1999 Middlesex Holdings plc
Annual Report and Accounts

1816510

Contents

Directors and advisers

Directors

The Rt Hon the Lord Owen of the City of Plymouth, CH *Executive Chairman*
A F Moshiri, FCCA *Chief Executive*
I Falconer, CA (SA) *Finance Director*
A A Ugarov *Executive Director*
J G West, FCA *Non-Executive Director*
J P A Wolff, *Non-Executive Director*
I P Spratling, OBE *Non-Executive Director*
Lord Chandos, *Non-Executive Director*

Secretary and registered office

J P Gorman, FCA
Fifth Floor
100 Avenue Road
London NW3 3HF

Auditors

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

Financial Advisers

Beaumont Cornish Limited
63 Coleman Street
London EC2R 5BB

Solicitors

Watson, Farley & Williams
15 Appold Street
London EC2A 2HB

Stockbrokers

Hichens Harrison & Co. plc
Bell Court House
11 Blomfield Street
London EC2M 1LB

Registrars

IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Company Number 1816510

The Group's operational focus on its Russian interests in steel, direct reduced iron and financial services, and its tinplate trading and value adding business, has resulted in an improved financial performance in 1999. I am pleased to report that, as anticipated, we have returned to profitability with a pre-tax profit of £3.3 million. No dividend is proposed for the year ended 31 December 1999 (1998 - £nil), although a resolution will be proposed at the forthcoming Annual General Meeting to restructure the Company's share capital to enable dividends to be paid when circumstances permit.

The Directors consider the Group is now strategically and financially focused.

Steel

The Group's principal steel trading business remains centred on our export trading agreement with Oskol Electrometallurgical Kombinat ("OEMK"), Russia's most modern mini steel mill, in which we have a 9.3% direct interest.

The Group retains its investment in the associated undertakings of Wolff Steel Group, the largest being the venture with Corus plc in Afon Tinplate Company Limited, Swansea, Wales, a tinplate trading and value adding business in which the Group has a 36% equity stake and which continues to be profitable.

Iron ore

On 10 April 2000 the Company announced that it had formed a new venture with Lebedinsky GOK ("Lebedinsky") to market and sell Lebedinsky's iron ore products and other supplies to the global market and to purchase raw materials and inputs for Lebedinsky and other iron ore mining companies in the CIS. The Directors regard this as a significant development for the Group. Lebedinsky, in which we have a 2% equity interest, is located 27 kilometres from OEMK and is the largest Russian iron ore mine and the richest iron ore deposit in the world. The new company LebGOK-Middle Traders AG of which we own 50% will be trading fully by June 2000.

Financial services

The Group continues to earn financial service fees and we are optimistic that these will increase as the Russian Federation's investment climate continues to improve. In 1999 we generated a fee of US$1.1 million from OAO Gazprom ("Gazprom") with whom we have a longstanding and valuable relationship for the provision of financial services, and this is an area of business we plan to develop. Gazprom, through its wholly owned subsidiary, Gazprominvestholding, has a significant interest in both Lebedinsky and OEMK, and is one of the Group's partners in the creation of Europe-Steel.com plc.

Europe-Steel.com plc ("Europe-Steel")

Earlier this year your Company agreed to co-operate with Gazprominvestholding, a wholly owned subsidiary of OAO Gazprom, to invest in e–commerce opportunities in Russia, the rest of the CIS and Eastern Europe. OAO Gazprom is a Russian integrated energy company and accounts for 25% of world gas production and represents 8% of Russia's gross national product. The venture will build upon the Company's existing business base in steel trading. Europe-Steel will develop an e-commerce platform to trade steel products from mills in Russia and in due course the remainder of CIS and Eastern Europe. Europe-Steel is to develop a dedicated web-based market allowing steel producers in Russia, CIS and Eastern Europe to access their customers worldwide. Europe-Steel's site, which will be bilingual in Russian and English, will offer a real time price and trading facility as well as product and service information. Europe-Steel believes that its site will offer producers access to new customers, cut costs, improve customer service and so help them combat the falling profitability caused by cyclical prices. By the second quarter of 2000 Europe-Steel plans to have launched an online directory of Russian steel mills and distributors. By the fourth quarter of 2000 Europe-Steel plans to have its e-commerce platform in place.

On 16 March 2000 the company announced that Interfax Information Services Group ("Interfax Group") had subscribed for 11.2% and Hatch Associates Limited ("Hatch Beddows") had subscribed for 0.5% of

Europe-Steel. Interfax Group is a leading worldwide provider of business, financial and political news with specific emphasis placed on markets of Europe and Asia. The Interfax Group focuses on supplying company and industry profiles, research, news from oil and gas, metal and mining, insurance, telecommunications, agriculture and other major corporate sectors. Hatch Beddows is a leading consultant to the mining, metallurgical, energy and infrastructure industries worldwide and will be advising Europe-Steel on all matters concerning the development of the website and the establishment of the trading platform.

Europe-Steel's shares are trading on OFEX and the shares currently stand at a premium of some 70% above the issue price of 50p. At this level the total capitalisation of Europe-Steel, in which Middlesex holds a 39.3% interest, is over £10.7 million.

I believe Europe-Steel represents the right strategy in developing the Group's internet interests and it is important for the Group to have become involved at an early stage. Shareholders can examine the website at www.europe-steel.com which provides a wide range of news on Eastern Europe and the various steel mills.

Rights Issue and Placing

At an Extraordinary General Meeting on 16 November 1999, shareholders approved a one for six rights issue at 0.75p per share, which was underwritten equally by Oskmet AG (a company controlled by OEMK) and LebGOK Trading AG (a company controlled by Lebedinsky). In the event, 71.2% of the rights issue was taken up by shareholders, the balance of 28.8% was placed by the Company's stockbrokers, and the underwriting monies were utilised for the subscription for 67,533,853 ordinary shares by each of Oskmet AG and LebGOK Trading AG at 0.75p per share, giving them each a 6.25% interest in the Group, so that they can also benefit from our financial success. The net proceeds of approximately £1.83 million were used to finance the buy-out of the Group's minority interests in certain subsidiary companies and for general working capital.

Minority interests

During 1999 we pursued our policy of simplifying the Group's corporate structure, where necessary terminating or buying out joint venture partners' interests. In August, the Swan Metals (Jersey) Ltd Shareholders' Agreement with Wmac Investment Corporation was terminated, and the profit arising of £211,000 is reflected in the attached financial statements.

At the EGM in November, shareholders also approved the acquisition of the minority interests in Revenant Limited, which holds the Group's investment in OEMK, and the minority interests in Middlesex OEMK plc. As a result, Sir David Alliance received a 5.2% interest out of Revenant's 14.5% investment in OEMK in settlement of the US$7 million loan note owing to him, and a put and call option is in place in respect of this interest. We continue to retain our remaining direct 9.3% investment in OEMK.

Appointment of Non – Executive Director

I am pleased to announce that Tom Chandos has joined the Board as a Non-Executive Director with effect from 22 May 2000. His investment banking and venture capital experience and his experience of business in Russia will prove to be valuable assets for Middlesex.

Conclusion

These are interesting times for your Group, and I am confident that we are set to increase shareholder value and continue to build a significant business with our Russian partners.

Lord Owen

Chairman

8 June 2000

As referred to in the Chairman's statement the year ended 31 December 1999 was a busy and successful year for Middlesex. Our financial performance has improved and the Group has returned to profitability. Turnover increased by 13% to £126.0 million (1998 - £111.5 million), operating profit is £1.9 million (1998 - an operating loss of £13.2 million) and pre tax profit is £3.3 million (1998 - pre tax loss of £14.1 million). Earnings per share is 0.1p (1998 - loss per share (1.4)p). Total equity shareholders' funds for 1999 are £13.7 million (1998 - £11.1 million), net current assets £1.9 million (1998 - net current liabilities - £2.8 million), and the retained loss has decreased to £4.4 million (1998 - £5.2 million). The Directors do not recommend the payment of a dividend for the year ended 31 December 1999 (1998 - £nil).

Steel trading

Our steel trading businesses comprise:

1. Middlesex OEMK plc and its 100% subsidiary, Oskmet (UK) Limited, which trades Russian steel products sourced from Oskol Electrometallurgical Kombinat ("OEMK"), primarily billets and round bars, with international customers. As at 31 December 1999 Middlesex had a 87.75% shareholding in Middlesex OEMK plc, the remaining 12.25% being held by Sir David Alliance, which the Company acquired on 31 May 2000;

2. Oskmet (DRI) Limited, a wholly owned subsidiary, which trades direct reduced iron sourced from OEMK in the form of metallised pellets with international customers; and

3. Wolff Steel Group, whose core business is in tinplate trading and value adding, the largest one being a venture with Corus plc - our associated undertaking Afon Tinplate Company Limited.

These businesses generated gross profits of £5.6 million (1998 - £5.0 million) on turnover of £125.3 million (1998 - £110.0 million). Turnover was 14% higher than that in 1998 due to the improved global steel prices and physical volumes in 1999.

Financial services

The Company provides financial services to our Russian partners on an ad hoc basis. During the year ended 31 December 1999 fees of US$1.1 million (1998 - US$1.5 million) were generated from OAO Gazprom and US$120,000 (1998 - US$nil) from Leucadia National Corporation. The Company is involved in a number of new assignments which may lead to the generation of fees in the year ending 31 December 2000.

Corporate transactions

The Group has been very active with various corporate transactions in the year ended 31 December 1999 which has continued in year 2000. In August 1999, the amounts owing to the minority shareholders in Swan Metals (Jersey) Limited were settled and the balance of 40% equity stake not owned by the Group was acquired for a nominal sum.

A circular dated 21 October 1999 was sent to all shareholders convening an Extraordinary General Meeting to approve a one for six rights issue at 0.75p pence per share, a subscription for cash of up to 135,067,706 new shares at 0.75p per share, a part disposal of the investment in OEMK and purchase of minority shareholders in two Group subsidiaries. All the transactions were approved by shareholders and successfully completed by 31 December 1999.

The year 2000 has continued at the fast pace the Group experienced in 1999 and commenced with the exciting announcement that the Group had entered the age of e-commerce with a venture, called Europe-Steel.com plc, with OAO Gazprom to trade steel on the internet. The Group and OAO Gazprom have been joined by Interfax Information Services Group and Hatch Associates Limited as strategic investors in Europe-Steel.com plc. I look forward to Europe-Steel.com plc's launch of its site carrying comprehensive data on the Russian steel market by the end of June 2000 and online trading facility by the end of the year.

The Group has recently announced that it has formed a venture with Lebedinsky GOK ("Lebedinsky") to market and sell Lebedinsky's iron ore products and other supplies to the global market and to purchase raw materials and inputs for Lebedinsky and other iron ore mining companies in the CIS.

Conclusion
1999 was an important year for the Group which saw both a return to profitability and a restructuring which increased focus on the Group's core, profitable activities in the CIS. A good performance from the steel business was encouraging both in underlying terms and in the confidence it gives Europe-Steel.com plc, our steel trading e-business venture and for our iron ore export venture with Lebedinsky. The year has started well and we look forward to the future with confidence.

Farhad Moshiri
Chief Executive
8 June 2000

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 1999.

Principal activities and business review

The principal activity is as a holding company for subsidiaries involved in metal trading 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 and Chief Executive's review on pages 3 to 6.

Important events occurring after the end of the year are given in note 31 to the financial statements.

Results and dividend

The consolidated profit after taxation and minority interest for the year amounted to £1,248,000 (1998 – loss - £13,444,000). The Directors do not recommend the payment of a dividend.

Issues of shares and warrants

During the year, the following new ordinary shares were issued in the Rights issue and Placement:

	Date	*Number*
Rights issue	7 December 1999	135,067,706
Placement issue	7 December 1999	135,067,706

Details of warrants issued during the year are set out in note 20 to the financial statements.

Annual General Meeting

Resolutions will be proposed at the Annual General Meeting as set out in the formal notice on pages 47 and 48. The following explanatory notes relate to Resolutions numbered 6 to 9 which will constitute Special Business:

(i) Resolution 6 - 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 6 is proposed as an Ordinary Resolution to provide the Directors with authority to issue ordinary shares up to an aggregate nominal value of £1,048,645.89 such authority shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2001 or the date falling fifteen months from the date of passing of this Resolution. Other than fulfilling the Company's obligations under its Employee Share Schemes, the Directors have no present intention of exercising this authority. This authority represents 38.8% of the present issued share capital.

(ii) Resolution 7 is to renew the Directors' authority to allot relevant securities up to a nominal value of £135,000 representing 5.0% of the nominal value of the Company's 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 shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2001 or the date falling fifteen months from the date of passing of this Resolution.

(iii) Resolution 8 - The Company's Articles of Association permit the purchase of the Company's own shares subject to obtaining shareholders' approval. The Directors consider that there may be circumstances in which it would be desirable for the Company to purchase its own shares in the market. For example, in certain circumstances, the price in the market may represent a substantial discount to what the Directors consider to be a fair reflection of the Company. Purchases would only be made if their effect would be expected to improve earnings per share and the Directors consider such purchases to be in the best interests of the Company. Accordingly, the Directors propose to seek a general authority at the

Annual General Meeting (continued)

forthcoming Annual General Meeting to purchase relevant securities in the market up to a nominal value of £135,000 representing up to 5.0% of the Company's issued ordinary share capital at or between the minimum and maximum prices specified in the Resolution. The terms of the Resolution comply with current Investment Protection Committee and London Stock Exchange guidelines. Any shares purchased under this authority would be cancelled and the number of shares in issue would be reduced accordingly. If given, the authority will expire fifteen months from the date of the Resolution or at the date of the next Annual General Meeting, whichever is earlier, when the Directors anticipate seeking its renewal.

(iv) Resolution 9 - The profit and loss account of the Company as at 31 December 1999 reveals a deficit carried forward of £5,740,709. This deficit has arisen as a result of the substantial provisions which were made in the Company's financial statements for the year ended 31 December 1998 against the carrying values of certain investments, following the economic problems experienced in the Russian Federation. Accordingly, the Company is presently unable to pay dividends and could only do so if the deficit were to be eliminated through future profits. The sum of £15,444,137 is currently standing to the credit of the Company's share premium account as a result of issues of equity at a premium to the nominal value of the Company's shares, and a resolution will therefore be proposed at the Annual General Meeting to reduce the amount standing to the credit of the share premium account by an amount equal to £5,740,709.

Subject to compliance with the relevant statutory procedure and to the confirmation of the High Court, it is intended to reduce the amount standing to the credit of the share premium account by an amount equal to £5,740,709 to eliminate the deficit on the profit and loss account.

The reduction will not be effective until the High court has granted an Order confirming the reduction of the share premium account. It is proposed that as soon as practicable following the passing of the resolution approving the reduction at the Annual General Meeting, the Company will apply to the High Court for the appropriate Order.

As a condition of the making of the Order, the Court will require the Company to give certain undertakings for the protection of creditors as at the date the reduction becomes effective. The broad effect of these undertakings will be that if any assets incorporated in the Company's accounts at 31 December 1999 are undervalued or if any provision in the accounts is subsequently released, any future profits arising in respect of these items will be treated as an undistributable reserve and will not be available for the payment of dividends.

Resolution 9, which will be proposed as a Special Resolution, is to reduce the amount standing to the credit of the Company's share premium account by an amount equal to £5,740,709.

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, *Executive Chairman*
A F Moshiri, FCCA, *Chief Executive*
I Falconer, CA (SA), *Finance Director*
A A Ugarov, *Executive Director*
J G West, FCA, *Non-Executive Director*
J P A Wolff, *Non-Executive Director*
I P Spratling, OBE, *Non-Executive Director*
Lord Chandos, *Non-Executive Director*, appointed 22 May 2000

In accordance with the Articles of Association, Lord Owen, I Falconer and Lord Chandos retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-election. Lord Owen and I Falconer have Contracts of Employment which are terminable on twelve months notice. Lord Chandos has a fixed term contract for three years expiring on the date of the Annual General Meeting to be held in 2003.

Lord Owen, aged 61, the Executive Chairman, a former Foreign Secretary, was appointed Executive Chairman of Middlesex in October 1995. He is also a non-executive director of Coats Viyella plc and Abbott Laboratories Inc.

I Falconer, aged 42, the Finance Director, was formerly with Deloitte & Touche, Chartered Accountants. He qualified as a Chartered Accountant in South Africa in 1986, and joined Middlesex in 1996, where he was appointed Finance Director in June 1997.

J P A Wolff, after serving six and a half years as a Non – Executive Director, will be retiring from the Board at the Annual General Meeting.

Non-Executive Directors

Jimmy West, FCA, the senior independent Non-Executive Director, aged 53, 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.

John Wolff, an independent Non-Executive Director, aged 60, 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.

Ian Spratling, OBE, a Non-Executive Director, aged 66, was formerly chief executive of Wolff Steel Limited. He is chairman of Afon Tinplate Company Limited, chairman of the Swansea Bay Partnership and a board member of the West Wales Training and Enterprise Council and the Llanelli/Dinefwr NHS Trust. He is the past chairman of the Confederation of British Industry in Wales.

Tom Chandos, an independent Non-Executive Director, aged 47, is a former executive director of Kleinwort Benson Limited. He is currently chairman of MediaKey plc and of RSMB Television Research Limited, vice-chairman of Diversified Agencies (UK) Holdings Limited a subsidiary of Havas Advertising SA, and a non-executive director of Capital and Regional Properties plc and of Cine-UK Limited.

Directors' interests

The beneficial interests of the Directors at 31 December 1999 in the shares of the Company were as follows:

	31 December 1999 *ordinary shares of 0.25p each*	1 January 1999 *ordinary shares of 0.25p each*
Lord Owen	7,583,333	4,000,000
A F Moshiri – Note 1	19,840,185	17,005,874
I Falconer	116,666	100,000
A A Ugarov – Note 2	46,666,666	40,000,000
J G West	2,486,666	1,000,000
J P A Wolff	2,656,485	2,276,988
I P Spratling	8,516,129	8,516,129

Note 1 – 18,666,666 of the shares disclosed under A F Moshiri are held beneficially by Bankhill Trustees Limited as trustees of the Caspian Settlement, a trust for the benefit of A F Moshiri's children.

Directors' interests (continued)

Note 2 - the 46,666,666 shares disclosed under A A Ugarov are held beneficially by Bankhill Trustees Limited as trustees of the Whitland Employee Trust, a discretionary trust for the benefit of A A Ugarov and other Russian based individuals none of whom is employed by or otherwise connected to the Company.

Shares held by Bankhill Trustees Limited are registered in the name of N.Y. Nominees Limited.

J P A Wolff purchased 650,000 shares on 11 January 2000 for his personal pension plan.

There have been no other changes in Directors' interests in the ordinary share capital of the Company since 31 December 1999.

Share options

The options over ordinary shares outstanding at 31 December 1999 under the Executive Share Option Scheme and the Executive and Employee Share Incentive Schemes are disclosed in notes 9 and 20 to the financial statements.

Transactions with Directors

Details of contracts with related parties are set out in note 30 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 £nil (1998 - £1,300).

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 that 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 Executive Share Option 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. The Group's creditor days in 1999 are three days (1998 - eight days).

Year 2000

Following their initial review, the Directors continue to be alert to the potential risks and uncertainties surrounding the Year 2000 issue. As at the date of this report, the Directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue are not expected to be significant.

Substantial shareholdings

On 31 May 2000 the Company was aware of the following interests in 3% or more of the Company's ordinary share capital:

	Number of ordinary shares	%
N.Y. Nominees Limited	79,019,332	7.3
Joint Stock Imperial Bank – Note 1	78,200,000	7.2
Oskmet AG	67,533,853	6.3
LebGOK Trading AG	67,533,853	6.3

Note 1 – The holding of the Joint Stock Imperial Bank (in receivership) ("Imperial Bank") set out above is subject to a stop order filed at the petition of Moscow Narodny Bank (acting on behalf of the creditors of Imperial Bank), which is currently contesting ownership of these shares with Oskol Electrometallurgical Kombinat ("OEMK"). OEMK claims that Imperial Bank had been holding these shares in trust on its behalf.

The beneficial interests of A F Moshiri and A A Ugarov disclosed in the Notes to Directors' interests above, are included in the holding of N.Y. Nominees Limited.

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
Company Secretary
Fifth Floor
100 Avenue Road
London NW3 3HF

8 June 2000

Corporate Governance

In June 1998 the Combined Code was issued by the London Stock Exchange (the "Code"). This Code is based on the Report of the Hampel Committee and sets out Principles of Good Corporate Governance and Code Provisions, which consolidate the work of the earlier Cadbury and Greenbury Committees. Section 1 of the Code is applicable to companies.

The Group has adopted the transitional approach for internal control aspects of the Combined Code as set out in the letter from the London Stock Exchange to listed companies dated 27 September 1999 and has reported on internal financial controls. The internal control procedures required by Turnbull are in place at the date of signing these accounts.

A narrative statement on how the Company has applied the Principles and a statement explaining the extent to which the provisions in the Code have been complied with appear below.

The Code establishes fourteen Principles of Good Governance which are split into the four areas described below.

Directors

The Company is controlled through the Board of Directors which comprises four Executive and four Non-Executive Directors. The biographies of four Non-Executive Directors and the two Executive Directors seeking re-election are set out on page 9. The Executive Chairman is primarily responsible for the efficient working of the Board. He ensures that all Directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Chief Executive is responsible for the implementation of the strategy and policy set by the Board and the day-to-day management of the business.

During the past year the Board has met formally on a quarterly basis and on other occasions as required. The Board has a formal schedule of matters which are specifically reserved for its decision. The Board is responsible for overall Group strategy, approval of acquisitions, disposals and capital expenditure, treasury and consideration of significant financing matters.

The Board of Directors has agreed that, if necessary, a Director may in the furtherance of his duties seek independent professional advice at the Company's expense. Directors also have access to the advice and services of the Company Secretary. All Directors are subject to election by the shareholders at the first Annual General Meeting after their appointment. Although not formally required in accordance with the Articles of Association, the Board has resolved that all Directors will be subject to re-election by rotation at least every three years.

The Board has established three standing committees – the Audit Committee, Remuneration Committee and Nominations Committee (as from 13 April 1999). The Committees operate within defined terms of reference.

Directors' Remuneration

The Remuneration Committee comprises the senior Non-Executive Director - J G West (Chairman), J P A Wolff and Lord Chandos as from 22 May 2000. The Committee meets at least twice a year to consider and determine the remuneration, whether by way of salary or otherwise, of the Executive Directors. The Chief Executive attends the meetings of the Committee to discuss the performance of other Executive Directors and makes proposals as necessary, but he is not present when his own remuneration is being considered. The Committee has access to professional advice from inside and outside the Company.

The Report of the Board to the shareholders on Directors' Remuneration is set out on page 15 and includes details of the Directors' service contracts.

Relations with Shareholders

There is regular dialogue with institutional and individual shareholders. The Company responds quickly to inquiries received orally or in writing from individual shareholders on a variety of topics. All shareholders are given at least twenty working days notice of the Annual General Meeting at which the Chairman of the Company, Audit, Remuneration and Nominations Committees are available for questions.

Accountability and Audit

Detailed reviews of the performance and financial position of the Group are included in the Chairman's statement and Chief Executive's review on pages 3 to 6. The Directors' responsibilities for the financial statements are described on page 16.

The Directors acknowledge their responsibilities for the Group's system of internal financial control, which is designed to safeguard the Group's assets against unauthorised use or disposal, ensure the maintenance of proper accounting records and provide reliable financial information for use within the business and for publication. In fulfilling these responsibilities and on the basis that a system of internal financial control can provide only reasonable but not absolute assurance against material financial misstatement or loss and that it relates only to the needs of the business at the time, the Board has conducted for 1999 an annual review of 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' issued in December 1994. The Group's internal financial controls are structured to provide reasonable assurance that problems are identified and appropriate remedial action taken promptly.

As permitted by the London Stock Exchange, the Company has complied with Code provision D.2.1. on internal control by reporting on internal financial control in accordance with the Guidance for Directors on 'Internal Control and Financial Reporting' that was issued in December 1994.

The Board has considered the financial risks to the Group and the principal features of the Group's system of internal financial control are as follows:

An established management structure comprising the Board, with its committees, and senior managers.

As might be expected in a Group of this size, which is highly entrepreneurial and operates in emerging economies, a key control procedure is the day-to-day involvement of the Executive Chairman, Chief Executive and Finance Director.

The Board reviews quarterly financial and management information for the Group and each of the operating companies and receives regular reports from the Chief Executive.

The Board also undertakes, inter alia, a detailed review of major transactions and approves new investments.

Although the Group does not currently have an internal audit function, the Board reviews the need for this additional control on a regular basis, taking into account the size of the Group and the nature of its operations.

Audit Committee

The Audit Committee comprises solely the Non-Executive Directors with the senior Director - J G West being the Committee Chairman and J P A Wolff , I P Spratling and Lord Chandos as from 22 May 2000, the other members. The Committee meets at least twice a year. At the invitation of the Committee Chairman, the external auditors, Executive Chairman, Chief Executive and Finance Director attend the meetings. The Committee overviews the monitoring of the Group's internal controls, accounting policies and financial reporting and other matters as may be required by the Board.

Accountability and Audit (continued)

Nominations Committee

The Nominations Committee comprises solely the Non-Executive Directors with the senior Director – J G West being the Committee Chairman and J P A Wolff , I P Spratling and Lord Chandos as from 22 May 2000, the other members. This Committee discusses and agrees the proposed nomination, which is then put forward for approval by the Board.

Going concern

After due consideration, with reference to the disclosure as made in note 1(a) to the financial statements, and having made appropriate enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements.

Compliance Statement

The Listing Rules require the Board to report on compliance with the forty-five Code provisions throughout the accounting period. Save for the limited exceptions outlined below, the Company has complied throughout the accounting period ended 31 December 1999 with the provisions as set out in Section 1 of the Code.

A.1.6 No formal training is provided to Directors on the first occasion that he or she is appointed to the Board. Discussions are held between the new Director and the Company Secretary during which the new Director is provided with written documentation concerning his or her responsibilities as a director of a listed company. On the appointment of any future Directors, if the Company considers it necessary to provide the new Director with formal training, appropriate arrangements will be made.

A.5.1 During the period 1 January 1999 to 12 April 1999 the Company did not have a Nominations Committee. There was a formal procedure process under which the Non-Executive Directors discussed and agreed proposed nominations, which were then put forward for approval by the Board. A decision to form a Nominations Committee was taken at the Board Meeting held on 13 April 1999.

A.6.2 Although not formally required in accordance with the Articles of Association, the Board has resolved that all Directors will be subject to re-election by rotation every three years. All Directors are subject to election by the shareholders at the first Annual General Meeting after their appointment.

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

J P Gorman, FCA

Company Secretary
8 June 2000

Report of the Board to Shareholders on Directors' Remuneration Year ended 31 December 1999

The Remuneration Committee comprises the senior Non-Executive Director – J G West (Chairman), J P A Wolff and Lord Chandos as from 22 May 2000.

The Committee determines, inter alia, the annual remuneration package of Executive Directors and the grant of share options to Executive Directors. 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.

There are five main elements of the remuneration package for Executive Directors, being basic salary, discretionary bonus, pension contributions, car allowance and share option incentives. Basic salaries are comparable to sector market rates. Discretionary bonuses are paid at the sole discretion of the Committee based on the individual's contribution to the Company in the previous calendar year. The granting of share options is used to incentivise Executive Directors.

The Company has a policy of granting options to Executive Directors under the Executive Share Option Scheme and 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 Directors' share options outstanding at 31 December 1999 are disclosed in note 9 to the financial statements.

Lord Owen, A F Moshiri and I Falconer have contracts of service, which will be available for inspection at the forthcoming Annual General Meeting. They all expire on not less than twelve months notice. The Company is obliged to pay damages for the unexpired portion of a contract, if it is terminated early.
A A Ugarov is employed on terms which permit termination without notice by either party. J G West has a contract which expires on the date the Annual General Meeting is held in 2001. J P A Wolff has a contract, which expires on the date the Annual General Meeting is held in 2002, but will be retiring at the forthcoming Annual General Meeting. I P Spratling has a fixed term contract expiring 31 December 2000. Lord Chandos has a contract, which expires on the date the Annual General Meeting is held in 2003. Lord Owen and I Falconer, who are standing for re-election at the forthcoming Annual General Meeting, have service agreements, which are terminable on twelve months notice. Lord Chandos who is also standing for re-election at the forthcoming Annual General Meeting, has an unexpired term of over three years on his fixed term contract.

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

Lord Owen, A F Moshiri and I Falconer are the only Directors entitled to pension arrangements, under which the Company makes contributions (subject to a maximum of £21,000 and £18,120 per annum for Lord Owen and A F Moshiri, respectively) of 35%, 20% and 15% of basic salary per annum respectively to pension schemes on their behalf. No other payments to Directors are pensionable. There have been no other changes in the terms of Directors' pension entitlements during the year and there are no unfunded pension promises or similar arrangements for 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 is in the form of fees payable either to the individual Directors or to their companies. Non-Executive Directors are not eligible for any pension arrangements.

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.

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

J G West
Chairman, Remuneration Committee
8 June 2000

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 and 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.

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 18 to 46 which have been prepared under the accounting policies set out on pages 23 and 24.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report, including as described on page 16 the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

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

We review whether the corporate governance statement on page 14 reflects the Group's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all the risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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.

Uncertainties

In forming our opinion we have considered the adequacy of the disclosure made in note 1(a) dealing with the uncertainties concerning the Group's significant investments in the Russian Federation. We consider that this matter should be drawn to your attention but our opinion is not qualified in this respect.

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 1999 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 Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
8 June 2000

Hill House
1 Little New Street
London EC4A 3TR

Consolidated profit and loss account
Year ended 31 December 1999

	Note	1999 £000	1998 £000
Turnover	2,3	**126,011**	111,465
Cost of sales		**(119,654)**	(104,952)
Gross profit		**6,357**	6,513
Administrative expenses - recurring		**(4,438)**	(5,024)
- exceptional	4	-	(14,772)
		(4,438)	(19,796)
Other operating income		-	102
Operating profit / (loss)	5	**1,919**	(13,181)
Share of associated undertakings' operating profits / (losses)			
Continuing operations		**344**	497
Discontinued operations		-	(278)
	12	**344**	219
Profit on sale of associated undertakings			
Profit against carrying value		-	1,315
Goodwill written back on disposal		-	(415)
		-	900
Profit on buy-out of minority interest in subsidiary company		**211**	-
Profit on disposal of non – core businesses	14	**291**	-
Profit / (loss) on ordinary activities before interest		**2,765**	(12,062)
Interest receivable and similar income		**215**	227
Amounts written off investments	6	-	(762)
Interest (payable) / recoverable and similar charges			
- recurring	7	**(884)**	(1,453)
- exceptional	7	**1,199**	-
Profit / (loss) on ordinary activities before taxation	3	**3,295**	(14,050)
Tax (charge) / credit on profit / (loss) on ordinary activities	8	**(851)**	905
Profit / (loss) on ordinary activities after taxation		**2,444**	(13,145)
Equity minority interest		**(1,196)**	(299)
Retained profit / (loss) for the financial year	22	**1,248**	(13,444)
Basic earnings / (loss) per ordinary share	24	**0.1p**	(1.4)p
Diluted earnings / (loss) per ordinary share	24	**0.1p**	(1.5)p

All turnover and operating profit / (loss) derive from continuing operations.

Statement of total recognised gains and losses
Year ended 31 December 1999

	1999	1998
	£000	£000
Profit / (loss) for the financial year	**1,248**	(13,444)
Currency translation differences on foreign currency net investments	**133**	(202)
Total gains and losses recognised in the financial year	**1,381**	(13,646)

Note of historical cost profits and losses
Year ended 31 December 1999

	1999	1998
	£000	£000
Profit / (loss) on ordinary activities before taxation	**3,295**	(14,050)
Realisation of interest in associated undertaking, being investment property owned by associated undertaking revalued in prior year	-	464
Historical profit / (loss) on ordinary activities before tax	**3,295**	(13,586)
Historical profit / (loss) for the year after taxation and minority interests	**1,248**	(12,980)

Consolidated balance sheet
31 December 1999

	Note	1999 £000	1998 £000
Fixed assets			
Intangible assets	10	**947**	1,089
Tangible assets	11	**47**	152
Investments	12	**15,834**	16,057
Mining leases	13	**10**	10
		16,838	17,308
Current assets			
Stocks	15	**8,902**	1,828
Debtors	16	**8,293**	13,240
Cash at bank and in hand	25, 26	**5,491**	2,505
		22,686	17,573
Creditors:			
Amounts falling due within one year	17	**(20,761)**	(20,371)
Net current assets / (liabilities)		**1,925**	(2,798)
Total assets less current liabilities		**18,763**	14,510
Creditors:			
Amounts falling due after more than one year	18	**(4,321)**	(75)
Total net assets		**14,442**	14,435
Capital and reserves			
Called up share capital	20	**2,701**	2,026
Share premium account	21	**15,444**	14,288
Profit and loss account	22	**(4,438)**	(5,213)
Total equity shareholders' funds	23	**13,707**	11,101
Equity minority interests		**735**	3,334
		14,442	14,435

AF Moshiri

These financial statements were approved by the Board of Directors on 8 June 2000.
Signed on behalf of the Board of Directors: A F Moshiri, Chief Executive.

	Note	1999 £000	1998 £000
Fixed assets			
Tangible assets	11	**33**	56
Investments - trade and associated undertakings	12	**1,613**	1,833
Investments - subsidiaries	14	**13,703**	11,371
		15,349	13,260
Current assets			
Debtors	16	**7,304**	6,004
Cash at bank and in hand		**801**	67
		8,105	6,071
Creditors:			
Amounts falling due within one year	17	**(11,049)**	(9,423)
Net current liabilities		**(2,944)**	(3,352)
Total net assets		**12,405**	9,908
Capital and reserves			
Called up share capital	20	**2,701**	2,026
Share premium account	21	**15,444**	14,288
Profit and loss account	22	**(5,740)**	(6,406)
Total equity shareholders' funds		**12,405**	9,908

AF Moshiri

These financial statements were approved by the Board of Directors on 8 June 2000.
Signed on behalf of the Board of Directors: A F Moshiri, Chief Executive.

Consolidated cash flow statement
Year ended 31 December 1999

	Note	1999 £000	1998 £000
Cash inflow from operating activities	25(a)	**2,806**	14,398
Dividends received from associated undertaking		**22**	73
Returns on investments and servicing of finance	25(b)	**(1,425)**	(566)
Taxation		**(1,292)**	(2,404)
Net cash inflow from capital expenditure and financial investment	25(b)	**3,823**	4,927
Equity dividends paid		**-**	(100)
Cash inflow before financing		**3,934**	16,328
Financing - Issue of ordinary share capital	25(b)	**1,831**	22
- Decrease in debt	25(b)	**(1,716)**	(16,764)
Net cash inflow / (outflow) from financing		**115**	(16,742)
Increase / (decrease) in cash	25(c)	**4,049**	(414)

Reconciliation of net cash flow to movement in net debt

	Note	£000
Increase in cash in the year ended 31 December 1999	25(c)	**4,049**
Cash outflow from decrease in debt	25(c)	**1,716**
Change in net debt resulting from cash flows		**5,765**
Translation difference		**(226)**
Other non-cash changes		**1,931**
Movement in net debt in the year		**7,470**
Net debt at 1 January 1999		**(7,526)**
Net debt at 31 December 1999	25(c)	**(56)**

1. Basis of preparing the financial statements

(a) The Directors have always recognised that investing in and trading with the Russian Federation has a degree of political, regulatory and economic risk. The Directors pay close attention to the monitoring and management of such risks, particularly in relation to the Group's investments, in order to ensure the Group's continued ability to trade. Having considered these issues the Directors believe it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the crystallisation of any such risk.

(b) ***Accounting policies***
The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

(i) ***Accounting convention***
The financial statements are prepared under the historical cost convention.

(ii) ***Basis of consolidation***
The Group financial statements consolidate the financial statements of the Company and all operating subsidiaries.

(iii) ***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 from 1 January 1998, is capitalised and, where appropriate, amortised over its estimated useful life which it is anticipated will not be more than twenty years. Where the cost of acquisition is less than the values attributable to such net assets, the difference is treated as negative goodwill. Any negative goodwill is recognised in the profit and loss account in the periods expected to benefit. Up to 31 December 1998 all purchased and negative goodwill has been written off or credited to reserves in the year of acquisition. In the year ended 31 December 1999 the negative goodwill relating to the subsidiaries which were sold or ceased trading has been recognised in the profit and loss account.

(iv) ***Intangible fixed asset***
The distribution agreement is depreciated in equal annual amounts over the period of the agreement, being 10 years. Provision is made for asset impairment if the asset's recoverable amount (the higher of net realisable value and value in use) falls below its carrying value.

(v) ***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% on cost.

Plant and machinery - at 15% to 25% on cost.

Office equipment - at 15% to 25% on cost.

Provision is made for asset impairment if the asset's recoverable amount (the higher of net realisable value and value in use) falls below its carrying value.

(vi) ***Mining leases***
Mining leases are stated at cost, together with exploration and development expenditure incurred less provision for any impairment to their carrying value.

(vii) ***Investments***
Except as stated below, investments held as fixed assets are stated at cost less provision for any impairment to their carrying values.

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 profits and losses of associated undertakings at or below operating profit and the consolidated balance sheet includes the Group's share of net assets of its associated undertakings within fixed assets investment. The financial results for all of the Group's associated undertakings are based on audited financial statements to 31 December 1999, except for ISE International Furniture Limited, which has an accounting reference date of 30 June, and the unaudited management accounts for the year ended 31 December 1999 have been used.

1. **Basis of preparing the financial statements (continued)**

(b) ***Accounting policies (continued)***

(viii) ***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.

(ix) ***Turnover***

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

(x) ***Foreign exchange***

Transactions of UK companies denominated in foreign currencies are translated into sterling at the average rate. Monetary assets and liabilities of UK companies 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 UK companies, which report in foreign currencies and 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.

(xi) ***Leases***

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

(xii) ***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 three of the Directors is charged to the profit and loss account as it arises.

2. **Consolidated profit and loss account**

	Core businesses £000	Non-core businesses £000	1999 Total £000
Turnover	**117,136**	**8,875**	**126,011**
Cost of sales	**(111,318)**	**(8,336)**	**(119,654)**
Gross profit	**5,818**	**539**	**6,357**
Administrative expenses	**(3,539)**	**(899)**	**(4,438)**
Operating profit / (loss)	**2,279**	**(360)**	**1,919**
Share of associated undertakings' operating profits	**344**	-	**344**
Profit on buy-out of minority interest in subsidiary company	-	**211**	**211**
Profit on sale of non-core businesses	-	**100**	**100**
Release of negative goodwill relating to non-core businesses	-	**606**	**606**
Bank guarantee called up relating to non-core business	-	**(369)**	**(369)**
Provision for loss on non-core business	-	**(46)**	**(46)**
Profit on ordinary activities before interest	**2,623**	**142**	**2,765**

Non-core businesses comprise Swan Metals (Jersey) Limited and Wolff Steel Limited which have ceased trading and three subsidiaries of Wolff Steel Limited – Wolff Australia Pty Limited, Middlesex (U.S.A.) Inc. and Wolff Pipelines Limited which have been sold. Middlesex (U.S.A.) Inc. was sold to an associated undertaking – LM Holding Company Inc.

3. **Segmental analysis of results**

i) ***Turnover***

	By destination		By location	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Spain	**15,955**	23,851	-	-
Taiwan	**14,531**	16,374	-	-
Hong Kong	**10,827**	15	-	-
USA	**10,395**	9,609	**2,544**	4,106
China	**7,947**	-	-	-
Egypt	**7,208**	1,829	-	-
Philippines	**6,649**	2,895	-	-
Jordan	**6,262**	3,725	-	-
Indonesia	**5,772**	6,112	-	-
Italy	**5,112**	3,890	-	-
Israel	**4,615**	-	-	-
Panama	**3,468**	2,298	-	-
Guatemala	**3,145**	52	-	-
Ecuador	**2,681**	4,943	-	-
Australia	**2,610**	1,750	**2,636**	1,768
Dominican Republic	**2,482**	1,407	-	-
Morocco	**2,446**	3,349	-	-
India	**1,654**	1,947	-	-
Malaysia	**1,613**	-	-	-
Greece	**1,510**	163	-	-
Palestine	**1,410**	-	-	-
Thailand	**1,296**	1,625	-	-
Portugal	**955**	-	-	-
South Korea	**933**	-	-	-
Pakistan	**686**	665	-	-
CIS	**529**	1,993	-	-
Honduras	**448**	-	-	-
Iran	**390**	-	-	-
Turkey	**364**	1,598	-	-
Czech Republic	**340**	-	-	-
Romania	**271**	2,418	-	-
Tanzania	**235**	-	-	-
UK	**234**	645	**120,831**	105,591
Argentina	**227**	1,901	-	-
Costa Rica	**187**	715	-	-
Mauritius	**175**	33	-	-
British Virgin Islands	**155**	-	-	-
Colombia	**87**	1,579	-	-
Peru	-	7,717	-	-
Other	**207**	6,367	-	-
	126,011	111,465	**126,011**	111,465

Of the above turnover in the year ended 31 December 1999 £116,369,000 (1998 - £99,543,000) related to sales of OEMK products.

(ii) ***Turnover***

	By class of business	
	1999	1998
	£000	£000
Metals and metal related activities	**125,253**	109,971
Financial services	**758**	1,494
	126,011	111,465

3. Segmental analysis of results (continued)

(iii) *Profit / (loss) on ordinary activities before taxation*

		By class of business	
		1999	1998
		£000	£000
Metals and metal related activities		2,441	1,852
Financial services		758	1,464
Other		27	66
Oil	- Recurring	-	(169)
	- Associated undertaking – discontinued in 1998	-	692
Agriculture	- Associated undertaking – discontinued in 1998		
Exceptional	- Profit on buy-out of minority interest in subsidiary company	211	-
	- Profit on sale of non-core businesses	100	-
	- Release of negative goodwill relating to non-core businesses	606	-
	- Release of interest payable on minority shareholder's loan	1,199	-
	- Bank guarantee called up relating to non-core business	(369)	-
	- Provision for loss on non-core business	(46)	-
	- Provision for:		
	Amounts due from CTSC MIFK Interfin	-	(11,976)
	OAU Yuzhuralnickel option	-	(1,071)
	Mining leases in Nevada, USA	-	(990)
	Customers' claims	-	(663)
	Amounts due from two trade investments which have Siberian gold mining interests	-	(42)
	Acquisition of minority shareholders in Siberian gold mining interests	-	(30)
	- Amounts written off investments (Note 6)	-	(762)
Net interest payable and parent company expenses		(1,632)	(2,421)
		3,295	(14,050)

(iv) *Profit / (loss) on ordinary activities before taxation*

		By location	
		1999	1998
		£000	£000
UK	– group companies	2,461	(9,292)
	– associated undertakings	78	(125)
USA		(439)	(997)
Bermuda		(7)	(3,083)
Jersey		1,071	(554)
Australia		131	1
		3,295	(14,050)

(v) *Net assets / (liabilities)*

	By class of business	
	1999	1998
	£000	£000
Metals and metal related activities	11,097	11,924
Financial services	3,086	2,278
Other	259	233
	14,442	14,435

	By location	
	1999	1998
	£000	£000
UK	7,037	7,879
USA	5	36
Bermuda	(3)	-
Jersey	7,403	5,951
Australia	-	569
	14,442	14,435

4. Administrative expenses – exceptional

	1999 £000	1998 £000
Provision for:		
Amounts due from CTSC MIFK Interfin	-	11,976
OAU Yuzhuralnickel option	-	1,071
Mining leases in Nevada, USA	-	990
Customers' claims	-	663
Amounts due from two trade investments which have Siberian gold mining interests	-	42
Acquisition of minority shareholders in Siberian gold mining interests	-	30
	-	14,772

5. Operating profit / (loss)

	1999 £000	1998 £000
Operating profit / (loss) is after charging:		
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned assets	**55**	70
Intangibles	**142**	142
Auditors' remuneration:		
Audit fees - current year provision	**188**	189
- prior year under provision	**55**	35
Other services	**116**	128
Rentals under operating leases:		
Other operating leases	**157**	114

The Company's current year's auditors' remuneration - audit fee provision is £75,000 (1998 - £80,000), the prior year under provision is £55,000 (1998 - £35,000) and the other services is £101,000 (1998 - £123,000). In addition to the fees paid to the auditors for other services above, a fee of £47,500 paid to the auditors has been included in the expenses of the rights issue and placement and deducted from the share premium account (Note 21).

6. Amounts written off investments

	1999 £000	1998 £000
CTSC MIFK Interfin	-	274
Northern Maritime Property Investments Limited	-	349
Forestrealm Limited	-	136
MBA Energy	-	3
	-	762

7. Interest payable / (recoverable) and similar charges

	1999 £000	1998 £000
Recurring:		
Deposited Loan Stock 2006	**30**	47
Interest on minority shareholders' loans	**305**	448
Bank loans and overdrafts	**379**	600
Bank charges	**212**	344
Share of associated undertakings' interest payable (Note 12)	**266**	344
	1,192	1,783
Less included in cost of sales	**(308)**	(330)
	884	1,453
Exceptional:		
Release of interest payable on minority shareholder's loan (Notes 17 and 30)	**(1,199)**	-

Interest on bank loans of £115,000 (1998 - £106,000) and bank charges of £193,000 (1998 - £224,000) have been included in cost of sales as these expenses are trade finance related.

The release of interest payable on minority shareholder's loan of £1,199,000 credit is in accordance with the Deed of Settlement dated 21 October 1999, whereby Sir David Alliance agreed to release the Group from all amounts owing to him in respect of any interest due but unpaid and dividends (Notes 17 and 30).

8. Tax charge / (credit) on profit / (loss) on ordinary activities

	1999 £000	1998 £000
UK corporation tax at 30.25% (1998 – 31.0%) based on profit / (loss) for the year	**989**	303
Deferred taxation	-	(1,237)
Overseas taxation	**(73)**	1
Tax applicable to associated undertakings (Note 12)	**8**	60
	924	(873)
Adjustment in respect of prior years	**(73)**	(32)
	851	(905)

The taxation charge for 1999 is low compared to the profit on ordinary activities before taxation mainly due to profits in overseas subsidiary companies which are not liable for UK corporation tax. The taxation credit for 1998 is low compared to the loss on ordinary activities before taxation mainly due to losses in overseas subsidiary companies which cannot be relieved against UK profits and non-allowable provisions against the carrying value of investments.

The Inland Revenue has raised queries in the year regarding the historical tax affairs of the Group. The enquiries are in their early stages, and the Inland Revenue has not yet indicated whether they intend to raise further assessments. In the circumstances, no provision has been made in respect of this issue. Whilst a liability may crystallise at some time in the future, it is currently too early to predict the outcome of the enquiry.

9. Information regarding Directors and employees

	1999 £000	1998 £000
Directors' remuneration:		
Fees as Directors	57	63
Other emoluments	402	444
	459	507

Directors' remuneration, excluding pensions, is made up as follows:

	Salaries £000	Fees £000	Bonus £000	Benefits in kind £000	Total remuneration excluding pensions 1999 £000	Total remuneration excluding pensions 1998 £000
Executive:						
Lord Owen (*Chairman*)	55	-	-	1	56	50
A F Moshiri	150	-	50	8	208	192
I Falconer	79	-	12	-	91	90
A A Ugarov	35	-	-	-	35	16
I P Spratling(1)	-	-	-	-	-	45
M A Alikhani(2)	-	-	-	-	-	51
Non-Executive:						
J G West(3)	-	21	-	-	21	20
J P A Wolff(4)	-	18	-	-	18	17
I P Spratling(1)	-	18	-	12	30	-
M A Alikhani(2) - resigned 26 November 1998	-	-	-	-	-	9
M A Winer(5) - resigned 21 December 1998	-	-	-	-	-	17
	319	57	62	21	459	507

The bonuses of £50,000 and £12,500 paid to A F Moshiri and I Falconer, respectively in 1999 were discretionary and relates to their roles in 1999 as Chief Executive and Finance Director, respectively.

Notes

(1) On 21 December 1998 I P Spratling stepped down as an Executive Director and was appointed a Non-Executive Director. In the year ended 31 December 1999 I P Spratling received £2,915 of his Director's fees in his personal capacity. The balance of £15,335 has been invoiced by Hendy Consultancy Limited, a company of which he is a director and shareholder. During 1999 Hendy Consultancy Limited invoiced the Company and had been paid £28,333 excluding VAT, for the services of I P Spratling as a consultant to its tinplate and stainless steel trading businesses. This amount is excluded from the table above.

(2) On 1 June 1998 M A Alikhani stepped down as Chief Executive and was appointed a Non-Executive Director. On 26 November 1998 M A Alikhani resigned as a Non-Executive Director. M A Alikhani's Non-Executive Director's fees for the period 1 June 1998 to 26 November 1998 of £8,566 have been invoiced by Swan Overseas Plc, a company of which he is a director and shareholder. In July 1998 Swan Overseas Plc invoiced the Company and has been paid £30,000 excluding VAT, for the services of M A Alikhani as a consultant to its financial services business. This amount is excluded from the table above.

(3) J G West's Director's fees for the year ended 31 December 1999 of £20,750 (1998 - £20,000) have been invoiced by Jimmy West Associates Limited, a company of which he is a director and shareholder.

(4) J P A Wolff's Director's fees for the year ended 31 December 1999 of £9,500 and £8,759 (1998 - £17,500) have been invoiced by John Wolff International Limited and Everest Trading & Investments Company Limited, respectively, companies of which he is a director and shareholder.

(5) M Winer's Director's fees for the period 6 January 1998 to 21 December 1998 of £16,733 have been invoiced by M. Winer International Limited, a company of which he is a director and shareholder.

The total emoluments of the highest paid Director, A F Moshiri, were £208,000 (1998 - £192,000).

No options were exercised in 1999 (1998 - J P A Wolff realised a gain of £2,000 on options exercised).

9. Information regarding Directors and employees (continued)

Directors' interests

The Directors' interests, as defined by the Companies Act 1985, in the shares of Middlesex Holdings plc were as follows:

	31 December 1999 ordinary shares of 0.25p each	1 January 1999 ordinary shares of 0.25p each
Lord Owen	7,583,333	4,000,000
A F Moshiri	19,840,185	17,005,874
I Falconer	116,666	100,000
A A Ugarov	46,666,666	40,000,000
J G West	2,486,666	1,000,000
J P A Wolff	2,656,485	2,276,988
I P Spratling	8,516,129	8,516,129

Of A F Moshiri's shareholding shown above 18,666,666 shares are held by Bankhill Trustees Limited, as trustees of the Caspian Settlement, a trust for the benefit of A F Moshiri's children.

The 46,666,666 shares disclosed under A A Ugarov are held beneficially by Bankhill Trustees Limited as trustees of the Whitland Employee Trust, a discretionary trust for the benefit of A A Ugarov and other Russian based individuals none of whom is employed by or otherwise connected to the Company.

Shares held by Bankhill Trustees Limited are registered in the name of N.Y. Nominees Limited.

J P A Wolff purchased 650,000 shares on 11 January 2000 for his personal pension plan .

There have been no other changes in Directors' interests in the ordinary share capital of the Company since 31 December 1999.

Directors' share options

The following unexercised options over ordinary shares were held by Directors under the Executive Share Option Scheme, and the Executive and Employee Share Incentive Schemes (which have since terminated):

	Outstanding 1.1.99	Granted during year	Lapsed during year	Outstanding 31.12.99	Exercise price	Date of grant	First date of exercise	Final date of exercise
Lord Owen	4,000,000	-	(4,000,000)	-	8.10p	25.10.95	25.10.97	24.10.99
Lord Owen	-	7,500,000	-	7,500,000	1.50p	16.11.99	16.11.02	15.11.09
A F Moshiri	11,782,950*	-	-	11,782,950	7.64p*	13.11.96	13.11.99	12.11.06
A F Moshiri	-	10,000,000	-	10,000,000	1.50p	16.11.99	16.11.02	15.11.09
I Falconer	1,178,295*	-	-	1,178,295	7.64p*	13.11.96	13.11.99	12.11.06
I Falconer	3,299,226*	-	-	3,299,226	2.97p*	15.7.98	15.7.01	14.7.08
I Falconer	-	2,500,000	-	2,500,000	1.50p	16.11.99	16.11.02	15.11.09

*: adjusted for the one for six rights issue and placement of 135,067,706 shares at 0.75p each on 7 December 1999 (Note 20).

There have been no changes to the above since 31 December 1999.

At 31 December 1999 the mid-market price of the Company's shares was 2.3p and the range during the year was 0.5p to 2.9p.

No options were exercised by the Directors in 1999 (1998 – one Director made a gain of £2,000).

Directors' pensions

As set out in the Report of the Board to Shareholders on Directors' Remuneration on page 15 the following Directors are entitled to personal pension contributions, subject to a maximum contribution of £21,000 per annum and £18,120 per annum for Lord Owen and A F Moshiri, respectively:

	% of salary	Contributions paid in the year £000
Lord Owen	**35%**	**17**
A F Moshiri	**20%**	**16**
I Falconer	**15%**	**11**
		44

	1999 £000	1998 £000
Staff costs, including Directors' remuneration:		
Wages and salaries	**1,425**	1,473
Social security costs	**127**	135
Other pension costs	**99**	122
	1,651	1,730

Average number of persons employed by the Group in the year, excluding Directors:	1999 Number	1998 Number
Management	**8**	5
Sales and administration	**32**	28
	40	33

10. Intangible fixed assets - Group

	Distribution agreement £000
Cost:	
At 1 January 1999 and at 31 December 1999	**1,420**
Accumulated depreciation:	
At 1 January 1999	**331**
Charge for the year	**142**
At 31 December 1999	**473**
Net book value:	
At 31 December 1999	**947**
At 31 December 1998	1,089

The distribution agreement is the asset of D.R.I. (IOM) Limited.

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 1999	128	87	223	438	15	96	111
Additions	-	4	9	13	-	-	-
Disposals	(48)	(88)	(32)	(168)	-	-	-
At 31 December 1999	80	3	200	283	15	96	111
Accumulated depreciation:							
At 1 January 1999	85	40	161	286	-	55	55
Charge for the year	17	6	32	55	4	19	23
Disposals	(35)	(43)	(27)	(105)	-	-	-
At 31 December 1999	67	3	166	236	4	74	78
Net book value:							
At 31 December 1999	13	-	34	47	11	22	33
At 31 December 1998	43	47	62	152	15	41	56

12. Investments

	Investment in shares £000	Loans £000	Total £000
Group			
Trade investments			
Cost after provision for impairment:			
At 1 January 1999	13,559	-	13,559
Additions	73	-	73
Disposal	(293)		(293)
At 31 December 1999	13,339	-	13,339
Associated undertakings			
Cost:			
At 1 January 1999	2,316	73	2,389
Loans repaid	-	(51)	(51)
At 31 December 1999	2,316	22	2,338
Share of profits and reserves:			
At 1 January 1999	109	-	109
Profits for the year before interest payable	344	-	344
Interest payable (Note 7)	(266)	-	(266)
Taxation (Note 8)	(8)	-	(8)
Share of dividends	(22)	-	(22)
At 31 December 1999	157	-	157
Net book value:			
At 31 December 1999	2,473	22	2,495
At 31 December 1998	2,425	73	2,498
Total investments			
At 31 December 1999	15,812	22	15,834
At 31 December 1998	15,984	73	16,057

Addition to trade investments in the year was:

	1999
	£000
0.32% of Lebedinsky GOK (Note 30)	73

Disposal of trade investments in the year was:

	1999
	£000
0.32% of Lebedinsky GOK (Note 30)	(293)

Total investments at cost after provision for impairment:	1999
Trade investments:	£000
Oskol Electrometallurgical Kombinat ("OEMK")	11,726
Lebedinsky GOK	1,609
Riceman Insurance Investments plc	4
	13,339
Associated undertakings:	
Afon Tinplate Company Limited (Note 30)	2,237
ISE International Furniture Limited	258
	2,495
	15,834

The allocation of the 14.5% investment in OEMK is as follows:	1999	1999
	%	£000
Equity owned by Revenant Limited (a 100% subsidiary) in OEMK	9.3	7,521
Option to purchase shares in OEMK (Notes 18 and 30)	5.2	4,205
	14.5	11,726

	Investment in shares £000	Loans £000	Total £000
Company			
Trade Investments			
Cost after provision for impairment:			
At 1 January 1999	1,833	-	1,833
Additions	73	-	73
Disposal	(293)	-	(293)
At 31 December 1999	1,613	-	1,613

12. Investments (continued)

Trade investments comprise:	Activity	Country of incorporation	Proportion of ordinary shares held 1999	1998
Forestrealm Limited	Gold mining	Great Britain	**20.9%**	20.9%
Northern Maritime Property Investments Limited	Gold mining	Great Britain	**20.9%**	20.9%
MBA Energy	Dormant	CIS	**20.0%**	20.0%
Riceman Insurance Investments plc	Insurance management	Great Britain	**5.7%**	5.7%
CTSC MIFK Interfin	Financial services	CIS	**40.0%**	40.0%
Oskol Electrometallurgical Kombinat	Steelworks	CIS	**14.5%**	14.5%
Lebedinsky GOK	Iron ore mine	CIS	**2.0%**	2.0%

Out of the total 14.5% shareholding in Oskol Electrometallurgical Kombinat ("OEMK") 9.3% is owned directly by Revenant Limited, a 100 % subsidiary of the Company. 8.0% of the 9.3% shareholding in OEMK held by Revenant Limited is the subject of a Share Retention Agreement (the "Agreement") dated 4 August 1998 between the Company and the European Bank for Reconstruction and Development ("EBRD"). The Agreement states that the Company undertakes not to dispose of this 8% shareholding in OEMK for a period of eight years without written agreement from the EBRD. The signing of the Agreement was one of the pre-conditions of the EBRD making its first disbursement of the US$110 million loan facility it had extended to OEMK for project finance. To date the EBRD has not yet made the first disbursement and the Company is negotiating with the EBRD to cancel this Agreement.

Riceman Insurance Investments plc is traded on the London Stock Exchange under the Alternative Investment Market. At 31 December 1999 the closing mid-market price for ordinary shares in the company was 5p, giving an aggregate market value of £187,000 which is above cost.

Forestrealm Limited, Northern Maritime Property Investments Limited, CTSC MIFK Interfin and MBA Energy are not associated undertakings as defined in FRS 9. The businesses of these companies are based entirely in the CIS. The majority shareholders control the operating and financial policies of the companies and the Company does not have a significant influence in relation to these policies.

The principal associated undertakings comprise:
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%**
L M Holding Company Inc.	Steel and steel products	USA	Common stock of US$100	**40%**
ISE International Furniture Limited	Manufacture of furniture	Great Britain	Ordinary shares of £1	**26%**

These companies operate principally in their country of incorporation.

The Group's share of net assets of principal associated undertakings comprise:

	1999 £000
Afon Tinplate Company Limited	**2,214**
ISE International Furniture Limited	**259**
	2,473

The aggregate results of the Group's principal associated undertakings and the share of interest payable and profits after tax attributable to the Group are as follows:

	1999 Total £000
Sales	33,806
Profit before interest	1,148
Interest payable	(738)
Profit before tax	410
Taxation	(26)
Net profit on ordinary activities	384
Group's share of interest payable (Note 7)	(266)
Group's share of profit after tax	70

The aggregate share of net assets of the Group's principal associated undertakings and the share of net assets attributable to the Group are as follows:

	1999 £000
Tangible assets	5,764
Investments	786
Current assets	12,201
Current liabilities	(7,815)
	10,936
Less: Long term debt	(3,993)
	6,943
Group's share	2,473

Share of profits in associated undertakings less taxation and share of dividends for the year ended 31 December 1999 comprise:

	Share of profits in associated undertakings £000	Taxation charge £000	Share of dividends £000	1999 Total £000
Afon Tinplate Company Limited	51	(6)	(22)	23
ISE International Furniture Limited	27	(2)	-	25
	78	(8)	(22)	48

Amounts owed by associated undertaking:

	1999 £000
Afon Tinplate Company Limited	22

13. Mining leases

The Group owns, through its subsidiary Clogau (Nevada) Inc., leases of mining properties in the USA which are included in the consolidated balance sheet at cost, less provision for impairment to carrying value, of £10,000 (1998 - £10,000).

14. Investments - subsidiaries

	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Company			
Cost:			
At 1 January 1999	9,505	2,581	12,086
Additions	2,332	-	2,332
At 31 December 1999	11,837	2,581	14,418
Provisions:			
At 1 January 1999 and 31 December 1999	(715)	-	(715)
Net book value:			
At 31 December 1999	11,122	2,581	13,703
At 31 December 1998	8,790	2,581	11,371

i) Held by the Company

	Activity	Country of incorporation	Portion of ordinary shares held and voting rights	Country of operation
Cygnet Metals Limited	Non - trading	Great Britain	100%	-
Swan Metals (Jersey) Limited	Non - trading	Jersey	100%	-
Clogau (Nevada) Inc.	Gold mining	USA	100%	USA
Portsmouth Metals Limited	Non - trading	Bermuda	100%	-
Middlesex OEMK plc	Investment holding company	Great Britain	87.75%	Great Britain
Middlesex Corporate Finance plc	Non - trading	Great Britain	100%	-
Revenant Limited	Investment holding	Jersey	100%	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

	Activity	Country of incorporation	Effective ordinary shares held and voting rights	Country of operation
Oskmet (UK) Limited	Metals trading	Great Britain	87.75%	Worldwide
Wolff Inova Limited	Non - trading	Great Britain	50%	-

	1999
	£000
Subsidiaries sold during the year:	
Net assets disposed of	
Fixed assets	62
Stocks	1,161
Debtors	790
Cash at bank	169
Creditors	(1,591)
Bank overdrafts	(475)
Minority interests	80
	196
Profit on disposal	100
	296

Satisfied by	
Transfer of stock	296

	1999
	%
The subsidiaries sold during the year were as follows:	
Wolff Australia Pty Limited	100
Middlesex (U.S.A.) Inc.	60
Wolff Pipelines Limited	50

	1999
	£000
Profit on disposal of non-core businesses is as follows:	
Profit on disposal above	100
Bank guarantee called up	(369)
Provision for losses on discontinued operations	(46)
Release of portion of negative goodwill relating to those subsidiaries disposed of	606
	291

15. Stocks - Group

	1999	1998
	£000	£000
Goods for resale - steel and steel products	8,902	1,828

16. Debtors

	Group 1999	Company 1999	Group 1998	Company 1998
	£000	£000	£000	£000
Trade debtors	6,622	528	12,057	-
Amounts owed by subsidiary undertakings	-	5,997	-	5,295
Advance corporation tax	36	-	36	-
Corporation tax recoverable	303	-	306	-
Other debtors	970	717	840	709
Prepayments and accrued income	362	62	1	-
	8,293	7,304	13,240	6,004

Group trade debtors at 31 December 1999 of £4,490,000 (1998 - £10,312,000) are charged as security for bank and other loans (Note 17).

17. Creditors: amounts falling due within one year

	Group 1999 £000	Company 1999 £000	Group 1998 £000	Company 1998 £000
Bank overdraft	129	-	1,529	-
Bank loans	1,097	-	2,536	709
Other loans	-	-	5,891	-
Deposited Loan Stock 2006	588	588	645	645
Trade creditors	856	541	2,317	494
Amounts owed to subsidiary undertakings	-	7,633	-	6,878
Corporation tax	1,167	78	940	78
Advance corporation tax	371	-	964	-
Other tax and social security	38	39	23	24
Other creditors	14,887	2,090	4,340	499
Accruals and deferred income	1,628	80	1,186	96
	20,761	11,049	20,371	9,423

The bank overdrafts of a subsidiary undertaking and its subsidiaries and associates are secured by a fixed and floating charge over their assets. One of the Company's bank loans, amounting to £nil at 31 December 1999 (1998 - £98,000) is secured on the Company's investment in Riceman Insurance Investments plc. The Group's bank overdrafts and loans amounting to £1,226,000 at 31 December 1999 (1998 - £1,827,000) are secured on trade debtors (Note 16).

The Group's other loans included loans from the then minority shareholders in subsidiaries and were as follows:

Sir David Alliance - £nil (1998 - £5,084,000). Interest was payable at 8% per annum on £4,348,000 (1998 - £4,217,000) until 16 November 1999, when in accordance with a Deed of Settlement dated 21 October 1999 the US$7.0 million (£4,348,000) capital amount of the loan note was offset by the transfer to Sir David Alliance of a 5.2% equity interest in Oskol Electrometallurgical Kombinat. Sir David Alliance has agreed to release the Group from all amounts owing to him in respect of any interest due but unpaid and all dividends or entitlement to dividends which in aggregate were US$1,931,000 (£1,199,000) (Notes 7 and 30).

Wmac Investment Corporation - £nil (1998 - £686,000) was interest free. In accordance with a Termination Agreement dated 19 August 1999 the Company agreed to pay US$320,000 (£199,000) cash and to transfer 0.32% of the 2% equity in Lebedinsky GOK with a value of US$480,000 (£293,000) to Wmac Investment Corporation in full and final settlement of all amounts the Group owed to Wmac Investment Corporation (Note 30).

Included in other creditors at 31 December 1999 is £9,165,000 (1998 - £2,926,000) due to Oskol Electrometallurgical Kombinat. This amount relates to the payment to be made for the deliveries of steel and direct reduced iron purchased by the Group for resale.

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

18. Creditors: amounts falling due after more than one year

	Group 1999 £000	Company 1999 £000	Group 1998 £000	Company 1998 £000
Amount owing in respect of OEMK option	4,321	-	-	-
Other loan	-	-	75	-
	4,321	-	75	-

The amount owing in respect of OEMK option of £4,321,000 (1998 - £nil) is in accordance with the Deed of Settlement dated 21 October 1999 whereby the Company and Sir David Alliance ("Sir David") agreed that the Company would have an option to repurchase the 5.2% investment in OEMK (Note 12) within three years of the transaction being approved by the Company's shareholders at an Extraordinary Shareholders Meeting, which was held on 16 November 1999, at which the Company's shareholders approved the transaction. Sir David has an option to sell his 5.2% investment in OEMK to the Company at the conclusion of the three years. The exercise of these options would require the Company to pay to Sir David the original purchase price - US$31.50 per share (US$7.0 million in aggregate) plus 50% of the excess of the OEMK share price over US$31.50 per share to a maximum share price of US$118.50 per OEMK share (Note 30).

The other loan is an unsecured loan of £nil (1998 - £75,000) which was interest free and was redeemable on 30 June 2000. This loan was owed by a subsidiary company, which was disposed of with effect from 30 November 1999 (Note 30).

19. Financial instruments

The Group has in this Annual Report formally adopted FRS 13 (Derivatives and Financial Instruments: Disclosures) issued by the Accounting Standards Board. The disclosure as required by FRS 13 has a limited impact on the Group as its investment and trading activities are funded by shareholders' funds. The Group's only derivative is the call/put option to re-acquire a 5.2% interest in OEMK (Note 30) and the Group does not trade in financial instruments. Short term debtors and creditors have been excluded from all FRS 13 disclosures, with the exception of the currency risk disclosures.

The Group's treasury policies and debt financing operations are:

i) Funds generated by the trading activities, surplus to immediate financing requirements, are held on either current accounts or short term deposit accounts, until required to settle liabilities.

ii) The only debt is trading related, whereby in certain instances, short-term bank loans and overdrafts, secured on trade debtors, are used to finance working capital of the trading operation.

a) Currency risk

The Group publishes its financial statements in sterling, which is also the currency in which the majority of its administrative expenses are denominated. The majority of its investment and trading operations are conducted in UK and overseas subsidiaries which report in US dollars as this is the currency in which their investment and trading activities to gross margin level and related fixed and current assets and current liabilities are denominated in. As a result, the Group is subject to foreign currency exchange gain/loss due to exchange rate movements between sterling and US dollars which will affect the Group's transaction costs and the translation of the results and underlying net assets of these subsidiaries. The £1 - US dollar exchange rates used in preparing the financial statements were: average – US$1.61 (1998 – US$1.66) and year end – US$1.61 (1998 – US$1.66).

The Group's net investment in operations as at 31 December 1999 denominated in US dollars was £7.3 million.

The following analysis of net monetary liabilities shows the Group's currency exposures. The amounts shown represent the transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group which are not denominated in the functional currency of the operating unit involved as at 31 December 1999.

	1999 Sterling £000	**1999 US dollars £000**	**1999 Total £000**
Sterling	-	(2,197)	(2,197)
US dollar	(1,756)	-	(1,756)
	(1,756)	(2,197)	(3,953)

19. Financial instruments (continued)

b) Interest rate risk

At 31 December 1999, the currency and interest rate profile of the financial assets and liabilities of the Group was as follows:

Financial assets	1999 Floating rate £000
Sterling	2,553
US dollar	2,938
	5,491

Financial liabilities	
Sterling	705
US dollar	1,109
	1,814

Interest on floating rate bank deposits and liabilities is based on the relevant national inter bank offered rates. The Group has no fixed rate and non-interest bearing assets or liabilities

c) Fair values of financial assets / (liabilities)

	1999 Net carrying amount £000	1999 Estimated fair value £000	1998 Net carrying amount £000	1998 Estimated fair value £000
Cash and short term deposits	5,491	5,491	2,505	2,505
Borrowings:				
Bank overdraft and loans	(1,226)	(1,226)	(4,065)	(4,065)
Other loans	-	-	(5,891)	(5,891)
Long term	-	-	(75)	(75)
	(1,226)	(1,226)	(10,031)	(10,031)
Call / put option	-	(2,710)	-	-

The estimated fair values shown above have been calculated on the basis that cash and short term deposits and bank overdrafts and loans are all cash. The comparative other loans and long term borrowings have all been fair valued at their net carrying amount as they were all settled in 1999. The fair value of the call/put option has been calculated using market rates prevailing at the year end.

20. Called up share capital

	1999 £000	1999 Number	1998 £000	1998 Number
Authorised:				
Ordinary shares of 0.25p each	3,750	1,500,000,000	2,800	1,120,000,000
Allotted, called up and fully paid:				
Ordinary shares of 0.25p each	2,701	1,080,541,646	2,026	810,406,234

At the Extraordinary General Meeting held on 16 November 1999 the shareholders approved an Ordinary Resolution to increase the authorised share capital of the Company from £2,800,000 to £3,750,000 by the creation of an additional 380,000,000 ordinary shares of 0.25p each.

Movement in share capital in the year:
Shares issued

Date	Number of shares	Consideration received £000	Reason
7 December 1999	135,067,706	338	Rights issue
7 December 1999	135,067,706	337	Placement

A circular dated 21 October 1999 was sent to all the Company's shareholders setting out the details of a one for six rights issue at 0.75p per share underwritten 50% by Oskmet AG (a company controlled by OEMK (Note 30)) and 50% by LebGOK Trading AG (a company controlled by Lebedinsky). In the event the underwriting monies were not fully utilised in taking up the rights issue shares then the underwriters agreed to subscribe for such number of shares at 0.75p per share to utilise the balance. At the Extraordinary General Meeting held on 16 November 1999 the Company's shareholders approved the transactions. The last date of acceptance was 7 December 1999 and valid acceptances were accepted in respect of 96,124,774 new shares (approximately 71.2% of the shares on offer). The remaining 38,942,932 shares were placed by the Company's stockbroker's Hichens, Harrison & Co plc. The underwriting monies were not utilised for the rights issue and 135,067,706 new shares at 0.75p were issued, the recipients of these shares have agreed not to dispose of their respective shareholdings for a period of three years, save with the consent of the Company's stockbrokers. The shares were allotted for cash and the proceeds were used to fund the transactions as set out in the circular to the Company's shareholders dated 21 October 1999 and for working capital.

The Deed of Settlement dated 21 October 1999 sets out the details of the Warrant Instruments which were executed as deeds of the Company following the Company's shareholders' approval at the Extraordinary General Meeting held on 16 November 1999. The terms of the Warrant Instruments are that Sir David Alliance and Oskmet AG (a company controlled by OEMK (Note 30)) are entitled to subscribe for 20 million new shares in the Company each at a price of 1.5p per share during a three year subscription period commencing on the 16 November 1999. Any warrants outstanding thereafter will lapse.

The following options to subscribe for ordinary shares have been granted under the Executive Share Option Scheme, and the Executive and Employee Share Incentive Schemes ("the Option Schemes") to 19 employees:

Year of grant	Exercise period	Exercise price per share	1999 Number	1998 Number
1996	13 November 1999 to 12 November 2006	7.64p*	12,961,245*	11,000,000
1997	11 December 2000 to 10 December 2007	4.46p*	1,237,209*	1,050,000
1998	15 July 2001 to 14 July 2008	2.97p*	29,427,918*	25,975,000
1998	5 August 2001 to 4 August 2008	3.61p*	883,722*	750,000
1999	16 November 2002 to 15 November 2009	1.50p	50,000,000	-
			94,510,094	38,775,000

*: adjusted for the one for six rights issue and placement of 135,067,706 shares at 0.75p each on 7 December 1999.

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

Outstanding 1.1.99	Granted during year	Lapsed during year	Exercised during year	Outstanding 31.12.99	Exercise price	Date of grant	First date of exercise	Final date of exercise
1,237,209*	-	-	-	1,237,209	4.46p*	11.12.97	11.12.00	10.12.07
26,128,692*	-	-	-	26,128,692	2.97p*	15.7.98	15.7.01	14.7.08
883,722*	-	-	-	883,722	3.61p*	5.8.98	5.8.01	4.8.08
-	30,000,000	-	-	30,000,000	1.50p*	16.11.99	16.11.02	15.11.09

*: adjusted for the one for six rights issue and placement of 135,067,706 shares at 0.75p each on 7 December 1999.

21. Share premium account

	£000
At 1 January 1999	14,288
Premium on issue of shares during the year	1,350
Expenses of issue	(194)
At 31 December 1999	15,444

22. Profit and loss account

	Group £000	Company £000
1 January 1999	(5,213)	(6,406)
Unrealised exchange gain arising from translation of interests expressed in foreign currency	133	-
Partial release of negative goodwill relating to Wolff Steel Limited and its subsidiaries, following disposal or closure	(606)	-
Retained profit for the financial year	1,248	666
At 31 December 1999	(4,438)	(5,740)

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 of £666,000 (1998 - loss - £7,751,000) which is dealt with in the financial statements of the parent company.

As at 31 December 1999 the cumulative amount of negative goodwill credited to the profit and loss account reserve is £492,000. During the year ended 31 December 1999 negative goodwill of £606,000 was released and credited to the profit and loss account.

23. *Reconciliation of movements in shareholders' funds*

	1999 £000	1998 £000
Profit / (loss) for the financial year	1,248	(13,444)
Unrealised exchange gain / (loss) arising from translation of interests expressed in foreign currency	133	(202)
Partial release of negative goodwill relating to Wolff Steel Limited and its subsidiaries, following disposal or closure	(606)	-
Goodwill arising on acquisition of interest in associated undertaking which has subsequently been sold	-	415
Issue of ordinary share capital	2,025	22
Expenses of issue	(194)	-
Net addition to / (reduction in) shareholders' funds	2,606	(13,209)
Opening shareholders' funds	11,101	24,310
Closing shareholders' funds	13,707	11,101

24. Basic earnings / (loss) per ordinary share and diluted earnings / (loss) per ordinary share

The calculation of basic earnings (1998 – loss) per share is based on profit after taxation and minority interest of £1,248,000 (1998 – loss - £13,444,000) and on 973,400,038 ordinary shares (1998 - 954,741,045) being the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings (1998 – loss) per share is based on the profit after taxation and minority interests of £1,248,000 (1998 – loss - £13,444,000) and on 973,400,038 ordinary shares (1998 - 909,636,895) being the weighted average number of ordinary shares in issue, dilutive share options and warrants outstanding during the year.

The calculation of the 1999 basic and diluted earnings per share has taken into account the one for six rights issue and issue of 135,067,706 shares at a price of 0.75p each on 7 December 1999 (Note 20). The comparatives have been restated accordingly.

25. Consolidated cash flow statement

(a) Reconciliation of operating profit / (loss) to cash inflow from operating activities

	1999 £000	1998 £000
Operating profit / (loss)	1,919	(13,181)
Financial service fees received not in cash	(75)	-
Depreciation and amortisation charges	197	212
(Increase) / decrease in stocks	(8,235)	389
Decrease in debtors	4,450	25,826
Increase in creditors	4,025	434
Provision against mining leases	-	990
Currency translation differences on foreign currency assets and liabilities	525	(272)
Cash inflow from operating activities	2,806	14,398

(b) Analysis of cash flows from headings netted in the cash flow statement

	1999 £000	1998 £000
Returns on investments and servicing of finance		
Interest received	215	227
Interest paid	(210)	(793)
Dividends paid to minority shareholders in subsidiary undertakings	(1,430)	-
Net cash outflow for returns on investments and servicing of finance	(1,425)	(566)
Net cash inflow from capital expenditure and financial investment		
Purchase of tangible fixed assets	(13)	(21)
Sale of tangible fixed assets	-	18
Purchase of minority shareholders' interest in subsidiaries	(2,332)	-
Purchase of trade investments	-	(7,111)
Loans recovered from associated undertakings	22	1,153
Sale of associated undertaking	-	239
Loan advanced by / recovery of loan to Oskol Electrometallurgical Kombinat	6,146	10,649
Net cash inflow from capital expenditure and financial investment	3,823	4,927
Financing		
Issue of ordinary shares	2,025	22
Expenses paid in connection with the issue of shares	(194)	-
	1,831	22
Decrease in debt due within one year	(1,716)	(16,764)
Net cash inflow / (outflow) from financing	115	(16,742)

(c) Analysis of net debt

	At 1 January 1999 £000	Cash flow £000	Other non-cash changes £000	Exchange movements £000	At 31 December 1999 £000
Cash at bank and in hand	2,505	3,123	(169)	32	5,491
Bank overdrafts	(1,529)	926	474	-	(129)
	976	4,049	305	32	5,362
Debt due after one year	(75)	-	(4,246)	-	(4,321)
Debt due within one year	(8,427)	1,716	5,872	(258)	(1,097)
	(7,526)	5,765	1,931	(226)	(56)

As at 31 December 1999 £1,300,000 (increased to £1,350,000 subsequent to 31 December 1999) of the total cash at bank and in hand balance of £5,491,000 was on a fixed deposit account as security for the guarantee of £1,242,000, which Wolff Steel Limited has provided in respect of bank borrowings of one of its associated undertakings (Note 27).

Major non-cash transactions

In accordance with the Deed of Settlement dated 21 October 1999 the US$7 million Revenant Limited loan note

25. Consolidated cash flow statement (continued)

Major non-cash transactions (continued)

owing to Sir David Alliance was offset by the transfer to Sir David Alliance of a 5.2% equity interest in OEMK. Sir David Alliance also agreed to release the Group from all amounts owing to him in respect of interest due but unpaid and all dividends proposed but unpaid. In accordance with the option arrangements with Sir David Alliance whereby the Company can repurchase the 5.2% equity investment in OEMK in the next three years, the investment has been retained on the consolidated balance sheet under fixed assets and there is a corresponding creditor: amount falling due after more than one year (Note 30).

In accordance with a Termination Agreement dated 19 August 1999 the Company agreed to pay on behalf of Swan Metals (Jersey) Limited US$320,000 cash and to transfer 0.32% of the 2% equity investment in Lebedinsky GOK with a deemed value of US$480,000 in full and final settlement of all amounts owing to Wmac Investment Corporation ("Wmac"). On 30 September 1999 an associated company of Wmac – Leucadia National Corporation agreed to transfer back to the Company the 0.32% of the 2% equity investment in Lebedinsky in settlement of a US$120,000 financial service fee it owed to the Company (Note 30).

26. 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 £nil at 31 December 1999 (1998 - £15,060,000).

The Company has a commitment of US$6,988,000 (£4,340,000) being the maximum possible undiscounted future liability it is to incur on the exercise of the options it has with Sir David Alliance (Note 30). The fair value of this option is disclosed in Note 19(c).

At 31 December 1999 the Company had a commitment to purchase for cash, by no later than 31 May 2000, 1,225,000 ordinary shares of US$1 each in Middlesex OEMK plc from Sir David Alliance at par (Note 30). This commitment was completed on 31 May 2000 with the purchase of the shares.

At 31 December 1999 the Group and Company had no capital commitments (1998 - £nil).

27. Contingent liabilities and guarantees

Oskmet (UK) Limited's ("Oskmet") bank has a charge over all its assets as security for any borrowings which Oskmet may have from the bank. The Borrowings under their facility at 31 December 1999 were £nil (1998 - £538,000).

Middlesex OEMK plc and Oskmet have a cross guarantee for bank borrowings of up to £7,764,000 at 31 December 1999 (1998 - £7,530,000).

Wolff Steel Limited has provided guarantees in respect of bank borrowings of two of its associated undertakings. At 31 December 1999 the maximum liability under the guarantees was approximately £1.8 million (1998 - £1.6 million). At 31 December 1999 £1,300,000 (increased to £1,350,000 subsequent to 31 December 1999) was held on a fixed deposit account as security for part of the guarantees of £1,242,000 (Note 25). £250,000 of the guarantees of approximately £1.8 million has been released subsequent to 31 December 1999.

The Company has guaranteed the bank loans and overdraft of one subsidiary amounting to £1,226,000 (1998 – two subsidiaries - £1,827,000).

28. Operating lease commitments

At 31 December 1999 the Group was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings 1999 £000	**Other 1999 £000**	Land and buildings 1998 £000	Other 1998 £000
Leases which expire:				
Within one year	-	-	-	6
Within two to five years	-	**21**	24	-
Over five years	**113**	-	118	-
	113	**21**	142	6

29. 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. Contributions to the Group's Directors pensions are set out in Note 9.

30. Related party transactions

During the year the following related party transactions took place:

At 31 December 1999, Sir David Alliance, holds 1,225,000 ordinary shares representing 12.25% of the issued ordinary shares of US$1 each of Middlesex OEMK plc. In accordance with the Deed of Settlement dated 21 October 1999 signed by the Company, Sir David Alliance, Revenant Limited, Middlesex OEMK plc and Oskmet AG (the "Deed of Settlement") Sir David alliance sold 1,225,000 ordinary shares representing 12.25% of the issued ordinary shares of US$1 each of Middlesex OEMK plc, to the Company at par, on 30 November 1999. The Company was committed by 31 May 2000 to the purchase of the 1,225,000 ordinary shares representing the 12.25% it did not already own of the issued ordinary shares of US$1 each of Middlesex OEMK plc from Sir David Alliance at par at 31 December 1999. This commitment was completed on 31 May 2000 with the purchase of shares (Note 26). In 1998 a loan note which Sir David Alliance had advanced to Middlesex OEMK plc was repaid. The loan note accrued interest of 10% per annum and £111,000 was paid to Sir David Alliance in 1998.

At 31 December 1999, Middlesex OEMK plc owed to Oskol Electrometallurgical Kombinat ("OEMK") £2,958,000 (1998 - £1,155,000). At 31 December 1999, Middlesex OEMK plc owes to Oskmet AG £491,000 (1998 - £nil). Up to 16 November 1999 Oskmet AG, a company controlled by OEMK, held 2,450,000 ordinary shares representing 24.5% of the issued ordinary shares of US$1 each and 50,000 "A" ordinary shares representing 100% of the issued "A" ordinary shares of Middlesex OEMK plc. In accordance with the Deed of Settlement dated 21 October 1999 Oskmet AG sold 2,450,000 ordinary shares representing 24.5% of the issued ordinary shares of US$1 each and 50,000 "A" ordinary shares representing 100% of the issued "A" ordinary shares of £1 each of Middlesex OEMK plc to the Company at par on 16 November 1999. Oskmet AG provided administrative services to the Group for the period 1 January to 16 November 1999 for which it is due to receive a dividend from Middlesex OEMK plc on its 'A' ordinary shares of 10% of the profit being £184,000 (1998 - £55,000). Middlesex OEMK plc's 100% subsidiary Oskmet (UK) Limited has purchased, for resale, £82,352,000 (1998 - £62,267,000) worth of steel products from OEMK in the year ended 31 December 1999.

At 31 December 1999, Oskmet (DRI) Limited owed to OEMK £3,637,000 (1998 - £1,283,000). Oskmet (DRI) Limited has purchased, for resale, £12,775,000 (1998 - £23,154,000) worth of direct reduced iron product from OEMK in the year ended 31 December 1999.

At 31 December 1999, the Company owed to OEMK £2,077,000 (1998 - £488,000) and owed to Oskmet AG £1,985 (1998 - £nil).

The Deed of Settlement dated 21 October 1999 sets out the details of the Warrant Instrument which were executed as deeds of the Company following the Company's shareholders' approval at the Extraordinary General Meeting held on 16 November 1999. The terms of the Warrant Instruments are that Sir David Alliance and Oskmet AG are entitled to subscribe for 20 million new shares in the Company each at a price of 1.5p per share during a three year subscription period commencing on 16 November 1999. Any warrants outstanding thereafter will lapse (Note 20).

Oskmet AG acted as a 50% underwriter in the Company's one for six rights issue as set out in the circular dated 21 October 1999 and which was approved by the Company's shareholders at the Extraordinary General Meeting held on 16 November 1999. As a result of the rights issue being 100% subscribed none of the underwriting monies were applied for that purpose; instead the underwriters subscribed for new shares in the Company at 0.75p per share, resulting in Oskmet AG acquiring 67,533,853 shares in the Company (Note 20).

In accordance with a Termination Agreement dated 19 August 1999 signed by the Company, Leucadia National Corporation ("Leucadia"), Wmac Investment Corporation ("Wmac") and Swan Metals (Jersey) Limited ("Swan") it was agreed to terminate the Swan Shareholders' Agreement. Swan undertook aluminium trading in Tajikistan, which ceased in 1996 and has not undertaken any new business since then. Swan was owned 60% and 40% by Middlesex and Wmac, respectively. Middlesex on behalf of Swan agreed to pay US$320,000 (£199,000) cash and transferred 0.32% of the 2% equity investment it has in Lebedinsky GOK with a deemed value of US$480,000 (£293,000) (Notes 12 and 25) in full and final settlement of the shareholder's loan by Wmac to Swan (Note 17). As part of this agreement Middlesex acquired Wmac's 40% equity interest in Swan for a nominal consideration of US$1. On 30 September 1999 Leucadia transferred the 0.32% of the 2% equity investment it had acquired in Lebedinsky GOK back to the Company in settlement of a US$120,000 (£73,000) financial service fee it owed to the Company (Note 12).

In accordance with the Deed of Settlement dated 21 October 1999 the loan note of US$7 million, which Sir David Alliance had advanced to Revenant Limited ("Revenant"), was settled by the transfer, at cost, of a 5.2% equity interest in Oskol Electrometallurgical Kombinat ("OEMK") reducing Revenant's holding from 14.5% (carrying value - £11,726,000) to 9.3% (£7,521,000). The Company retains an option to repurchase the shareholding at cost within three years from 16 November 1999 being the date the transaction was approved by the Company's shareholders at an Extraordinary General Meeting. Sir David Alliance has an option to sell his shareholding, at cost, to the Company at the conclusion of the three years. The exercise of the options would require the Company to pay to Sir David Alliance 50% of the excess of the share price over US$31.50 per OEMK share to a maximum of US$118.50 per

30. Related party transactions (continued)

OEMK share. Sir David Alliance has also waived the accrued but unpaid interest on his loan note and declared but unpaid dividend by Revenant. As part of the agreement the Company acquired Sir David Alliance's 40% equity interest in Revenant for a nominal sum of US$1. The Company has also agreed not to dispose or pledge in whole or in part without the prior consent of Sir David Alliance, any of its 36% equity investment in Afon Tinplate Company Limited until the date which is the first anniversary date of the date of the exercise of the options save in the event the Company wishes to sell the whole or part of its shareholding in Afon Tinplate Company Limited upon the exercise of the options (Notes 7,12,17,18,19 and 26).

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

On 7 August 1998 the Company disposed of its 45% equity interest in Agrifarm International Limited ("Agrifarm") for a cash consideration of £17,000. In addition M A Alikhani procured the repayment to the Group by Agrifarm of £633,000 in full and final settlement of the shareholder's loan due to the Group.

The Company owned a 23.3% equity interest in Dominion Energy PLC during the period 1 January 1998 to 6 October 1998 (date shareholding disposed of). During this period the Group received £36,000 for accounting and other services.

31. Events occurring after the end of the year

(a) *Reduction of investment in* CTSC MIFK *Interfin ("Interfin")*

On 2 February 2000 the Company announced that as part of the financial restructuring of Interfin, it had disposed of half of its 40% investment in Interfin for a cash consideration of Russian Roubles 1 million (approximately US$40,000). The Company had fully provided for the cost of this investment (originally £274,000) in its 1998 financial statements.

(b) *Creation of Europe-Steel.com plc ("Europe-Steel")*

On 7 February 2000 the Company announced that it had agreed to co-operate with Gazprominvestholding, a wholly-owned subsidiary of OAO Gazprom to invest in e-commerce opportunities in Russia, the rest of the CIS and Eastern Europe. OAO Gazprom is a Russian integrated energy company and accounts for 25% of world gas production, representing about 8% of Russia's gross national product. The venture will build upon the Company's existing business base in steel trading. Europe-Steel was formed as a 50:50 venture with initial share capital of £550,000 to develop an e-commerce platform to trade steel products from mills in Russia and in due course the reminder of the CIS and Eastern Europe. Europe-Steel is to develop a dedicated web-based market allowing steel producers in Russia, CIS and Eastern Europe to access their customers worldwide. Europe-Steel's site, which will be bilingual in Russian and English, will offer a real time price and trading facility as well as product and service information. Europe-Steel believes that its site will offer producers access to new customers, cut costs, improve customer service and so help them combat the falling profitability caused by cyclical prices.

On 16 March 2000 the Company announced that Information Services Group ("Interfax Group") had subscribed for 11.2% and Hatch Associates Limited ("Hatch Beddows") had subscribed for 0.5% of Europe-Steel. Interfax Group is a leading world-wide provider of business, financial and political news with special emphasis placed on the emerging markets of Europe and Asia. The Interfax Group focuses on supplying company and industry profiles, research, news from oil and gas, metal and mining, insurance, telecommunications, agricultural and other major corporate sectors. Hatch Beddows is a leading consultant to the mining, metallurgical, energy and infrastructure industries world-wide and it will be advising Europe-Steel on all matters concerning the development of the web-site and the establishment of the trading platform. Arrangements had been made for Europe-Steel to raise £650,000 by means of a placing of 1,300,000 new ordinary shares of 1p each at 50p per share representing 10.2% of the enlarged issued share capital of Europe-Steel and an application would be made for Europe-Steel's issued ordinary shares to be traded through OFEX.

On 6 April 2000 the Company announced that the placement of £650,000 at 50p per share had been successfully completed, giving Europe-Steel a value of over £6.5 million, and that trading on OFEX was to commence on that day. Following the placement the Company has a 39.3% investment in Europe-Steel. By the end of June 2000 Europe-Steel's site will carry comprehensive data on the Russian steel market and by the end of 2000 it will offer an online trading facility.

(c) *Creation of venture with Lebedinsky* GOK *("Lebedinsky")*

On 10 April 2000 the Company announced that it had formed a new venture with Lebedinsky to market and sell Lebedinsky's iron ore products and other supplies to the global market and will purchase raw materials and inputs for Lebedinsky and other iron ore mining companies in the CIS.

NOTICE IS HEREBY GIVEN that the sixteenth Annual General Meeting of Middlesex Holdings plc will be held at The Jarvis International Regents Park, No.18 Lodge Road, St. John's Wood, London NW8 7JT at 3.00 p.m. on 12 July 2000 for the purposes of considering and, if thought fit, passing the following Resolutions of which Resolutions numbered one to six will be proposed as Ordinary Resolutions and Resolutions numbered seven to nine will be proposed as Special Resolutions

Ordinary business

1. To receive and adopt the Directors' Report and the Financial Statements for the year ended 31 December 1999.
2. To re-elect The Rt Hon the Lord Owen of the City of Plymouth, CH, as a Director of the Company.
3. To re-elect I Falconer as a Director of the Company.
4. To elect Lord Chandos as a Director of the Company.
5. To re-appoint Deloitte & Touche as auditors and to authorise the Directors to agree their remuneration.

Special business

6. 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 of the Act) up to an aggregate nominal amount of £1,048,645.89 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 2001 or the date falling fifteen 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.

7. 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

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £135,000;

and shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2001 or the date falling fifteen 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.

8. That:

the Company is hereby granted general and unconditional authority pursuant to Section 166 of the Act to make one or more market purchases (as defined in Section 163 (3) of the said Act) of any of its ordinary shares of 0.25p each on such terms and in such manner as the Board of Directors of the Company may from time to time determine; provided that the general authority conferred by this Resolution shall:

(i) unless previously revoked, varied or renewed, expire fifteen months after the date of passing of this Resolution, or at the conclusion of the Annual General Meeting of the Company to be held in 2001 whichever is earlier;

(ii) be limited to any number of such ordinary shares of 0.25p each not exceeding 54,000,000 in aggregate;

(iii) not permit the payment for an ordinary share of 0.25p of less than 0.25p or more than 105% of the average of the middle market quotation for an ordinary share as derived from The Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased (in each case exclusive of expenses and Advance Corporation Tax (if any) payable by the Company); and

(iv) before its expiry, entitle the Company to enter into any contract for the purchase of its own ordinary shares of 0.25p each which might be executed wholly or partly after its expiry and may make purchases of its own shares in pursuant of any such contract; and

this authority shall only be capable of variation, revocation or renewal by the Company in General Meeting by Ordinary Resolution.

9. That:

the sum standing to the credit of the share premium account of the Company be reduced by £5,740,709.

By order of the Board

J P Gorman, FCA
Company Secretary
Fifth Floor
100 Avenue Road
London NW3 3HF
8 June 2000

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 Authority (if any) under which it is signed, or a notarially certified copy of such Power of Attorney, must be deposited at the offices of the Registrars, IRG plc, 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.

(ii) Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the Company specifies that only those shareholders registered in the Register of Members of the Company as at 6.00 p.m. on 10 July 2000 shall be entitled to attend or vote at the aforesaid Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 6.00 p.m. on 10 July 2000 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

(iii) Copies of the Executive Directors' service contracts and Register of Directors' Interests in the share capital of the Company will be available for inspection at the registered office of the Company during normal business hours and at the The Jarvis International Regents Park, No. 18 Lodge Road, St. John's Wood, London NW8 7JT from 2.45 p.m. on 12 July 2000 until the close of the Annual General Meeting.

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Middlesex Holdings plc
Fifth Floor
100 Avenue Road
London NW3 3HF
Tel: +44 20 7483 2426
Fax: +44 20 7483 2760
Email: info@middlesexholdings.plc.uk
Website: www.middlesexholdings.plc.uk