owen, M A Alikhani and I P Spratling have contracts of service, which will be available for inspection at the Annual General Meeting. Lord Owen's and M A Alikhani's service contracts expire on not less than twelve months notice. I P Spratling has a two year service contract granted on 25 October 1996 and expiring on 25 October 1998 and continues thereafter until terminated by either party giving twelve months notice on the anniversary of the commencement date. I P Spratling's service contract has an initial two year period to enable integration of Wolff Steel Limited into the Group. All service contracts are in accordance with the limit recommended by the Code of Best Practice of the Committee on Financial Aspects of Corporate Governance ('the Cadbury Code'). A F Moshiri is engaged under a contract of employment which is terminable on twelve months notice. The Company is obliged to pay damages for the unexpired portion of a contract, if it is terminated early.

External appointments of Directors

All Directors are entitled to accept appointments outside the Company, subject to Board approval, and to retain payments from such sources.

Directors' pension arrangements

M A Alikhani and A F Moshiri are the only Directors entitled to pension arrangements, under which the Company makes contributions of £14,400 and £11,250 per annum respectively to pension schemes on their behalf. No other payments to Directors are pensionable. A F Moshiri became eligible for the pension contribution on his appointment as a Director on 31 May 1996, otherwise there have been no changes in the terms of Directors' pension entitlements during the year and there are no unfunded pension promises or similar arrangements for Directors.

Non-Executive Directors

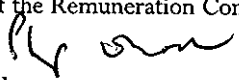
The remuneration of the Non-Executive Directors is determined by the Board, and is based upon fees paid to non-executive directors of similar companies. The remuneration payable to each Non-Executive Director for the period 1 January 1996 to 31 March 1996 was £10,000 per annum. This was increased to £12,500 per annum with effect from 1 April 1996. The remuneration is in the form of fees payable either to the individual Director or to their companies or professional practices. Non-Executive Directors are no longer permitted to participate in any of the Company's share option schemes. Non-Executive Directors are not eligible for any pension arrangements.

J P A Wolff and J G West have fixed term contracts expiring on 30 April 1998 and 3 May 1999 respectively. P M Enoch does not have a contract.

Details of Directors' remuneration and share options

This report should be read in conjunction with Note 9 to the financial statements which constitutes part of this report and which contains full details of all elements in the remuneration package of each Director and of Directors' share options.

By order of the Remuneration Committee.


P M Enoch
Chairman - Remuneration Committee
1 July 1997

Review Report to Middlesex Holdings plc by Deloitte & Touche on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Directors' statements on pages 25 to 27 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

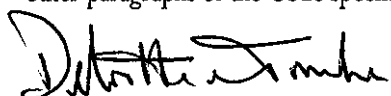
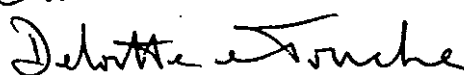
Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures or on the ability of the Company to continue in operational existence.

Opinion

With respect to the Directors' statement on internal financial control on page 26 and going concern on page 27, in our opinion the Directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 25 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review by Listing Rule 12.43 (j).

Deloitte & Touche
Chartered Accountants and
Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR
1 July 1997

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 and the Group as at end of the financial year and of the profit or loss of the Group for that year. 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 Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Group's system of internal financial controls and for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the auditors on the financial statements
to the members of Middlesex Holdings plc

We have audited the financial statements on pages 33 to 66 which have been prepared under the accounting policies set out on pages 38 to 40.

Respective responsibilities of Directors and Auditors

As described on page 31 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.

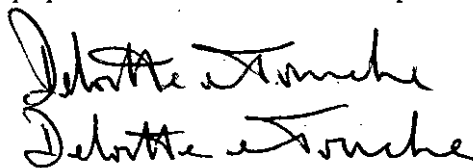
Basis of opinion

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 circumstances of the Company and the Group, 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 affairs of the Company and the Group as at 31 December 1996 and of the profit of the Group for the year then ended 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

1 July 1997

Consolidated profit and loss account

Year ended 31 December 1996

	Note	1996 £000	1995 £000
Turnover			
Continuing operations		165,476	39,191
Acquisitions		12,511	—
Total turnover	2,3	177,987	39,191
Cost of sales	2	(168,040)	(34,635)
Gross profit			
		9,947	4,556
Other operating income (net)	4	3,246	2,065
Administrative expenses		(3,960)	(1,521)
Share of associated undertakings' losses	13	(447)	(83)
Operating profit			
Continuing operations		8,627	5,017
Acquisitions		159	—
Total operating profit	2,5	8,786	5,017
Permanent diminution in value of investment property		—	(109)
Loss on sale of investment property		(48)	—
Profit on ordinary activities before interest			
		8,738	4,908
Interest receivable and similar income		659	807
Interest payable and similar charges	6	(1,380)	(524)
Profit on ordinary activities before taxation			
		8,017	5,191
Tax on profit on ordinary activities	7	(2,692)	(858)
Profit on ordinary activities after taxation			
		5,325	4,333
Equity minority interest		(905)	(319)
Profit for the financial year			
		4,420	4,014
Proposed dividend	8	(799)	(524)
Retained profit for the financial year	25	3,621	3,490
Basic earnings per ordinary share			
	27	0.62p	0.61p
Fully diluted earnings per ordinary share			
	27	0.56p	0.57p
Earnings per ordinary share based on profit on ordinary activities before taxation and minority interest			
	27	1.13p	0.79p

Statement of total recognised gains and losses

Year ended 31 December 1996

	1996 000	1995 000
Profit for the financial year	4,420	4,014
Unrealised surplus on revaluation of investment in associated undertaking	22	—
Unrealised surplus on revaluation of investment property in associated undertaking	464	—
Negative goodwill credited to reserves	1,098	—
Goodwill written off to reserves in associated undertaking	(415)	—
Currency translation differences on foreign currency net investments	(1,422)	19
Total gains and losses recognised in the financial year	4,167	4,033

Consolidated balance sheet

31 December 1996

		1996 £'000	1995 £'000
Fixed assets			
Intangible assets	10	1,373	—
Tangible assets	11	217	55
Investment property	12	—	250
Investments	13	6,065	711
Mining leases	14	1,660	1,660
		<u>9,315</u>	<u>2,676</u>
Current assets			
Stocks	16	2,164	2,477
Debtors	17	47,375	13,949
Cash at bank and in hand	28(e)	6,154	12,705
		<u>55,693</u>	<u>29,131</u>
Creditors:			
Amounts falling due within one year	18	(33,780)	(15,987)
Net current assets		<u>21,913</u>	<u>13,144</u>
Total assets less current liabilities		<u>31,228</u>	<u>15,820</u>
Creditors:			
Amounts falling due after more than one year	19	(75)	(84)
Provisions for liabilities and charges	20	(1,869)	(858)
Total net assets		<u>29,284</u>	<u>14,878</u>
Capital and reserves			
Called up share capital	21	1,999	1,705
Share premium account	22	14,172	6,896
Revaluation reserve	23	486	—
Other reserves	24	(605)	134
Profit and loss account	25	9,421	5,800
Total equity shareholders' funds	26	<u>25,473</u>	<u>14,535</u>
Equity minority interests		<u>3,811</u>	<u>343</u>
		<u>29,284</u>	<u>14,878</u>

These financial statements were approved by the Board of Directors on 1 July 1997.

Signed on behalf of the Board of Directors: M A Alikhani, Chief Executive



Balance sheet

31 December 1996

	Notes	1996 £000	1995 £000
Fixed assets			
Tangible assets	11	94	41
Investment property	12	—	250
Investments - trade and associated undertakings	13	828	565
Investments - subsidiaries	15	11,440	2,616
		<u>12,362</u>	<u>3,472</u>
Current assets			
Debtors	17	17,814	5,452
Cash at bank and in hand		550	4,407
		<u>18,364</u>	<u>9,859</u>
Creditors:			
Amounts falling due within one year	18	(12,052)	(3,185)
Net current assets		<u>6,312</u>	<u>6,674</u>
Total assets less current liabilities		<u>18,674</u>	<u>10,146</u>
Provisions for liabilities and charges	20	(1,869)	(858)
Total net assets		<u>16,805</u>	<u>9,288</u>
Capital and reserves			
Called up share capital	21	1,999	1,705
Share premium account	22	14,172	6,896
Profit and loss account	25	634	687
Total equity shareholders' funds		<u>16,805</u>	<u>9,288</u>

These financial statements were approved by the Board of Directors on 1 July 1997.

Signed on behalf of the Board of Directors: M A Alikhani, Chief Executive.



Consolidated cash flow statement

Year ended 31 December 1996

	1996 £000	1995 £000
Net cash (outflow)/inflow from operating activities 28(a)	(7,471)	1,086
Returns on investments and servicing of finance		
Interest paid	(1,104)	(320)
Interest received	659	823
Ordinary dividends paid	(524)	(322)
Dividends paid to minority shareholders in subsidiaries	—	(129)
Dividends received	35	—
Interest element of finance lease rentals	(1)	—
Net cash (outflow)/inflow from returns on investments and servicing of finance	(935)	52
Taxation		
Corporation and other tax on income	(422)	—
Investing activities		
Investments in subsidiaries 28(b)	(1,701)	—
Sale of tangible fixed assets	2	—
Purchase of tangible fixed assets	(83)	(53)
Purchase of trade investments	(2,540)	(285)
Sale of trade investments	594	—
Sale of investment property	202	—
Loans to associated undertakings (net)	(97)	(239)
Loans to Oskol Electrometallurgical Kombinat	(15,451)	—
Net cash outflow from investment activities	(19,074)	(577)
Financing		
Issue of ordinary share capital 28(c)	4,300	2,151
Expenses paid in connection with issue of shares 28(c)	(30)	—
New short-term loans 28(c)	7,987	5,199
Issue of shares to minorities	3,317	6
Capital element of finance lease rental repayments	(1)	—
Net cash inflow from financing	15,573	7,356
(Decrease)/increase in cash and cash equivalents 28(d)	(12,329)	7,917

Notes to the financial statements

Year ended 31 December 1996

1. Accounting policies

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

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified to include the revaluation of investment property.

(b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all operating subsidiaries, comprising Cygnet Metals Limited, Swan Metals (Jersey) Limited, Clogau (Nevada) Inc., Portsmouth Metals Limited, Middlesex Balli plc, Middlesex Corporate Finance plc (formerly Cygnet Metals Trading plc), Revenant Limited, Oskmet (DRI) Limited, D.R.I. (IOM) Limited and Wolff Steel Limited for the year ended 31 December 1996. With the exception of Wolff Steel Limited and D.R.I. (IOM) Limited which were acquired during the year and Middlesex Balli plc, Middlesex Corporate Finance plc (formerly Cygnet Metals Trading plc) and Oskmet (DRI) Limited which commenced operations during the year, these were also the continuing activities during the year ended 31 December 1995. The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the date of their acquisition.

(c) Acquisitions

On the acquisition of a subsidiary, fair values are attributed to the Group's share of net tangible assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and is written off directly to reserves in the year of acquisition. Where the cost of acquisition is less than the values attributable to such net assets, the difference is treated as negative goodwill and is credited to other reserves in the year of acquisition.

(d) Intangible fixed asset

The distribution agreement is depreciated in equal annual amounts over the period of the agreement, being 10 years.

(e) Tangible fixed assets and depreciation

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

Motor vehicles - at 25 to 50 per cent on cost.

Plant and machinery - at 15 to 25 per cent on cost.

Office equipment - at 15 to 25 per cent on cost.

(f) Fixed asset investment property

Investment property is included in the financial statements on the basis of an open market valuation. Any permanent diminution in its value is taken to the profit and loss account.

No provision for depreciation is made on the investment property in accordance with Statement of Standard Accounting Practice No. 19, which is a departure from the valuation rules of the Companies Act 1985, which requires all properties to be depreciated. The Directors consider that as the property is held for its investment potential, to depreciate it would not give a true and fair view and that it is necessary to adopt SSAP 19 to give a true and fair view.

If this departure from the Act had not been made, the profit for the year would have been decreased by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of the many factors in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

(g) Mining leases

Mining leases are stated at cost, together with exploration and development expenditure incurred.

(h) Investments

Except as stated below, investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

In the consolidated accounts, shares in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of the pre-tax profit and attributable taxation of the associated undertakings based on financial statements for the financial year. In the consolidated balance sheet, the investment in associated undertakings is shown at the Group's share of the net assets, including goodwill, of the associated undertakings. The financial results for Agrifarm International Limited are based on unaudited management accounts. The financial results for all of the Group's other associated undertakings are based on audited financial statements to 31 December 1996.

(i) Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. In general cost is determined on a first in first out basis, and includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

(j) 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.

Notes to the financial statements

continued

(k) Turnover

Turnover represents sales of goods, less returns, and services invoiced to external customers, excluding Value Added Tax, together with rental income.

(l) Foreign exchange

Transactions of UK companies denominated in foreign currencies are translated into sterling at the average rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

The financial statements of foreign subsidiaries are translated into sterling at the closing rate of exchange for the balance sheet and at the average rate for the profit and loss account. The difference arising from the translation of the opening net investment in subsidiaries at the closing rate is taken direct to reserves.

(m) Leases

Assets held under finance leases are capitalised at their value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding. Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

(n) Pensions

A subsidiary company operates a defined contribution scheme, the funds of which are externally invested and held separately from the Company and the Group. The contributions to this scheme are charged to the profit and loss account as they arise. The cost of providing the money purchase scheme for two of the Directors is charged to the profit and loss account as it arises.

	Continuing operations £000	1996 Acquisitions £000	Total £000	1995 Total £000
2. Turnover and operating profit				
Turnover	165,476	12,511	177,987	39,191
Cost of sales	(155,867)	(12,173)	(168,040)	(34,635)
Gross profit	9,609	338	9,947	4,556
Net operating income	3,227	19	3,246	2,065
Administrative expenses	(3,802)	(158)	(3,960)	(1,521)
Share of associated undertakings' losses	(407)	(40)	(447)	(83)
Operating profit	8,627	159	8,786	5,017

	By destination				By geographical location			
	1995		1994		1995		1994	
	Continuing operations '000	Acquisitions '000	Total '000	Total '000	Continuing operations '000	Acquisitions '000	Total '000	Total '000
3. Segmental analysis of results								
(i) Turnover								
Taiwan	52,406	—	52,406	—	—	—	—	—
CIS	35,222	—	35,222	23,943	—	—	—	—
Philippines	20,133	—	20,133	—	—	—	—	—
Malaysia	10,291	—	10,291	—	—	—	—	—
Indonesia	3,981	5,829	9,810	—	—	—	—	—
Romania	8,659	—	8,659	—	—	—	—	—
Morocco	7,670	—	7,670	—	—	—	—	—
USA	6,344	279	6,623	12,277	—	—	—	—
Thailand	6,076	—	6,076	—	—	—	—	—
Switzerland	4,646	—	4,646	2,745	—	—	—	—
Spain	1,706	2,088	3,794	—	—	—	—	—
Mexico	—	3,031	3,031	—	—	—	—	—
Italy	2,873	80	2,953	—	—	—	—	—
Israel	1,595	—	1,595	—	—	—	—	—
Turkey	1,345	—	1,345	—	—	—	—	—
Vietnam	1,186	—	1,186	—	—	—	—	—
Great Britain	8	140	148	29	126,519	12,175	138,694	3,472
Bermuda	—	—	—	—	27,426	—	27,426	9,365
Jersey	—	—	—	—	11,531	—	11,531	26,354
Australia	—	336	336	—	—	336	336	—
Other	1,335	728	2,063	197	—	—	—	—
	165,476	12,511	177,987	39,191	165,476	12,511	177,987	39,191

Notes to the financial statements

continued

3. Segmental analysis of results (continued)

(ii) Turnover

	By class of business			
	1996	1995	1996	1995
	Continuing operations £000	Acquisitions £000	Total £000	Total £000
Metals and metal related activities	158,811	12,511	171,322	36,332
Agriculture	3,988	—	3,988	—
Oil	2,563	—	2,563	2,843
Property	8	—	8	16
Other	106	—	106	—
	<u>165,476</u>	<u>12,511</u>	<u>177,987</u>	<u>39,191</u>

(iii) Profit/(loss) before taxation

Metals and metal related activities	3,704	137	3,841	1,106
Agriculture	694	—	694	—
Property	8	—	8	16
Oil	2,563	—	2,563	2,409
Other	44	6	50	(35)
Other income less interest and parent company expenses	861	—	861	1,695
	<u>7,874</u>	<u>143</u>	<u>8,017</u>	<u>5,191</u>

(iv) Profit/(loss) before taxation

	By geographical location			
	1996	1995	1996	1995
	Continuing operations £000	Acquisitions £000	Total £000	Total £000
Great Britain	3,461	180	3,641	(800)
USA	39	(70)	(31)	(67)
Bermuda	4,541	—	4,541	4,789
Jersey	(167)	—	(167)	1,269
Australia	—	32	32	—
Canada	—	1	1	—
	<u>7,874</u>	<u>143</u>	<u>8,017</u>	<u>5,191</u>

(v) Net assets

	By class of business		By geographical location	
	1996 £000	1995 £000	1996 £000	1995 £000
Metals and metal related activities	26,123	10,315	G. Britain	11,905
Agriculture	638	—	USA	1,826
Oil	2,353	3,971	Bermuda	3,779
Property	—	250	Jersey	10,642
Other	170	342	Australia	1,096
			Canada	36
	<u>29,284</u>	<u>14,878</u>		<u>29,284</u>
				<u>14,878</u>

4. Other operating income/(charges)

	1996 £000	1995 £000
Management fee income	2,548	2,065
Other income	772	—
Distribution costs	(74)	—
	<u>3,246</u>	<u>2,065</u>

The management fee comprises fees from Interfin Services for the assessment of venture capital projects and for assistance with raising of finance in the CIS.

Other income includes a profit of £590,000 on the sale of a trade investment.

5. Operating profit

Operating profit is after charging:

Depreciation and other amounts written off tangible and intangible fixed assets:

	1996 £000	1995 £000
Owned assets	36	17
Leased assets	1	—
Intangibles	47	—
Auditors' remuneration:		
Audit fees	122	52
Other services	46	11
Rentals under operating leases:		
Other operating leases	<u>79</u>	<u>—</u>

6. Interest payable and similar charges

Bank loans and overdrafts	367	137
Deposited Loan Stock 2006	8	—
Interest on minority shareholders' loans	680	387
Bank charges	<u>324</u>	<u>—</u>
	<u>1,379</u>	<u>524</u>
On finance leases	<u>1</u>	<u>—</u>
	<u>1,380</u>	<u>524</u>

Notes to the financial statements

continued

7. Tax on profit on ordinary activities

UK corporation tax at 33% (1995 - 33%)	1,907	(38)
Deferred taxation (Note 20)	799	896
Overseas taxation	9	—
	<u>2,715</u>	<u>858</u>
Tax applicable to associated undertakings	(23)	—
	<u>2,692</u>	<u>858</u>

8. Proposed dividend

Final proposed - 0.1p per ordinary equity share (1995 - 0.077p)	799	524
---	-----	-----

9. Information regarding Directors and employees

The emoluments, excluding pension contributions, of the Chairmen were:

Present Chairman	50	8
Former Chairman	—	25
Emoluments of the highest paid Director	95	81
Emoluments of other Directors not included above	126	52
Former Chairman - compensation for loss of office	13	—
	<u>284</u>	<u>166</u>

Other Directors received remuneration within the following ranges:

	1996 Number	1995 Number
£5,001 — £10,000	2	3
£10,001 — £15,000	5	2
£45,001 — £50,000	1	—

Average number of persons employed, by the Group in the year, excluding Directors:

Management	3	—
Administration	16	5
	<u>19</u>	<u>5</u>

Staff costs, including Directors' remuneration:

	1996 £000	1995 £000
Wages and salaries	741	304
Social security costs	73	27
Other pension costs	20	23
	<u>834</u>	<u>354</u>

The following table shows a breakdown of the remuneration of individual Directors for the year ended 31 December 1996:

Executive:	Salaries £000	Fees £000	Benefits in kind £000	Compensation for loss of office £000	Company pension contributions £000	Total 1996 £000	Total 1995 £000
Lord Owen	50	—	—	—	—	50	8
M A Alikhani	95	—	—	—	14	109	95
A F Moshiri	42	—	5	—	—	47	—
D Hillel*	10	—	—	—	—	10	13
Dr A P Vladislavlev	14	—	—	—	—	14	11
I P Spratling	10	—	1	—	—	11	—
P H Edmonds	10	—	—	13	—	23	25
S Grant - Rennick	—	—	—	—	—	—	10
Non-Executive:							
J G West*	—	8	—	—	—	8	—
P M Enoch	—	14	—	—	—	14	8
J P A Wolff*	—	12	—	—	—	12	10
	231	34	6	13	14	298	180

The Chairman received pension contributions of £nil and the highest paid Director received pension contributions of £14,000 in the year ended 31 December 1995.

* D Hillel's Director's remuneration for the year ended 31 December 1996 of £10,000 (1995 - £13,000) has been invoiced by Auerbach Hope, a firm of Chartered Accountants, in which he is a partner. J P A Wolff's Director's fees for the year ended 31 December 1996 of £12,000 (1995 - £10,000) have been invoiced by John Wolff International Limited, a company of which he is a director and shareholder. J G West's Director's fees for the year ended 31 December 1996 of £8,000 (1995 - £nil) have been invoiced by Jimmy West Associates Limited, a company of which he is a director and shareholder.

Notes to the financial statements

continued

9. Information regarding Directors and employees (continued)

Directors' share options

The following unexercised options over ordinary shares were held by Directors under the Executive and Employee Share Incentive Schemes:

	Outstanding 1.1.96	Granted during year	Exercised during year	Outstanding 31.12.96	Exercise price	Date of grant	First date of exercise	Final date of exercise
Lord Owen	4,000,000	—	—	4,000,000	8.1p	25.10.95	25.10.97	24.10.99
M A Alikhani	10,000,000	—	—	10,000,000	1.0p	11.11.93	11.11.93	10.11.97
A F Moshiri	4,000,000	—	—	4,000,000	8.1p	16.12.94	16.12.94	15.12.98
A F Moshiri	—	10,000,000	—	10,000,000	9.0p	13.11.96	13.11.99	12.11.06
P H Edmonds	8,000,000	—	(8,000,000)	—	1.0p	11.11.93	11.11.93	10.11.97
Dr A P Vladislavlev	20,000,000	—	—	20,000,000	4.3p	8.4.94	8.4.94	7.4.98
J P A Wolff	1,000,000	—	—	1,000,000	4.3p	8.4.94	8.4.94	7.4.98
P M Enoch	500,000	—	—	500,000	4.3p	8.4.94	8.4.94	7.4.98

There have been no changes to the above since 31 December 1996.

The exercise price of options granted during the year was 9.0p. No options lapsed during the year. The market price of the Company's ordinary shares at the date of exercise of options on 25 September 1996 was 6.875p. At 31 December 1996 the mid-market price of the Company's shares was 6.0p and the range during the year was 9.25p to 5.75p.

10. Intangible fixed assets - Group

Cost

At 1 January 1996

Additions

At 31 December 1996

Accumulated depreciation

At 1 January 1996

Charge for the year

At 31 December 1996

Net book value

At 31 December 1996

At 31 December 1995

Distribution
agreement
£000

1,420

1,420

47

47

1,373

—

The distribution agreement is the asset of D.R.I. (IOM) Limited. This company was acquired on 20 August 1996 (Note 15). Oskmet (DRI) Limited has undertaken the trades in relation to this distribution agreement on behalf of D.R.I. (IOM) Limited in the period ended 31 December 1996.

11. Tangible fixed assets	Motor vehicles £000	Plant and machinery £000	Office equipment £000	Group Total £000	Motor vehicles £000	Office equipment £000	Company Total £000
Cost							
At 1 January 1996	47	—	28	75	47	7	54
Additions	—	1	82	83	—	82	82
Subsidiary acquired	176	51	34	261	—	—	—
Disposals	(1)	(4)	—	(5)	—	—	—
At 31 December 1996	222	48	144	414	47	89	136
Accumulated depreciation							
At 1 January 1996	12	—	8	20	11	2	13
Charge for the year	15	1	21	37	13	16	29
Subsidiary acquired	83	26	34	143	—	—	—
Disposals	—	(3)	—	(3)	—	—	—
At 31 December 1996	110	24	63	197	24	18	42
Net book value							
At 31 December 1996	112	24	81	217	23	71	94
At 31 December 1995	35	—	20	55	36	5	41

The net book value of tangible fixed assets at 31 December 1996 includes an amount of £9,000 (1995 - £nil) in respect of motor vehicles held under finance leases.

12. Fixed asset investment property	Group and Company £000
At 1 January 1996	250
Disposal	(250)
At 31 December 1996	—

The investment property, which comprised freehold land and buildings, was disposed of during the year.

Notes to the financial statements

continued

13. Investments

Group

Trade investments

Cost

At 1 January 1996	306	—	306
Additions	2,540	—	2,540
Disposals	(4)	—	(4)
At 31 December 1996	2,842	—	2,842

Associated undertakings

Cost

At 1 January 1996	239	249	488
Subsidiary acquired (Note 15)	2,782	274	3,056
Loans advanced	—	246	246
Loans repaid	—	(149)	(149)
At 31 December 1996	3,021	620	3,641

Share of (losses) and reserves

At 1 January 1996	(83)	—	(83)
Losses for the year	(447)	—	(447)
Taxation	23	—	23
Share of dividends	(35)	—	(35)
Unrealised surplus on revaluation of investment and investment property (Note 23)	486	—	486
Goodwill on acquisition written off to reserves (Note 24)	(415)	—	(415)
Foreign exchange translation	53	—	53
At 31 December 1996	(418)	—	(418)

Net book value

At 31 December 1996	2,603	620	3,223
At 31 December 1995	156	249	405

Total investments

At 31 December 1996	5,445	620	6,065
At 31 December 1995	462	249	711

Additions to trade investments in the year are

3% of Oskol Electrometallurgical Kombinat	2,082
0.9% of Forestream Limited	136
1.1% of Northern Maritime Property Investments Limited	322
	<u>2,540</u>

Company	Investment in shares £000	Loans £000	Total £000
Trade investments			
Cost			
At 1 January 1996	306	—	306
Additions	458	—	458
Disposals	(4)	—	(4)
At 31 December 1996	<u>760</u>	<u>—</u>	<u>760</u>

Associated undertakings

Cost			
At 1 January 1996	239	103	342
Loans advanced	—	216	216
At 31 December 1996	<u>239</u>	<u>319</u>	<u>558</u>

Provisions

At 1 January 1996	(83)	—	(83)
Charge for the year	(156)	(251)	(407)
At 31 December 1996	<u>(239)</u>	<u>(251)</u>	<u>(490)</u>

Net book value

At 31 December 1996	—	68	68
At 31 December 1995	<u>156</u>	<u>103</u>	<u>259</u>

Total investments

At 31 December 1996	<u>760</u>	<u>68</u>	<u>828</u>
At 31 December 1995	<u>462</u>	<u>103</u>	<u>565</u>

Notes to the financial statements

continued

13. Investments (continued)

Trade investments comprise:

	Activity	Country of incorporation	Proportion of ordinary shares held	1996	1995
Forestrealm Limited	Gold mining	Great Britain	20.9%		20%
Northern Maritime Property Investments Limited	Gold mining	Great Britain	20.9%		19.8%
MBA Energy	Dormant	CIS	20%		20%
Riceman Insurance Investments plc	Insurance management	Great Britain	5.7%		11.37%
Interfin Services	Financial services	CIS	40%		40%
Oskol Electrometallurgical Kombinat	Steelworks	CIS	3%		—

Riceman Insurance Investments plc is incorporated in Great Britain and is traded on the London Stock Exchange under the Alternative Investment Market. At 31 December 1996 the closing mid-market price for ordinary shares in the company was 18.5p, giving an aggregate market value of £694,000.

Forestrealm Limited, Northern Maritime Property Investments Limited, Interfin Services and MBA Energy are not associated undertakings as defined in Statement of Standard Accounting Practice No.1. The businesses of these companies are based entirely in the CIS as are the majority shareholders. The majority shareholders control the operating and financial policies of the companies and the Company does not have any significant influence in relation to these policies.

Associated undertakings comprise:

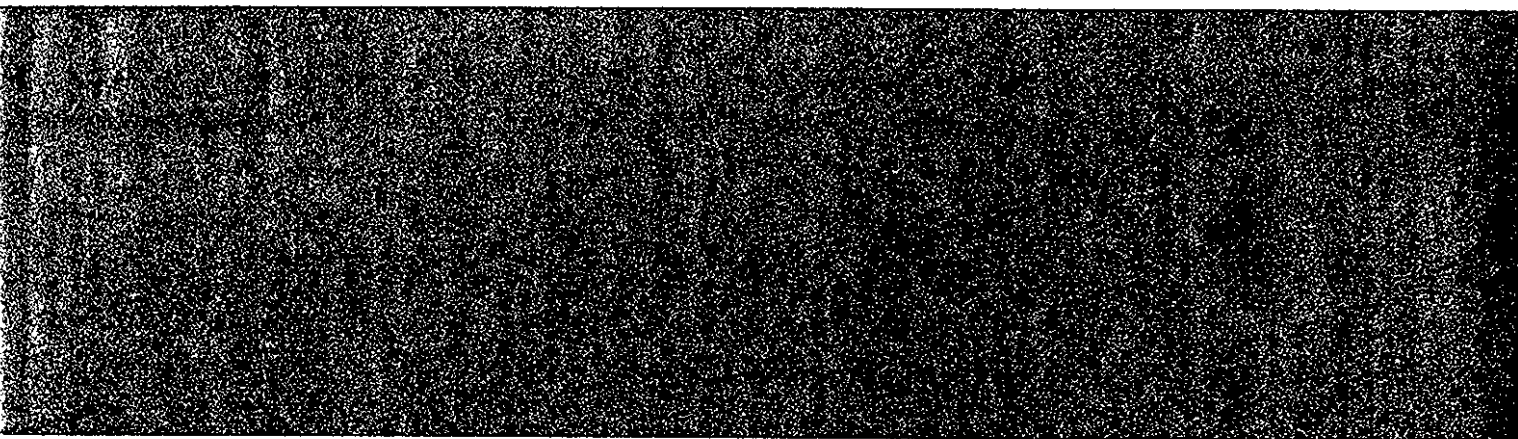
(i) Held by the Company

	Activity	Country of incorporation	Proportion of ordinary shares held and voting rights
Agrifarm International Limited	Agricultural investment and management	Great Britain	40%

The company operates worldwide.

(ii) Held by the Group

	Activity	Country of incorporation	Description of shares held	Percentage holding and voting rights
Afon Tinplate Company Limited	Steel and steel products	Great Britain	Ordinary shares of £1	36%
Acier Wolff Canada Inc.	Steel and steel products	Canada	Class "A" common shares and class "E" preferred shares of Can\$1	50%
LM Holding Company Inc.	Steel and steel products	USA	Common stock of US\$100	40%
Amari Wolff Steel Pty Limited	Steel and steel products	Australia	Ordinary shares of A\$1	50%
ISE International Furniture Limited	Manufacture of furniture	Great Britain	Ordinary shares of £1	26%



These companies operate principally in their country of incorporation.

These associated undertakings held by the Group were acquired on 25 October 1996, the date of the acquisition of Wolff Steel Limited.

14. Mining leases

The Group owns, through its subsidiary Clogau (Nevada) Inc. ("Clogau"), leases of mining properties in the USA which are included in the consolidated balance sheet at cost of £1,660,000 (1995 - £1,660,000).

The Company received in February 1995 an independent professional valuation from CME Consulting Ltd., mining geologists of Vancouver, Canada, valuing the holdings known as 'Golden Arrow' at not less than US\$1,800,000 (£1,161,000) and the holding at 'Goldfield' at not less than US\$986,000 (£636,000). These valuations are reasonable guidelines based on the unforced sale, option or joint venture of the mineral properties, in their current state, by a willing seller to a willing buyer.

In September 1995, a joint venture agreement was concluded with Kennecott Exploration Company of Utah ("Kennecott") to develop 'Golden Arrow'. The basis of the agreement requires Kennecott to perform or cause to perform work up to 31 August 1999 at a cost of US\$2 million and make payments to Clogau amounting in total to US\$380,000 in the next four years. Clogau's contribution to the venture was the mining leases.

On 13 March 1997, the Group announced that, subject to certain underlying approvals, the interests of Kennecott in the 'Golden Arrow' project had been acquired by Tombstone Exploration Co Ltd. The terms of the joint venture agreement remain the same.

In February 1992, a joint venture agreement was entered into with American Resources Corporation ("ARC") to develop 'Goldfield'. On 1 February 1994, ARC assigned the agreement to Kennecott. On 15 January 1996 Kennecott surrendered their assignment to ARC who surrendered their assignment to Clogau on 8 May 1996. We are actively looking for another company to form a joint venture to continue the evaluation of the 'Goldfield' holdings.

Notes to the financial statements

(continued)

Share in subsidiary undertakings
£000

Share in subsidiary undertakings
£000

Total
£000

15. Investments - subsidiaries

Company

Cost

At 1 January 1996	681	2,581	3,262
Additions	8,824	—	8,824
At 31 December 1996	9,505	2,581	12,086

Provisions

At 1 January 1996 and 31 December 1996	(646)	—	(646)
--	-------	---	-------

Net book value

At 31 December 1996	8,859	2,581	11,440
At 31 December 1995	35	2,581	2,616

(i) Held by the Company

	Activity	Country of incorporation	Proportion of ordinary shares held and voting rights	Country of operation
Cygnat Metals Limited	Metals trading	Great Britain	100%	CIS
Swan Metals (Jersey) Limited	Metals trading	Jersey	60%	CIS
Clogau (Nevada) Inc.	Gold mining	USA	100%	USA
Portsmouth Metals Limited	Metals and oil trading	Bermuda	100%	Worldwide
Middlesex Balli plc	Investment holding company	Great Britain	51%	Great Britain
Middlesex Corporate Finance plc (formerly Cygnat Metals Trading plc)	Corporate finance	Great Britain	100%	Great Britain
The Carnarvon Mining Company Limited	Dormant	Great Britain	100%	—
Revenant Limited	Metals trading	Jersey	60%	CIS
Oskmet (DRI) Limited	Metals trading	Great Britain	100%	Worldwide
D.R.I. (IOM) Limited	Metals trading	Isle of Man	100%	Worldwide
Wolff Steel Limited	Steel and steel products	Great Britain	100%	Great Britain

(ii) Held by the Group

Clogau Gold Mines Limited	Dormant	Great Britain	100%	—
Oskmet (UK) Limited	Metals trading	Great Britain	51%	Worldwide
George A Stevenson Limited	Steel and steel products	Great Britain	100%	Great Britain
Wolff Australia Pty Limited	Steel and steel products	Australia	100%	Australia
Wolff Pipelines Limited	Steel and steel products	Great Britain	50%	Great Britain
Wolff Inova Limited	Steel and steel products	Great Britain	50%	Great Britain

During the year ended 31 December 1996, the Company subscribed for an additional 5,100,000 ordinary shares of US\$1 each, out of a total of 10,000,000 ordinary shares of US\$1 each, allotted by Middlesex Balli plc, representing 51% of the enlarged share capital of the company. Middlesex Balli plc, together with its wholly owned subsidiary, Oskmet (UK) Limited, has commenced trading in the export of steel products from the CIS. On 9 July 1996, Middlesex Holdings plc subscribed for a 100% holding in Oskmet (DRI) Limited.

On 20 August 1996, the Company acquired 100% of the share capital of D.R.I. (IOM) Limited.

On 25 October 1996, the Company acquired 100% of the share capital of Wolff Steel Limited which has the following subsidiaries - George A Stevenson Limited, Wolff Australia Pty Limited, Wolff Pipelines Limited and Wolff Inova Limited. J P A Wolff, a director of the Company, was also a director and shareholder of Wolff Steel Limited. These two acquisitions have been accounted for by the acquisition method.

Further details of the acquisitions are set out below:

	Wolff Steel Limited £000	D.R.I. (IOM) Limited £000
Net assets acquired		
Tangible fixed assets	118	—
Investments (Note 13)	3,056	—
Stocks	2,389	—
Debtors	2,287	—
Cash at bank and in hand	88	—
Creditors	(2,216)	—
Bank overdrafts	(564)	—
Loans and finance leases	(86)	—
Minority shareholders' interests	(19)	—
	5,053	—
Fair value adjustment (Note 10)	—	1,420
	5,053	1,420
Negative goodwill - credited to other reserves (Note 24)	(1,098)	—
	3,955	1,420
Satisfied by		
Shares allotted	1,900	1,400
Deposited Loan Stock 2006 issued	850	—
Cash	1,205	20
	3,955	1,420

The fair value adjustment is for the distribution agreement owned by D.R.I. (IOM) Limited.

Notes to the financial statements

continued

15. Investments - subsidiaries (continued)

The acquisition of D.R.I. (IOM) Limited has deferred consideration of a further 10 million ordinary shares of 0.25p each to be issued on 20 August 1997, provided that the audited net profits of D.R.I. (IOM) Limited in the financial year ended 31 December 1996 exceed US\$1 million. This net profit was not achieved and as such deferred consideration will not be paid. There is a further deferred consideration of a further 10 million ordinary shares of 0.25p each to be issued on 20 August 1998, provided that the audited net profits of D.R.I. (IOM) Limited in the year ending 31 December 1997 exceed US\$3 million. Based on projections, it is the Directors' view that the audited net profits of D.R.I. (IOM) Limited, in the year ending 31 December 1997, will not exceed US\$3 million and as such no provision has been made for this deferred consideration. In addition the vendor was issued warrants (Note 21).

The summarised profit and loss account and the statement of total recognised gains and losses for Wolff Steel Limited for the period from 1 January 1996 (the date the financial year began) to 25 October 1996 are as follows

	£000
Turnover	11,564
Operating profit	217
Profit before tax	504
Taxation	(174)
Profit after tax	330
Minority interest	(16)
Profit for the period	314
Profit on ordinary activities after tax and minority interest	314
Dividends	(34)
Unrealised deficit on revaluation of investment in associated undertaking	(105)
Currency translation differences on foreign currency net investments	5
Total gains and losses recognised in the period	180

The profit after tax and minority interest for Wolff Steel Limited for the year ended 31 December 1995 was £599,000.

D.R.I. (IOM) Limited did not trade prior to acquisition.

	1996 £000	1995 £000
16. Stocks - Group		
Goods for resale - steel and steel products	2,164	—
Primary metal - baked anodes	—	1,356
Manufactured metal - aluminium	—	1,121
	2,164	2,477

17. Debtors

Amounts falling due within one year:

	Group 1996 £000	Company 1996 £000	Group 1995 £000	Company 1995 £000
Trade debtors	16,617	—	13,367	—
Amounts owed by subsidiary undertakings	—	11,042	—	5,053
Advance corporation tax	212	212	—	—
Corporation tax recoverable	6	—	37	—
Other debtors	29,754	6,272	297	289
Prepayments and accrued income	183	88	248	110
	<u>46,772</u>	<u>17,614</u>	<u>13,949</u>	<u>5,452</u>

Amounts falling due in more than one year:

Advance corporation tax	603	200	—	—
	<u>47,375</u>	<u>17,814</u>	<u>13,949</u>	<u>5,452</u>

Group trade debtors at 31 December 1996 of £5,039,000 (1995 - £nil) are charged as security for bank and other loans (Note 18).

Included in Group debtors at 31 December 1996 is an amount of £5,000 due from I P Spratling, an Executive Director of the Company. Further details are disclosed in Note 33.

Included in other debtors at 31 December 1996 is £15,451,000 (1995 - £nil) due from Oskol Electrometallurgical Kombinat and £12,128,000 (1995 - £nil) due from Interfin Services.

18. Creditors: amounts falling due within one year

	Group 1996 £000	Company 1996 £000	Group 1995 £000	Company 1995 £000
Bank overdraft	815	34	—	—
Bank loans	6,889	1,462	645	—
Other loans	16,609	—	9,032	—
Deposited Loan Stock 2006	827	827	—	—
Obligations under finance leases	10	—	—	—
Trade creditors	3,434	524	4,652	31
Amounts owed to subsidiary undertakings	—	6,761	—	2,198
Corporation tax	1,843	994	406	—
Advance corporation tax	815	412	212	212
Other tax and social security	79	39	14	12
Other creditors	451	38	398	192
Accruals and deferred income	1,125	162	104	16
Government grant repayable (Note 19)	84	—	—	—
Proposed dividend (Note 8)	799	799	524	524
	<u>33,780</u>	<u>12,052</u>	<u>15,987</u>	<u>3,185</u>

Notes to the financial statements

continued

18. Creditors: amounts falling due within one year (continued)

The bank overdrafts of a subsidiary undertaking and its subsidiaries and associates are secured by a fixed and floating charge over its assets. Group bank loans with a balance at 31 December 1996 of £2,516,000 (1995 - £nil) are secured on trade debtors (Note 17).

Other loans which are from the minority shareholders in subsidiaries are as follows:

Sir David Alliance	- £4,251,000 (1995 - £4,516,000) interest is payable at 8% per annum for six months on £4,094,000 and the loan is repayable within one year or on demand.
	- £2,193,000 (1995 - £nil) interest is payable at 10% per annum and the loan is repayable on six months notice.
	- £19,000 (1995 - £nil) current account which bears no interest and is repayable on demand.
Wmac Investment Corporation	- £667,000 (1995 - £4,516,000) interest is payable at 10% per annum, and the loan is repayable within one year.
Balli Trading Limited	- £8,826,000 (1995 - £nil) interest is payable at a variable rate, which for the year ended 31 December 1996 was 6.875% per annum, and the loan is repayable on demand.
	- £653,000 (1995 - £nil) current account, interest is payable at a variable rate, which for the year ended 31 December 1996 was 6.875% per annum, and the current account is repayable on demand.

The Balli Trading Limited loan at 31 December 1996 of £8,826,000 (1995 - £nil) is secured on trade and other debtors (Note 17).

The Deposited Loan Stock 2006 is repayable to the stockholders on 14 days notice.

19. Creditors: amounts falling due after more than one year - Group

	1996 £000	1995 £000
Government grant repayable	—	84
Other loan	75	—
	<u>75</u>	<u>84</u>

A subsidiary company, Clogau Gold Mines Limited, was eligible for a government grant of 35% of its qualifying expenditure as defined under the Mineral Exploration and Investment Grants Act 1972. The grant is repayable in the event (inter alia) of the commencement, before 31 December 1997, of commercial production at the Clogau St. David's mine, which was disposed of in 1987 (Note 18).

Finance leases

The net finance lease obligations to which the Group is committed are:

	1996 £000	1995 £000
In one year or less	10	—

The other loan is an unsecured loan of £75,000 (1995 - £nil) which is interest free and is redeemable on 30 June 2000. There were no creditors falling due after more than one year in the Company.

20. Provisions for liabilities and charges - deferred taxation

	Group and Company 1996 £000	Group and Company 1995 £000
At 1 January	858	174
Charged to profit and loss account	799	896
	<u>1,657</u>	<u>1,070</u>
Advance corporation tax set off	—	(212)
Other movements	212	—
At 31 December	<u>1,869</u>	<u>858</u>

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

	Group and Company provided		Group unprovided	
	1996 £000	1995 £000	1996 £000	1995 £000
Capital allowances in excess of depreciation	—	—	(15)	—
Short term timing differences	1,869	1,070	—	—
Advance corporation tax set off	—	(212)	—	—
Losses	—	—	(338)	—
	<u>1,869</u>	<u>858</u>	<u>(353)</u>	<u>—</u>

The Company has no unprovided deferred tax.

	1996 £000	1996 Number	1995 £000	1995 Number
21. Called up share capital				
Authorised:				
Ordinary shares of 0.25p each	<u>2,800</u>	1,120,000,000	<u>2,100</u>	840,000,000
Allotted, called up and fully paid:				
Ordinary shares of 0.25p each	<u>1,999</u>	799,406,234	<u>1,705</u>	681,910,417

On 25 October 1996 the shareholders of the Company passed an Ordinary Resolution to increase the authorised share capital of the Company from £2.1 million to £2.8 million by the creation of 280 million new ordinary shares of 0.25p each, such shares to form one class with the existing ordinary shares of the Company.

Notes to the financial statements

continued

21. Called up share capital (continued)

Movement in share capital in the year:

Shares issued:

Date	Number of shares	Consideration received £000	Reason
6 August 1996	35,600,000	2,163	Placement of shares
20 August 1996	20,000,000	—	100% of the share capital of D.R.I. (IOM) Limited
25 September 1996	8,000,000	80	Exercise of option
25 October 1996	24,516,129	—	50% of the share capital of Wolff Steel Limited
5 December 1996	29,379,688	2,057	Exercise of Wmac Investment Corporation warrants

Wmac Investment Corporation is the minority shareholder in Swan Metals (Jersey) Limited. In the instance where the shares were allotted for cash, the proceeds were used for working capital. The options exercised were granted under the Executive and Employee Share Incentive Schemes.

On 25 October 1996, shareholders approved the issue of warrants to subscribe for ordinary shares of the Company to the vendor of D.R.I. (IOM) Limited (Note 15). The warrants entitle the holder to subscribe for 20 million new ordinary shares at 10p per share. The warrants can be exercised at any time during the period commencing on the date which is 20 business days after the audited financial statements of D.R.I. (IOM) Limited for the financial year ending 31 December 1998 shall have been approved in general meeting and expiring on the third anniversary of the same provided that the audited net profits for D.R.I. (IOM) Limited, for the period from 20 August 1996 to 31 December 1998, exceed US\$7 million. The warrants may only be exercised in multiples of 10,000. The Directors do not consider it possible to attribute a value to the warrants.

The following options to subscribe for ordinary shares have been granted under the Executive and Employee Share Incentive Schemes to 22 employees:

Year of grant	Exercise period	Exercise price per share	1996 Number	1995 Number
1993	11 November 1993 to 10 November 1997	1.0p	10,000,000	18,000,000
1994	8 April 1994 to 7 April 1998	4.3p	27,582,708	27,582,708
1994	16 December 1994 to 15 December 1998	8.1p	11,450,000	16,000,000
1995	25 October 1997 to 24 October 1999	8.1p	4,000,000	4,000,000
1996	13 November 1999 to 12 November 2006	9.0p	12,000,000	—
			<u>65,032,708</u>	<u>65,582,708</u>

The unexercised share options over ordinary shares held by the Directors under the Executive and Employee Share Incentive Schemes are disclosed in Note 9. Those held by the Employees are as follows:

Outstanding 1.1.96	Granted during year	Lapsed during year	Exercised during year	Outstanding 31.12.96	Exercise price	Date of grant	First date of exercise	Final date of exercise
6,082,708	—	—	—	6,082,708	4.3p	8.4.94	8.4.94	7.4.98
12,000,000	—	(4,550,000)	—	7,450,000	8.1p	16.12.94	16.12.94	15.12.98
—	2,000,000	—	—	2,000,000	9.0p	13.11.96	13.11.99	12.11.06

22. Share premium account

	£000
At 1 January 1996	6,896
Premium on issue of shares during the year	7,306
Expenses of issue	(30)
At 31 December 1996	14,172

23. Revaluation reserve - Group

	Investment property £000	Investment £000	Total £000
At 1 January 1996	—	—	—
Unrealised surplus on revaluation of investment in associated undertaking	—	22	22
Unrealised surplus on revaluation of investment property in associated undertaking	464	—	464
At 31 December 1996 (Note 13)	464	22	486

Amari Wolff Pty Limited in which the Group has a 50% holding (Note 13) is party to a legal agreement whereby it effectively has a put option giving it the ability to dispose of its investment in an associated company New Zealand Steel (Australia) Pty Limited at any time for a price based on the earnings of the associated company. The current selling value approximates to the current carrying value of the investment which amounts to £831,000 in the accounts of Amari Wolff Steel Pty Limited at 31 December 1996.

Under the agreement there is also effectively a call option over the investment which, if exercised, will require the investment to be sold at the same price as that calculated under the above formula.

For the purpose of these consolidated financial statements the Group's share of the revaluation surplus has been credited to a revaluation reserve.

Notes to the financial statements

continued

	Goodwill £000	Negative goodwill £000	Foreign exchange translation £000	Total £000
24. Other reserves - Group				
At 1 January 1996	—	—	134	134
Unrealised exchange loss arising from translation of interests expressed in foreign currencies	—	—	(1,422)	(1,422)
Negative goodwill - subsidiary (Note 15)	—	1,098	—	1,098
Goodwill written off in associated undertaking (Note 13)	(415)	—	—	(415)
At 31 December 1996	(415)	1,098	(1,288)	(605)

25. Profit and loss account

	Group £000	Company £000
Profit and loss account brought forward	5,800	687
Retained profit/(loss) for the financial year	3,621	(53)
Profit and loss account carried forward	9,421	634

Company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit and loss account includes a profit after tax and before dividends of £746,000 (1995 - £1,119,000) which is dealt with in the financial statement of the parent company.

26. Reconciliation of movements in shareholders' funds

	1996 £000	1995 £000
Profit for the financial year	4,420	4,014
Proposed dividend	(799)	(524)
Other recognised gains and losses relating to the year	(253)	19
Issue of ordinary share capital	7,600	2,151
Expenses of issue	(30)	—
Net addition to shareholders' funds	10,938	5,660
Opening shareholders' funds	14,535	8,875
Closing shareholders' funds	25,473	14,535

27. Basic earnings per share, fully diluted earnings per share and earnings per share based on profit on ordinary activities before tax and minority interest.

The calculation of basic earnings per share is based on profit after taxation and minority interest of £4,420,000 (1995 - £4,014,000) and on 712,383,500 ordinary shares (1995 - 654,670,417) being the weighted average number of ordinary shares in issue during the year.

The calculation of fully diluted earnings per share is based on the adjusted profit after taxation and minority interest of £4,532,000 (1995 - £4,267,000) and on 803,808,870 ordinary shares (1995 - 746,378,018) being the weighted average number of ordinary shares in issue, share options and warrants outstanding during the year.

The calculation of earnings per share based on profit on ordinary activities before tax and minority interest is calculated on profit on ordinary activities before tax and minority interest of £8,017,000 (1995 - £5,191,000) and on 712,383,500 ordinary shares (1995 - 654,670,417) being the weighted average number of ordinary shares in issue during the year.

28. Consolidated cash flow statement

	1996 £000	1995 £000
(a) Reconciliation of operating profit to net cash (outflow)/inflow from operating activities		
Operating profit	8,786	5,017
Depreciation charges	84	17
Decrease/(increase) in stocks	313	(2,477)
Increase in debtors	(17,191)	(5,937)
Increase in creditors	680	4,383
Share of associated undertakings' losses	447	83
Profit on sale of trade investment	(590)	—
Net cash (outflow)/inflow from operating activities	<u>(7,471)</u>	<u>1,086</u>
(b) Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings		£000
Cash consideration		1,225
Cash at bank and in hand acquired		(88)
Bank overdrafts of acquired subsidiary undertakings		<u>564</u>
Net cash outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings		<u>1,701</u>

The net cash outflow from operating activities in respect of subsidiary undertakings acquired during the year was £103,000. These subsidiaries received £20,000 in respect of net returns on investments and servicing of finance; paid £19,000 in respect of taxation; received £1,000 for investing activities and utilised £1,000 for financing.

Notes to the financial statements

continued

Share capital
(including premium) £000

Reserves
£000

28. Consolidated cash flow statement (continued)

(c) Analysis of changes in financing during the year

At 1 January 1995	6,450	3,833
Net cash inflows from financing	2,151	5,199
At 31 December 1995	8,601	9,032
Net cash inflows before adjustments for the effect of foreign exchange rate changes from financing	4,270	7,987
Shares issued for non-cash consideration	3,300	—
Effect of foreign exchange rate changes	—	(844)
Loans and finance lease obligations of subsidiary undertakings acquired during the year	—	86
At 31 December 1996	16,171	16,261

(d) Analysis of changes in cash and cash equivalents during the year

At 1 January 1995	£000
Net cash inflow before adjustments for the effect of foreign exchange rate changes	4,138
Effect of foreign exchange rate changes	7,917
At 31 December 1995	5
Net cash outflow before adjustments for the effect of foreign exchange rate changes	12,060
Effect of foreign exchange rate changes	(12,329)
At 31 December 1996	(1,281)
	(1,550)

	1996 £000	1995 £000	Change in year £000	1994 £000	Change in year £000
(e) Analysis of the balances of cash and cash equivalents as shown on the balance sheet					
Cash at bank and in hand	6,154	12,705	(6,551)	4,138	8,567
Bank overdrafts	(815)	—	(815)	—	—
Bank loans	(6,889)	(645)	(6,244)	—	(645)
	(1,550)	12,060	(13,610)	4,138	7,922

At 31 December 1996 £3,383,000 (1995 - £9,676,000) of the Group's funds were deposited with a Moscow bank and the Company had £133,000 (1995 - £3,226,000) deposited with a Moscow bank.

(f) Major non-cash transactions

The consolidated cash flow statement does not include the following non-cash transactions:

- (i) On 20 August 1996 the Company issued 20,000,000 ordinary shares of 0.25p each at a price of 7.0p per share in consideration for the acquisition of D.R.I. (IOM) Limited.
- (ii) On 25 October 1996 the Company issued 24,516,129 ordinary shares of 0.25p each at a price of 7.75p per share and £850,000 Deposited Loan Stock 2006 in consideration for the acquisition of Wolff Steel Limited.

29. Commitments

In accordance with a steel supply and pre-export agreement the Group is committed to purchase from OEMK, steel for immediate re-sale to customers, of up to £14,620,000 at 31 December 1996.

At 31 December 1996 both the Group and the Company had no capital commitments (1995 - £nil).

30. Contingent liabilities

Swan Metals (Jersey) Limited ("SMJ") had outstanding letters of credit in the ordinary course of business at 31 December 1996 amounting to £nil (1995 - £2,202,000). SMJ's bank held a debenture over all of its assets and a charge over its credit balances in lieu of any borrowings which SMJ may have from the bank. This debenture was released by the bank on 26 March 1997.

Oskmet (UK) Limited's ("Oskmet") bank has a charge over all its assets in lieu of any borrowings which Oskmet may have from the bank.

Middlesex Balli plc and Oskmet have a cross guarantee for bank borrowings of up to £7,310,000 at 31 December 1996.

As explained in Note 23 the investment of Amari Wolff Steel Pty Limited in New Zealand Steel (Australia) Pty Limited is carried at valuation. If the investment had been sold at the balance sheet date at its revalued amount, capital gains tax of £378,000 would have been payable by Amari Wolff Steel Pty Limited, of which the Group's share would have been £145,000.

Wolff Steel Limited has entered into forward contracts at 31 December 1996, which had a value of £96,000.

Wolff Steel Limited has guaranteed standby letters of credit of £737,000 as at 31 December 1996 for L M Holding Company Inc.

The Company has guaranteed Agrifarm International Limited's performance of all the payment obligations set out in a contract signed on 17 June 1996 with Claas KGaA, Harzewinkel Germany. At 31 December 1996 Agrifarm International Limited's outstanding obligations were £314,000.

Notes to the financial statements

continued

31. Operating lease commitments

At 31 December 1996 the Group was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings 1996 £000	Other 1996 £000	Land and buildings 1995 £000	Other 1995 £000
Leases which expire:				
Within one year	17	—	—	—
Within two to five years	17	9	—	—
Over five years	74	—	—	—
	<u>108</u>	<u>9</u>	<u>—</u>	<u>—</u>

32. Pension scheme

Wolff Steel Limited operates a defined contribution scheme. The employer's contribution rate is 6% of basic salary excluding bonuses. The contribution rate can be varied at the discretion of the employer.

33. Related party transactions

During the year the following related party transactions took place:

The Company paid £22,000 (1995 - £13,000) to Auerbach Hope, a firm of Chartered Accountants in which D Hillel, an Executive Director of the Company, is a partner, for accounting services.

The Company paid £nil (1995 - £3,000) to Franks, Charlesly & Co., a firm of solicitors, in which P M Enoch, a Non-Executive Director of the Company, is a partner in respect of legal and professional advice.

Group debtors at 31 December 1996 include an amount of £5,000 due from I P Spratling, an Executive Director of the Company. This amount has been repaid subsequent to the year end. The maximum amount outstanding during the period he has been an Executive Director of the Company is £5,000. No interest was charged on the amounts outstanding.

The Group paid £nil (1995 - £1,035,000) to Swan Metals Limited, a company majority owned by relatives of M A Alikhani, who has no beneficial interest in this company. The payments were for the purchase of raw materials. At 31 December 1996, Swan Metals Limited owed the Group £181,000 (1995 - £181,000).

This amount has been repaid subsequent to the year end. In accordance with a Discounting Agreement dated 16 May 1997, Swan Metals Limited is acting as an agent for the Group in the recovery of a trade debtor.

The Group purchased for resale a consignment of goods at a price of £96,000. These goods were sold for £105,000 to Lastryl Enterprises Limited, a company in which a relative of M A Alikhani has an interest. M A Alikhani has no beneficial interest in this company.

Mukand International Limited, which owns the other 50% shareholding in Wolff Pipelines Limited, a subsidiary of the Group, has advanced an unsecured loan to Wolff Pipelines Limited of £75,000 which is interest free and is redeemable on 30 June 2000.

Interfin Services, a company in which the Group has a 40% shareholding, has paid the Group management fees for the year ended 31 December 1996 of £2,548,000 (1995 - £2,065,000). At 31 December 1996 Interfin Services owed the Group £12,128,000 (1995 - the Group owed Interfin Services £97,000).

Middlesex Balli plc owed at 31 December 1996 a shareholder's loan of £8,826,000 and current account to Balli Trading Limited, which holds 2,450,000 or 24.5% of the issued ordinary shares of US\$1 each and 50,000 or 100% of the issued "A" ordinary shares of Middlesex Balli plc. The loan and current account are secured on the assets of Oskmet (UK) Limited and accrue interest at a variable rate, which for the year ended 31 December 1996 was 6.875% per annum and the loan and current account are repayable on demand. Balli Trading Limited has provided administrative services to the Group for which it receives a dividend on the "A" ordinary shares of 10% of the profit for the financial period - £179,000 and has received £74,000 for reimbursement of expenses incurred on behalf of the Group.

Middlesex Balli plc owed at 31 December 1996, a shareholder's loan, being loan notes of £2,193,000 and a current account of £19,000 to Sir David Alliance, who holds 2,450,000 or 24.5% of the issued ordinary shares of US\$1 each of Middlesex Balli plc. The loan notes accrued interest of 10% per annum for part of the year of £233,000, are unsecured and repayable in accordance with a put option that the Company has granted to Sir David Alliance, which if exercised requires the Company to purchase or to procure the redemption by Middlesex Balli plc of the loan notes at a sum equal to the nominal value plus any interest accrued thereon. The option period commenced on 27 January 1997 and ends on 31 January 2005, or if earlier, the date of redemption by Middlesex Balli plc. The option may be exercised in respect of all the loan notes by Sir David Alliance giving at any time during the option period not less than six months notice. The current account is interest free, unsecured and has no repayment terms.

Revenant Limited owed at 31 December 1996, a shareholder's loan, being loan notes of £4,251,000 (1995 - £4,516,000) to Sir David Alliance, who holds 10,000 or 40% of the issued ordinary share capital of US\$1 each of Revenant Limited. The loan notes accrued interest on £4,094,000 at 8% per annum for part of the year of £178,000, are unsecured and are repayable within a year or on demand.

Swan Metals (Jersey) Limited owed at 31 December 1996, a shareholder's loan, of £667,000 (1995 - £4,516,000) to Wmac Investment Corporation, which holds 10,000 or 40 % of the issued ordinary shares of US\$1 each of Swan Metal (Jersey) Limited. The loan accrued interest of 10% per annum of £279,000 (1995 - £516,000), is unsecured and repayable within one year. Swan Metals (Jersey) Limited paid a management fee to Wmac Investment Corporation of £11,000 (1995 - £172,000).

34. Events occurring after the end of year

On 2 April 1997 it was announced that I-Fin Services (IOM) Limited, a wholly owned subsidiary of Interfin Services, which is 40% owned by the Company, had acquired a 29.73% shareholding in Dominion Energy PLC for a cash consideration of £420,000. On the same date the Company acquired two non-transferable call options over a further 23.37% shareholding in Dominion Energy PLC for a cash consideration of £75,000. These options are exercisable at any time for a period of two years from 2 April 1997 and the exercise price in each case is 3.0p for the first year and 3.5p for the second year. Dominion Energy PLC is a United Kingdom based company listed on the London Stock Exchange. Its operating activities are contained in a wholly owned USA subsidiary, Dominion Oil USA Corporation, which are the development and production of oil and natural gas reserves in the USA.

On 3 April 1997 the Company announced that it had acquired a further 4.91% shareholding in Oskol Electrometallurgical Kombinat for a cash consideration of £4,200,000. This increases its shareholding from 3% to 7.91%.

On 30 May 1997 the Group signed an agreement to sell its 50% shareholding in Amari Wolff Steel Pty Limited for a cash consideration of £500,000. The carrying value of this investment in the Group's financial statements at 31 December 1996 was £430,000.

Notice of Annual General Meeting

Notice is hereby given that the 13th Annual General Meeting of Middlesex Holdings plc will be held at the Regents Park Marriott Hotel, 128 King Henry's Road, London NW3 3ST, at 10.30am on 18 August 1997 for the purposes of considering and if thought fit passing the following resolutions, of which Resolutions numbered 1 to 8 will be proposed as Ordinary Resolutions and Resolution number 9 will be proposed as a Special Resolution of the Company.

Ordinary business

1. To receive and adopt the Directors' Report and the Accounts for the year ended 31 December 1996.
2. To declare a dividend in accordance with the recommendation of the Directors.
3. To elect A F Moshiri as a Director.
4. To elect I P Spratling as a Director.
5. To elect A A Ugarov as a Director.
6. To elect I Falconer as a Director.
7. To re-appoint Deloitte & Touche as auditors and to authorise the Directors to agree their remuneration.

Special business

8. That:

the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £801,484.42 provided that this authority shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 1998 or the date falling 15 months from the date of passing of this Resolution, except that the Company may before the expiry of such period make an offer or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority had not expired.

9. That:

the Directors be and they are hereby empowered pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred upon them by the preceding resolution (as varied from time to time by the Company in general meeting) as if Section 89(1) of the Act did not apply to any such allotment provided that such power shall be limited:

- (i) to the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity security is respectively attributable to the interest of all such holders proportionate (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions as the Directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws of or the requirements of any recognised regulatory body in any territory or otherwise; and

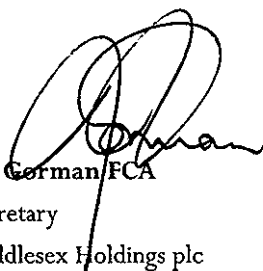
Notice of Annual General Meeting

continued

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £110,000;

and shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 1998 or the date falling 15 months from the date of passing of this Resolution unless renewed or extended prior to or at such meeting except that the Company may before the expiry of any power contained in this Resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board



J P Gorman FCA
Secretary
Middlesex Holdings plc
100 Avenue Road
London NW3 3HF
1 July 1997

Note:

- (i) A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her place. A proxy need not be a member of the Company. A Form of Proxy accompanies this document for your use. To be valid Forms of Proxy together with the power of attorney or other authority (if any) under which it is signed, or a notorially certified copy of such power or authority, must be deposited at the office of the Registrars, Independent Registrars Group Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than forty-eight hours before the time of the Meeting. Deposit of a Form of Proxy will not prevent a member from attending and voting in person should he/she so wish to.