

Financial Statements

31st December 2000



Tokyo-Mitsubishi International plc

Company Number : 1698498



Tokyo-Mitsubishi International plc

Directors' Report

The directors present their annual report and financial statements for the year ended 31st December 2000.

Principal Activities

As the London-based international capital markets arm of The Bank of Tokyo-Mitsubishi, Ltd., the company ("TMI") is active in the fixed income, derivatives, structured finance and equity-linked markets.

TMI is regulated by The Securities and Futures Authority Limited and is a member of The London International Financial Futures & Options Exchange, the International Securities Market Association and the International Primary Market Association.

Results and Dividend

The results for the year are set out on page 8 and the loss for the year amounted to £31,723,000 (1999 loss £19,802,000).

The Directors do not recommend the payment of a dividend for 2000 (1999 nil).

Directors

The directors are as follows:

M Yamada
H Kimura
N Abe
K Komagata
T Fujimoto
N Hirota
H Suzuki
H Watanabe
A D Loehnis, C.M.G.

Mr F Shimura resigned and Mr H Kimura was appointed on 3rd July 2000.

Mr K Wakabayashi resigned on 8th June 2000 and Mr N Abe was appointed on 3rd July 2000.

Mr F Yano resigned and Mr T Fujimoto was appointed on 1st June 2000.

Mr J Fujii resigned on 22nd June 2000 and Mr N Hirota was appointed on 11th July 2000.

None of the directors had any interest in the shares of the company at any time during the year.

Employees

It is the policy of the company to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion are encouraged. Various means are used to communicate with employees on personnel policies and issues and on the performance, objectives and business direction of the company.



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Payment to Creditors

It is the company's policy to settle all of its trading transactions on the agreed settlement date. In relation to all of its suppliers, the policy is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms. The company does not follow any code or statement on payment practice. The number of days purchases outstanding for payment by the company at 31st December 2000 was 19 days.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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 of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the board

Richard House
Secretary

6 Broadgate
London EC2M 2AA

2nd March 2001



Tokyo-Mitsubishi International plc

Auditors' Report to the Shareholders of Tokyo-Mitsubishi International plc

We have audited the financial statements on pages 4 – 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board 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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examinations, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors
London

2nd March 2001



Tokyo-Mitsubishi International plc

Accounting Policies

Basis of Preparation

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the company's financial statements.

Format of Financial Statements

The financial statements of a dealer in securities require special treatment, which is not dealt with in the statutory requirements, in order to present a true and fair view of its state of affairs and results. Accordingly, the directors believe that for the best presentation of the company's results and financial position, it is necessary to depart from the statutory accounting rules. A company dealing in securities has no equivalent to turnover, cost of sales and gross profit and therefore income from operations represents the net amount earned from trading and from holding positions in securities. Interest arising therefrom forms an integral part of the income from operations and, because it is reflected also in movements in market prices, should not be separately identified.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of dealing securities, and in accordance with applicable accounting standards and with the Companies Act 1985, except as noted below in respect of dealing securities.

Dealing securities held as current trading assets are stated at market value and profits and losses arising from this valuation are taken to the profit and loss account. This is not in accordance with Schedule 4 to the Companies Act 1985 which requires that such assets be stated at the lower of cost and net realisable value, or that if revalued any revaluation differences be taken to revaluation reserve. The directors consider that these requirements would fail to give a true and fair view of the profit/loss for the year of an investing enterprise that holds readily marketable investments as current assets since their marketability enables decisions to be taken continually about whether to hold or sell those assets, and hence the economic measure of performance in any period is properly made by reference to market values. It is not practicable to quantify the effect on the accounts of these departures since information on original cost, being of no continuing relevance to the business, is not readily available and therefore a note of the historical cost profit or loss, as required by paragraph 26 of Financial Reporting Standard No 3, has not been presented.

Securities

Securities held for trading purposes are stated at market value. Securities held to provide, in the longer term, income or capital growth are shown at cost less provision for any permanent diminution in value. Hence fair value adjustments are not made.

Open futures are accounted for on a marked-to-market basis unless they hedge long term investments, in which case gains or losses on the contracts are deferred and amortised over the life of the hedged instrument. Premium or discounts on purchased long term investments are deferred and amortised over the life of the underlying assets. All premiums, discount and hedge deferrals are eliminated if the underlying assets is sold or matures.

Transactions are accounted for on a trade date basis.



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Accounting Policies *(continued)*

Derivatives

Derivative instruments are used as part of the Company's trading activities and are also used to hedge certain trading assets and liabilities. These contracts are marked to market on the balance sheet, and realised and unrealised gains and losses from trading activities, and associated hedges, are taken directly to profit and loss account. However certain derivatives entered into with a view to managing interest rate exposures, are accounted for on an accruals basis.

Assets and liabilities resulting from gains or losses on derivatives are reported in debtors or creditors as appropriate and are presented net by counterparty where there is a legal right to set off in accordance with general industry practice.

Management Fees and Commission

Management fees and commission are accounted for on an accruals basis.

Repurchase and Resale Agreements

Repurchase and resale agreements are regarded as financing transactions and are shown as debtors and creditors respectively.

Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies and open forward foreign exchange contracts are translated using the rate of exchange ruling at the balance sheet date. Gains or losses on translation are included in the profit and loss account. Fixed asset investments denominated in foreign currency are translated using the rate of exchange ruling at the balance sheet date. Gains or losses on translation are offset against the corresponding gain or loss on translating the matched borrowings.

Depreciation

Depreciation is provided to write off the cost less estimated residual value of fixed tangible assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	10 - 25 years
Office furniture and fittings	5 years
Motor vehicles	4 years
Office machinery and computer software	4 years

Taxation

Provision is made for deferred taxation only to the extent that it is considered probable that an actual liability will arise.

Pensions

Based on actuarial advice, pension costs are charged to the profit and loss account so as to produce a regular cost which is a substantially level percentage of the current and expected future pensionable payroll. Variations from the regular cost are allocated over the remaining service lives of current employees.



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Business and Risk Management Policies

1 Role of Financial Instruments

a) The Nature and Purpose for which financial instruments are held

The company maintains positions in financial instruments for three principal reasons:

- as a result of the sale or assignment of structured or derivative positions to our clients (usually on the over-the-counter market);
- to hedge positions in our own books created by the business noted above; and
- for trading or arbitrage purposes.

In addition to the activities noted above the company also acts as agent for its customers in the purchase, sale and assignment of securities and derivatives listed on recognised investment exchanges.

b) An explanation of objectives, policies and strategies relating to financial instruments including hedging

The majority of the financial instruments are held as part of portfolios which are maintained and monitored by instrument or risk type. The positions thus maintained will result from the company's normal market activities. The company maintains a variety of hedging strategies. Individual trading areas are allocated risk limits based on a wide range of market factors and are required to maintain portfolios within those limits. As such they are responsible for maintaining hedges at a macro level.

The development of new business is subject to a detailed approval process, which aims to encourage the proactive identification of risks and rewards before the company transacts in new financial instruments or services. This process includes the setting of any limits applicable to the new business.

A more detailed explanation of risk strategy and factors is given below.

There have been no significant changes in the factors noted above as compared to the previous accounting period.

2 Risk Management

The company manages market risk through the Risk Management Committee, which is chaired by the Chief Executive Officer. Day to day responsibility rests with the independent risk management function, the head of which reports independently of the business units to the Chief Executive Officer of the company.

TMI uses a wide range of techniques to manage the market price risk in its trading book, including Value at Risk methodologies. The VaR of a trading book is the expected loss that will arise on the trading book over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). TMI uses VaR methodologies to monitor the price risks arising from different trading books. Actual profit and loss outcomes are also monitored to test the validity of the assumptions made in the calculation of VaR. The VaR figures disclosed below are based on a Variance/Covariance model combined with scenario analyses for options portfolios. Aggregate risk is computed as the square root of the sums of squares of individual groups of portfolios.



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Business and Risk Management Policies *(continued)*

Assuming a 95% confidence level and a one-day holding period, the VaR for TMI's trading book as at 29th December 2000 was £4.4M (1999: £3.2M). The average, highest and lowest VaR for the trading book during 2000 were respectively £4.0M (1999: £3.8 M), £5.4 M (1999: £5.6 M) and £2.3M (1999: £1.8M). This means that, on the basis of the risks in the trading book as at 29th December 2000, TMI expected not to incur a loss on its trading book of more than £4.4M in any one day more than 5% of the time. In both 2000 and 1999 the number of occasions on which actual trading book outcomes (both profits and losses) exceeded the previous day's VaR was within the expected bounds.

TMI recognises that VaR measures of market price risk, considered in isolation, have limitations. It is for this reason that TMI uses a wide range of other risk measurement techniques, for example stop-loss limits, position limits and risk factor sensitivity limits, to manage its market risk exposures. The VaR figures disclosed above have the following limitations.

- The historical data on which the calculations have been based may not reflect all the factors that are relevant to the estimation of VaR, give the correct weight to these factors, or be the best estimate of risk factor changes that will occur in the future.
- Using a one-day time horizon does not fully capture the market price risk of positions that cannot be closed off within one day. Similarly, focusing on the maximum loss that is to be expected to be incurred 95% of the time says little about the smaller losses that are expected to be incurred more frequently, or the larger losses in excess of VaR that are expected to be incurred 5% of the time.
- All the VaR figures disclosed above are based on calculations performed at the end of each business day. The VaR during the course of a single day may change substantially, and the end-of-day figure may not be representative of the figure at other times of the day.
- The aggregation method used to derive the VaR figures disclosed above implicitly assumes independence between different groups of portfolios run by different businesses within TMI. This assumption may not be realistic, although it is the best estimate available based on empirical evidence. TMI does not rely solely on VaR measures to control the market risks in its trading book. Instead TMI sets a wide range of limits on other risk parameters which act as the main control on the risks incurred by different trading books.

The company manages its credit risks in accordance with credit policies determined by the parent bank. The credit function is independent of the business areas. Counterparty exposure is managed through a process of limit setting and exception reporting with credit policy determining the maximum exposure on both a group and company basis. The company uses an internal credit rating system to manage the credit risk of individual counterparties.

Liquidity Risk is controlled by a process that ensures that cumulative financing requirements are restricted to pre-set levels, on both a next day and next eight calendar day basis. In addition, to ensure that the company has sufficient reserves to guard against any unforeseen event, the Treasury function operates within an unsecured funding limit that is set at a level below the estimated level of funds available. A key operating requirement of the Treasury function is to ensure that the company's long term assets, one year's annual operating expenses and long dated investments are covered by long term equity and existing credit lines.

During the course of Treasury's financing activities, there is often a need to swap surplus flows in one currency into another, a process achieved via swap transactions. Similarly, financial futures are also occasionally used to mitigate any interest rate risk arising from funding the company's operations.



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Profit and Loss Account

For the year ended 31st December 2000

	Notes	2000 £'000	1999 £'000
Income from Operations	1	67,365	58,618
Administrative expenses	2 - 4	(102,215)	(78,420)
Loss on ordinary activities before taxation	1	(34,850)	(19,802)
Taxation on ordinary activities	5	3,127	-
Loss on ordinary activities after taxation		<u>(31,723)</u>	<u>(19,802)</u>

The company has no recognised gains and losses during the current and previous year other than the loss for the year. All losses shown above are derived from continuing operations.



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Balance Sheet

As at 31st December 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	6	12,840	13,852
Investment	21	2,128	2,148
		<u>14,968</u>	<u>16,000</u>
Current assets			
Debtors	7	7,855,595	5,090,904
Securities	8	3,475,722	2,430,907
Cash at bank and in hand		3,021	7,885
		<u>11,334,338</u>	<u>7,529,696</u>
Creditors: Amounts falling due within one year	9	<u>(10,235,939)</u>	<u>(6,428,272)</u>
Net current assets		<u>1,098,399</u>	<u>1,101,424</u>
Total assets less current liabilities		<u>1,113,367</u>	<u>1,117,424</u>
Creditors: Amounts falling due after more than one year	10	<u>(831,412)</u>	<u>(803,746)</u>
Net assets		<u>281,955</u>	<u>313,678</u>
Capital and Reserves			
Called up share capital	15	333,480	333,480
Profit and loss account	16	(51,525)	(19,802)
Shareholders' Funds	17	<u>281,955</u>	<u>313,678</u>

The accounts on pages 4 to 20 were approved by the Board of Directors on 2nd March 2001 and signed on its behalf by:

Kokichi Komagata
Director

2nd March 2001



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Cash Flow Statement

For the year ended 31st December 2000

	Notes	2000 £'000	1999 £'000
Net cash outflow from operating activities	(i)	(20,534)	(222,671)
Capital expenditure	(ii)	(2,992)	(5,396)
Net cash outflow before financing		(23,526)	(228,067)
Financing	(ii)	185,552	77,212
Issue of Ordinary share capital		-	185,000
Increase in cash in the year		<u>162,026</u>	<u>34,145</u>

Reconciliation of net cash flow to movement in net debt

	2000 £'000	1999 £'000
Increase in cash in period	162,026	34,145
Cash inflow from increase in long-term debt	(339,190)	(184,484)
Cash outflow from redemption of long-term debt	61,929	149,216
Effect of foreign exchange	(14,352)	(66,261)
Other movements	91,709	(41,944)
Movement in net debt in period	(37,878)	(109,328)
Net debt at 1st January	<u>(1,015,978)</u>	<u>(906,650)</u>
Net debt at 31st December	(iii) <u>(1,053,856)</u>	<u>(1,015,978)</u>



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Notes on the Cash Flow Statement

(i) Reconciliation of Operating loss to net Cash Outflow in Operating Activities

	2000 £'000	1999 £'000
Income from operations	67,365	58,618
Administrative expenses	(102,215)	(78,420)
Depreciation charges	4,024	4,430
Profit on disposal of fixed assets	(20)	(43)
Tax refund	3,127	-
Decrease in securities	2,089,142	582,035
(Increase)/Decrease in debtors	(2,764,691)	3,898
Increase/(Decrease) in creditors	668,362	(859,704)
Effect of foreign exchange differences	14,372	66,515
Net cash outflow from operating activities	<u>(20,534)</u>	<u>(222,671)</u>

(ii) Analysis of Cash Flows for headings netted in Cash Flow Statement

	£'000	£'000
Capital Expenditure		
Additions to tangible fixed assets	(3,019)	(5,452)
Disposal of tangible fixed assets	27	56
Net cash outflow for capital expenditure	<u>(2,992)</u>	<u>(5,396)</u>
Financing		
Proceeds of notes issues and borrowing	764,299	417,411
Redemption of note issues and borrowing	(578,747)	(340,199)
Net cash inflow from financing	<u>185,552</u>	<u>77,212</u>

(iii) Analysis of changes in net debt

	At 1/1/00 £'000	Cash flows £'000	Other changes £'000	At 31/12/00 £'000
Cash in hand at bank	7,885	(4,864)	-	3,021
Overdrafts	(1,292)	(951)	-	(2,243)
	<u>6,593</u>	<u>(5,815)</u>	<u>-</u>	<u>778</u>
Debt due within 1 year	(218,825)	91,709	(96,106)	(223,222)
Debt due after 1 year	(803,746)	(277,261)	249,595	(831,412)
Total	<u>(1,015,978)</u>	<u>(191,367)</u>	<u>153,489</u>	<u>(1,053,856)</u>



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Notes on the Financial Statements

1 Income from operations and profit/loss on ordinary activities before taxation

The whole of the income from operations and profit/loss on ordinary activities is derived from substantially the same class of business and in a market which is not delineated by geographical bands.

The income of the year is after charging a loss of £17 million from the sale of certain securities previously recorded at cost as they were intended to be held for the longer term, and the termination of associated hedges.

2 Administrative Expenses

	2000 £'000	1999 £'000
Staff costs (note 3)	59,175	38,392
Depreciation of fixed tangible assets	4,024	4,430
Operating lease rentals:		
Hire of quotation and communication equipment	3,602	3,321
Rental of premises	3,075	2,979
Auditors' remuneration:		
Audit fees	112	110
Non audit related fees	142	217
Profit on disposal of fixed assets	(20)	(42)
Other administrative expenses	32,105	29,013
	<u>102,215</u>	<u>78,420</u>

3 Staff costs

	2000	1999
Average number of employees	323	325
Employee costs (Excluding directors' emoluments)	£'000	£'000
Wages and salaries	50,545	32,264
Social security costs	5,662	3,440
Pension costs	2,968	2,688
	<u>59,175</u>	<u>38,392</u>

4 Directors' Emoluments

	2000 £'000	1999 £'000
Fees	-	-
Emoluments (excluding pension contribution)	1,120	1,122
	<u>1,120</u>	<u>1,122</u>

The emoluments of the highest paid director amounted to £241,466 (1999 £270,586).



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Notes *(continued)*

5 Taxation on ordinary activities

The tax credit is due to a refund of tax paid in an earlier year as a result of losses carried back. There has been no charge made for UK corporation tax due to the loss for the year.

6 Fixed tangible assets

	Leasehold improvements £'000	Office furniture and fittings £'000	Motor vehicles £'000	Office machinery £'000	Total £'000
Cost					
At 1st January 2000	6,994	462	261	23,245	30,962
Additions	47	160	-	2,812	3,019
Disposals	-	-	(79)	(34)	(113)
At 31st December 2000	<u>7,041</u>	<u>622</u>	<u>182</u>	<u>26,023</u>	<u>33,868</u>
Depreciation					
At 1st January 2000	3,409	217	242	13,242	17,110
Charge for the year	443	78	14	3,489	4,024
Disposals	-	-	(74)	(32)	(106)
At 31st December 2000	<u>3,852</u>	<u>295</u>	<u>182</u>	<u>16,699</u>	<u>21,028</u>
Net book value at 31st December 2000	<u>3,189</u>	<u>327</u>	<u>-</u>	<u>9,324</u>	<u>12,840</u>
Net book value at 31st December 1999	<u>3,585</u>	<u>245</u>	<u>19</u>	<u>10,003</u>	<u>13,852</u>

7 Debtors: Due within one year

	2000 £'000	1999 £'000
Securities sold but not delivered	152,442	38,422
Reverse repurchase agreements	5,890,348	2,168,669
Amounts owed by group undertakings	129,777	215,541
Derivatives	1,299,970	2,346,899
Other debtors	233,783	232,285
Prepayments and accrued income	149,275	89,088
	<u>7,855,595</u>	<u>5,090,904</u>



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Notes (continued)

8 Securities

	2000		1999	
	Listed £'000	Unlisted £'000	Listed £'000	Unlisted £'000
Dealing securities, at market value	2,347,515	1,122,135	1,632,621	584,920
Securities held at cost				
market value £5,850,979 (1999 £201,895,488)	6,072	-	213,366	-
	<u>2,353,587</u>	<u>1,122,135</u>	<u>1,845,987</u>	<u>584,920</u>
Total	<u>3,475,722</u>		<u>2,430,907</u>	

Of the dealing securities £431,081,933 (1999 £400,744,258) are listed on the London Stock Exchange Limited and the rest on stock exchanges outside Great Britain.

9 Creditors: Due within one year

	2000 £'000	1999 £'000
Securities bought but not delivered	246,154	83,301
Repurchase agreements	3,280,159	1,877,777
Amount owed to group undertakings	566,403	398,402
Dealing securities at market value (listed)	3,789,065	790,024
Dealing securities at market value (unlisted)	202,721	67,805
Derivatives	1,557,811	2,864,890
Bank loans and overdrafts	2,243	1,292
Short term borrowings	223,222	218,825
Tax and social security	4,177	2,102
Other creditors	363,984	123,854
	<u>10,235,939</u>	<u>6,428,272</u>

Of the dealing securities, £77,698,825 (1999 £39,091,930) are listed on the London Stock Exchange Limited and the rest on stock exchanges outside Great Britain.

10 Creditors: Due after more than one year

	2000		1999	
	£'000	£'000	£'000	£'000
Amounts repayable within	2-5 years	over 5 years	2-5 years	over 5 years
Japanese Yen loans at rates of interest between 3.95% and 4.48%	233,814	-	245,091	18,382
USD notes at rates of interest between 0% and 8.5%	-	86,271	24,893	76,856
Japanese Yen notes at rates of interest between 0.1% and 4%	45,535	73,651	6,127	29,411
USD Floating Rate Notes	103,427	16,784	164,328	28,004
Japanese Yen Floating Rate Notes	126,789	75,990	6,324	48,751
Amount owed to group undertakings	69,151	-	155,579	-
	<u>578,716</u>	<u>252,696</u>	<u>602,342</u>	<u>201,404</u>
	<u>831,412</u>		<u>803,746</u>	



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Notes *(continued)*

11 Fair Values of Financial Assets and Liabilities

Set out below is a comparison by category of book amounts and fair values of the company's trading and non-trading financial assets and liabilities.

	2000		1999	
	Book Amount £'000	Fair Value £'000	Book Amount £'000	Fair Value £'000
Instruments held or issued to finance the company's operations				
Debt securities issued	(588,980)	(607,296)	(481,814)	(482,943)
Money market assets	164,858	164,858	203,767	203,741
Money market liabilities	(877,136)	(890,425)	(817,454)	(835,914)
Interest rate swaps and similar instruments	426,614	457,996	885,729	905,681
Funding offset with trading and investment areas	883,391	883,468	215,362	215,267
Investment assets and liabilities				
Debt securities	6,072	5,851	213,366	201,895
Repurchase agreements	-	-	(186,633)	(186,633)
Interest rate swaps and similar instruments	10,323	9,951	8,768	(1,151)
Funding offset with financing area	228,014	228,201	226,908	226,908
Trading assets and liabilities				
Securities	3,469,650	3,469,650	2,217,541	2,217,541
Securities (short positions)	(3,991,786)	(3,991,786)	(857,829)	(857,829)
Debt securities issued	(162,689)	(162,689)	(121,705)	(121,705)
Repurchase agreements	(3,280,159)	(3,280,159)	(1,691,144)	(1,691,144)
Reverse repurchase agreements	5,890,348	5,890,348	2,168,669	2,168,669
Options purchased	341,367	341,367	180,026	180,026
Options sold	(379,998)	(379,998)	(260,441)	(260,441)
Interest rate swaps and similar instruments	(669,738)	(669,738)	(1,332,073)	(1,332,073)
Funding offset with financing and non-trading areas	(1,111,669)	(1,111,669)	(442,175)	(442,175)

All futures contracts shown above are entered into on a recognised exchange. Profits and losses on futures contracts are paid to the relevant exchange on a daily basis. On a mark-to-market basis, the balance sheet value of these contracts net of such payments is therefore zero. Under the accruals accounting methodology, certain gains on futures and options contracts are deferred if they hedge an existing bond position. The balances of these amounts are shown above.



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Notes *(continued)*

Certain trading assets are funded by non-trading or financing areas. Where this is the case, the above amounts include the effects of the transaction with the relevant trading area.

Hedge transactions are accounted for in accordance with the accounting treatment of the underlying transaction. Any hedge gains or losses recognised during the year offset gains or losses on the item being hedged. The unrecognised and deferred gains and losses on hedges at 31st December 2000 are not material.

12 Foreign Currency Exposures

The company's objective in managing currency exposures is to minimise exposure to currency related risks. As a natural consequence of trading in a multi-currency environment the company will make profits in a number of currencies. These profits are periodically converted into sterling.

Within financing and non-trading areas the foreign currency exposures of assets and liabilities is not material.

13 Interest Rate Sensitivity Gap Analysis

The following tables provide an analysis of the aggregate amounts of financing and non-trading assets and liabilities, analysed by category of asset and liability and, within those categories, into time bands. The interest rate sensitivity of the trading assets and liabilities are included within the VaR analysis at page 6.

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non- interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 31st December 2000							
Non-trading assets							
Money market instruments	164,858	-	-	-	-	-	164,858
Debt securities	6,072	-	-	-	-	-	6,072
Other internal assets with trading books	1,456,599	4,978	-	13,877	72,843	-	1,548,297
Non-interest bearing assets	-	-	-	-	-	148	148
Total non-trading assets	1,627,529	4,978	-	13,877	72,843	148	1,719,375



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Notes (continued)

Interest Rate Sensitivity Gap Analysis (continued)

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non- interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-trading liabilities							
Money market instruments	(758,360)	(1,869)	-	(116,907)	-	-	(877,136)
Debt securities issued	(262,216)	(76,720)	(19,272)	(39,719)	(191,053)	-	(588,980)
Repurchase agreements	-	-	-	-	-	-	-
Non-interest bearing liabilities	-	-	-	-	-	(8,895)	(8,895)
Total non-trading liabilities	(1,020,576)	(78,589)	(19,272)	(156,626)	(191,053)	(8,895)	(1,475,011)
Off balance sheet items	(816,384)	258,153	19,272	420,749	118,210	-	-
Interest rate sensitivity gap	(209,431)	184,542	-	278,000	-	(8,747)	244,364
As at 31st December 1999							
Non-trading assets							
Money market instruments	651,554	-	26,041	-	-	-	677,595
Debt securities	10,262	-	9,265	62,942	130,898	-	213,367
Other internal assets with trading books	421,016	366,127	-	30,636	57,654	-	875,433
Non-interest bearing assets	-	-	-	-	-	32,632	32,632
Total non-trading Assets	1,082,832	366,127	35,306	93,578	188,552	32,632	1,799,027
Non-trading liabilities							
Money market instruments	(701,594)	-	-	(122,545)	(18,382)	-	(842,521)
Debt securities issued	(287,405)	(41,244)	(30,583)	(40,355)	(82,227)	-	(481,814)
Repurchase agreements	(186,633)	-	-	-	-	-	(186,633)
Non-interest bearing Liabilities	-	-	-	-	-	(15,977)	(15,977)
Total non-trading Liabilities	(1,175,632)	(41,244)	(30,583)	(162,900)	(100,609)	(15,977)	(1,526,945)
Off balance sheet items	(498,780)	50,952	-	425,264	22,564	-	-
Interest rate sensitivity gap	(591,580)	375,835	4,723	355,942	110,507	16,655	272,082

Certain trading assets are funded by non-trading or financing areas. Where this is the case, the above amounts include the effects of the transaction with the relevant trading area. In each case above the balance of assets represents the invested share capital of the previous year less accumulated operating expenditure.



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Notes *(continued)*

14 Gains and losses on financial assets and financial liabilities held or issued for trading

The net gain from trading in financial assets and liabilities shown in the profit and loss account for the year ended 31st December 2000 can be analysed into the following business areas:

	2000 £'000	1999 £'000
Fixed income	31,035	7,086
Equity	29,234	17,374
Structured products	11,640	21,972
Commodity	3,071	-
	<u>74,980</u>	<u>46,432</u>

All of the above business areas include securities and derivative instruments.

15 Called up share capital

	2000		1999	
	No '000	£'000	No '000	£'000
Ordinary shares of £1 each:				
Authorised	500,000	500,000	500,000	500,000
Allotted, called up and fully paid	<u>333,480</u>	<u>333,480</u>	<u>333,480</u>	<u>333,480</u>

16 Reserves

Profit and
Loss Account

	£'000
Balance at 1st January 2000	(19,802)
Loss for the year	<u>(31,723)</u>
Balance at 31st December 2000	<u>(51,525)</u>

17 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Opening shareholders' funds	313,678	148,480
Increase in share capital	-	120,980
Increase in share premium account	-	64,020
Retained loss for the financial year	<u>(31,723)</u>	<u>(19,802)</u>
Closing shareholders' funds	<u>281,955</u>	<u>313,678</u>

Shareholders' funds are solely attributable to equity interests.



Tokyo-Mitsubishi International plc

Notes *(continued)*

18 Guarantees, Contingent Liabilities and Commitments

In the ordinary course of its business the company entered into contracts for swaps, futures and options and other financial instruments. Annual commitments under non-cancellable operating leases, all of which expire in over five years time are £2,932,000 (1999 £2,932,000).

There were no material outstanding guarantees or contingent liabilities, other than those incurred in the normal course of the company's business on which no loss is expected.

19 Pension Fund

On 6th April 1997 a Group Personal Pension Plan (GPPP) was started for certain employees. With effect from 2nd July 1999 all employees joining the company are entitled to join the GPPP.

The Company also provides a defined benefit pension scheme which was closed to new entrants from 2nd July 1999. An actuarial valuation was performed as at 6th April 2000. The results of the valuation, which was performed using the attained age method, showed that the assets of the scheme amounted to £30,079,408 and were sufficient to secure 106% of the liabilities of the scheme based on projected final pensionable salaries. The main actuarial assumptions were an investment rate of return of 8.5% per annum, an increase in salaries of 7% and that pensions would increase in payment by 4.5%. The charge to the Profit and Loss Account for 2000 was £1,792,230 (1999 £1,907,175).

20 Related Party Transactions

Disclosures in respect of related party transactions are not required because the company, as a wholly owned subsidiary, is entitled to the exemption given in Financial Reporting Standard 8 (FRS 8).

21 Investment in Subsidiary

The company owns the whole of the issued ordinary share capital in the following subsidiaries:

	<u>Country of Incorporation</u>	<u>Main Activity</u>
BTM Securities (Spain) S.A., S.V.B.	Spain	Securities dealing
TMI Nominees Limited	United Kingdom	Nominee for TMI

The subsidiaries have been treated as fixed asset investments and are stated at cost adjusted for exchange rate fluctuations. Both subsidiaries are not consolidated into the company's financial statements as they are not material for the purpose of giving a true and fair view.



Tokyo-Mitsubishi International plc

Notes *(continued)*

22 Ultimate Holding Company

The company is a wholly owned subsidiary of its ultimate holding company, The Bank of Tokyo-Mitsubishi, Ltd. which is incorporated in Japan. The company's financial statements are consolidated in the accounts of The Bank of Tokyo-Mitsubishi, Ltd. Copies of the group financial statements of the ultimate holding company are available from:

The Bank of Tokyo-Mitsubishi, Ltd.
7-1, Marunouchi 2-chome
Chiyoda-ku
Tokyo 100
Japan