Financial Statements
31st December 2003

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 2003.

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 markets.

TMI is regulated by The Financial Services Authority and is a member of Euronext LIFFE, Eurex, LCH. Clearnet, 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 profit for the year amounted to £31,001,000 (2002 loss £18,900,000).

The Directors do not recommend the payment of a dividend for 2003 (2002 nil).

Future Development

On 3rd February 2004, Mitsubishi Securities Co., Ltd. (Mitsubishi Securities) in Japan has entered into discussions with our parent company The Bank of Tokyo-Mitsubishi Ltd to acquire Tokyo-Mitsubishi International plc (TMI). Mitsubishi Securities was established in September 2002 and is continuing to develop its position as the core securities and investment banking business in the Mitsubishi Tokyo Financial Group (MTFG).

Directors

The directors are as follows:

T Iwata	(appointed on 29th May 2003)
T Yanagisawa	(appointed on 18th June 2003)
K Komagata	
N Abe	
Y Satake	(appointed on 29th May 2003)
T Fujimoto	
T Heffernan	
S Ninomaru	(appointed on 11th July 2003)
A D Loehnis, C.M.G.	

Mr T Imagawa resigned on 26th May 2003.
Mr Y Shono resigned on 26th May 2003.
Mr H Kimura resigned on 18th June 2003.
Mr H Watanabe resigned on 11th July 2003.

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.

Tokyo-Mitsubishi International plc

Donations

Charitable donations of £6,569 (2002 £2,344) were made during the year.

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 2003 was 20 days.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for re-appointment of KPMG LLP 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

25th March 2004

Tokyo-Mitsubishi International plc

Independent Auditors' Report to the Members of Tokyo-Mitsubishi International plc

We have audited the financial statements on pages 4 – 26.

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

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 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
London

25th March 2004

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, derivatives and repurchase and resale agreements.

Dealing securities held as current trading assets, derivatives, and repurchase and resale agreements, 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/liabilities 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/liabilities 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.

Transactions are accounted for on a trade date basis.

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.

Accounting Policies *(continued)*

Management Fees and Commission

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

Repurchase and Resale Agreements

Repurchase and resale agreements are stated at the marked to market value based on the net present value of the associated cash flows. These are shown as creditors and debtors respectively and are presented net by counterparty where there is a legal right to set off in accordance with general industry practice.

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. 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
Office equipment	4 years
Office equipment on finance leases	5 years

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date. Deferred tax assets are recognised, without discounting, to the extent that it is regarded as more likely than not they will be recovered.

Pensions

For the defined benefit pension scheme 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.

For the defined contribution scheme, pension costs are charged to the profit and loss account which represents the contributions payable to the scheme in respect of the accounting period.

Finance and operating leases

Assets held under finance leases are capitalised and included in tangible assets and the corresponding liability to the lessor is included in creditors. Finance charges payable are recognised over the periods of the leases, based on the interest rates implicit in the leases. Rentals payable under operating leases are accounted for on the straight-line basis over the periods of the leases and are included in administration expenses.

Tokyo-Mitsubishi International plc

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. This VaR methodology is used primarily for BTM Head Office reporting.

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 31st December 2003 was £1.0M (2002: £0.9M). The average, highest and lowest VaR for the trading book during 2003 were respectively £1.4M (2002: £1.9M), £2.0M (2002: £2.9M) and £1.0M (2002: £0.9M). This means that, on the basis of the risks in the trading book as at 31st December 2003, TMI expected not to incur a loss on its trading book of more than £1.0M in any one day more than 5% of the time. In both 2003 and 2002 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 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.

In addition to the VaR methodology described above, which is used for BTM Head Office reporting. TMI also uses an internal Value at Risk methodology, based primarily on a Historic Simulation model. Based on this model, converted (as above) to a 95% confidence level and a one day holding period, the VaR for TMI's trading portfolio as at 31st December 2003 was £1.0M. The average, highest and lowest VaR for the trading book during 2003 using this model were respectively £1.3M, £2.2M and £1.0M.

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.

Profit and Loss Account

For the year ended 31st December 2003

	Notes	2003 £'000	2002 £'000
Income from Operations	1	87,431	50,414
Administrative expenses	2 - 4	(64,743)	(69,314)
Operating Profit/(Loss)		22,688	(18,900)
Profit on sale of investment in subsidiary	23	7,914	-
Profit/(Loss) on ordinary activities before taxation	1	30,602	(18,900)
Taxation on ordinary activities	5	399	-
Profit/(Loss) on ordinary activities after taxation		31,001	(18,900)

The company has no recognised gains and losses during the current and previous year other than the profit for the year. Other than profit on sale of investment in subsidiary, all profits are derived from continuing operations.

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Balance Sheet

As at 31st December 2003

	Notes		2003 £'000	2002 £'000
Fixed assets				
Tangible assets	6		12,845	15,673
Investment	23		-	2,231
			12,845	17,904
Current assets				
Debtors	7	6,324,483		2,801,644
Securities	8	1,392,253		1,167,554
Cash at bank and in hand		6,942		2,135
		7,723,678		3,971,333
Creditors: Amounts falling due within one year	9	(6,891,943)		(3,182,056)
Net current assets			831,735	789,277
Total assets less current liabilities			844,580	807,181
Creditors: Amounts falling due after more than one year	10		(549,300)	(542,902)
Net assets			295,280	264,279
Capital and Reserves				
Called up share capital	15		333,480	333,480
Profit and loss account	16		(38,200)	(69,201)
Shareholders' Funds	17		295,280	264,279

The financial statements on pages 4 to 26 were approved by the Board of Directors on 25th March 2004 and signed on its behalf by:

Kokichi Komagata
Director

25th March 2004

Cash Flow Statement

For the year ended 31st December 2003

	Notes	2003 £'000	2002 £'000
Net cash outflow from operating activities	(i)	(54,652)	(96,027)
Tax on ordinary activities		399	-
Capital expenditure	(ii)	(3,675)	(4,569)
Disposal of Subsidiary		10,145	-
Net cash outflow before financing		(47,783)	(100,596)
Net cash inflow from financing	(ii)	177,359	102,910
Increase in cash in the year		129,576	2,314

Reconciliation of net cash flow to movement in net debt

		2003 £'000	2002 £'000
Increase in cash in period		129,576	2,314
Cash inflow from increase in long-term debt		(277,105)	(253,329)
Cash outflow from redemption of long-term debt		176,643	293,486
Effect of foreign exchange		8,664	28,118
Net cash flow from change in short term debt		(75,997)	(143,067)
Transfer to amount owed to group undertakings		-	64,212
Cash inflow from increase in lease financing		(900)	-
Movement in net debt in period		(39,119)	(8,266)
Net debt at 1st January		(933,738)	(925,472)
Net debt at 31st December	(iii)	(972,857)	(933,738)

Notes on the Cash Flow Statement

(i) Reconciliation of Operating profit to net Cash Flow in Operating Activities

	2003 £'000	2002 £'000
Income from operations	87,431	50,414
Administrative expenses	(64,743)	(69,314)
Depreciation charges	6,368	3,307
Loss on disposal of fixed assets	135	-
(Increase)/Decrease in securities	(219,532)	761,327
(Increase)/Decrease in debtors	(3,398,222)	902,786
Increase/(Decrease) in creditors	3,542,575	(1,652,071)
Effect of foreign exchange differences	(8,664)	(28,264)
Transfer to amount owed to group undertakings	-	(64,212)
Net cash outflow from operating activities	(54,652)	(96,027)

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Notes on the Cash Flow Statement *(continued)*

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

	£'000	£'000
Capital Expenditure		
Cash outflow for additions to tangible fixed assets	(3,675)	(4,569)
Disposal of Subsidiary		
Net cash proceeds transferred from sale of Subsidiary	10,351	-
Effect of foreign exchange difference	(206)	-
	10,145	-

All proceeds on the sale of the Subsidiary were received in the form of cash consideration.

	£'000	£'000
Financing		
Proceeds of notes issues and borrowing	343,420	247,375
Redemption of note issues and borrowing	(282,550)	(534,264)
Structured transaction funding	-	389,799
Changes of other short term borrowing	115,589	-
Finance Lease	900	-
Net cash inflow from financing	177,359	102,910

(iii) Analysis of changes in net debt

	At 1/1/03 £'000	Cash flows £'000	Other changes £'000	At 31/12/03 £'000
Cash at bank and in hand	2,135	4,807	-	6,942
Money market asset	-	124,617	-	124,617
Overdrafts	(153)	152	-	(1)
	1,982	129,576	-	131,558
Debt due within 1 year	(392,818)	(75,997)	(86,125)	(554,940)
Debt due after 1 year	(542,902)	(100,462)	94,789	(548,575)
Finance Leases	-	(900)	-	(900)
Total	(933,738)	(47,783)	8,664	(972,857)

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Notes on the Financial Statements

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

Other than profit on sale of investment in subsidiary, 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.

2 Administrative Expenses

	2003 £'000	2002 £'000
Staff costs (note 3)	41,437	45,871
Depreciation of owned fixed tangible assets	6,158	3,307
Depreciation of assets held under finance lease contracts	210	-
Operating lease rentals:		
Hire of quotation and communication equipment	2,695	3,584
Rental of premises	3,117	3,044
Finance charges payable under finance lease contracts	131	-
Auditors' remuneration:		
Audit fees	133	119
Audit related fees	127	142
Non audit related fees	14	109
Loss on disposal of fixed assets	135	-
Other administrative expenses	10,586	13,138
	64,743	69,314

3 Staff costs

	2003	2002
Average number of employees	298	337
Employee costs	£'000	£'000
(Excluding directors' emoluments)		
Wages and salaries	35,134	40,052
Social security costs	3,462	3,174
Pension costs	2,841	2,645
	41,437	45,871

4 Directors' Emoluments

	2003 £'000	2002 £'000
Emoluments (excluding pension contribution)	1,159	1,517
Company payment to defined contribution pension scheme for one director	14	14
	1,173	1,531

The emoluments of the highest paid director amounted to £473,100 (2002 £552,009).

Notes *(continued)*

5 Taxation on ordinary activities

There has been no charge made for UK corporation tax due to the loss bought forward.

The tax figure is based on the result for the year and comprises:

	2003 £'000	2002 £'000
UK Corporation tax at 30%	-	-
Deferred taxation	-	-
Group Relief	399	-
Total tax on profit on ordinary activities	399	-

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax is as follows:-

	2003 £'000	2002 £'000
Profit/(loss) on ordinary activities before tax	30,603	(18,900)
Tax credit/(charge) on ordinary activities at Standard UK Corporation Tax rate at 30%	(9,181)	5,670
Effects of:		
Permanent differences	2,328	(56)
Depreciation in excess of capital allowances claimed	(1,805)	(992)
Consideration for losses surrendered to group company	399	-
Utilisation of tax losses	8,658	-
Increase in tax losses carried forward	-	(4,622)
	399	-

A deferred tax asset amounting to £40,802,240 (2002 £38,992,533) arising from trading losses has not been recognised. This would be recoverable against future corporation tax liabilities.

Notes *(continued)*

6 Fixed tangible assets

	Leasehold improvements £'000	Office Furniture and fittings £'000	Office equipment £'000	Office equipment on finance leases £'000	Total £'000
Cost					
At 1st January 2003	8,118	628	34,850	-	43,596
Additions	1,157	4	1,464	1,050	3,675
Disposals	-	-	(7,000)	-	(7,000)
At 31st December 2003	9,275	632	29,314	1,050	40,271
Depreciation					
At 1st January 2003	4,767	473	22,683	-	27,923
Charge for the year	588	66	5,504	210	6,368
Disposals	-	-	(6,865)	-	(6,865)
At 31st December 2003	5,355	539	21,322	210	27,426
Net book value at 31st December 2003	3,920	93	7,992	840	12,845
Net book value at 31st December 2002	3,351	155	12,167	-	15,673

7 Debtors: Due within one year

	2003 £'000	2002 £'000
Money market deposit	124,617	-
Securities sold but not delivered	112,061	213,910
Reverse repurchase agreements	5,049,184	1,158,282
Derivatives	581,261	1,077,024
Other debtors	447,838	342,680
Prepayments and accrued income	9,522	9,748
	6,324,483	2,801,644

Included within debtors are the following balances from group companies

	2003 £'000	2002 £'000
Money Market deposit	124,617	-
Securities sold but not delivered	40,581	190,010
Other debtors	38,701	28,622
Reverse repurchase agreements	4,536,084	500,216
Derivatives	40,473	45,348
	4,780,456	764,196

Notes *(continued)*

8 Securities

	2003		2002	
	Listed	Unlisted	Listed	Unlisted
	£'000	£'000	£'000	£'000
Dealing securities, at market value	814,421	577,832	480,783	686,771
Total	1,392,253		1,167,554	

Of the dealing securities £119,585,719 (2002 £40,713,011) are listed on the London Stock Exchange Limited and the rest on stock exchanges outside Great Britain.

9 Creditors: Due within one year

	2003	2002
	£'000	£'000
Securities bought but not delivered	122,382	211,738
Repurchase agreements	4,529,674	517,474
Dealing securities at market value (listed)	436,573	418,860
Dealing securities at market value (unlisted)	3,941	16,487
Derivatives	1,053,161	1,318,812
Bank loans and overdrafts	1	153
Short term borrowings	554,940	392,818
Tax and social security	2,751	2,490
Obligations under finance leases	175	-
Other creditors	188,345	303,224
	6,891,943	3,182,056

Included in short term borrowings is £5,254,037 (2002 £64,212,462) that are subordinated to the claim of other creditors.

Included within creditor balances above are the following balances due to group companies.

	2003	2002
	£'000	£'000
Securities bought but not delivered	88,529	59,316
Short term borrowings	115,589	-
Other creditors	29,765	157,248
Repurchase agreements	4,856	86,884
Derivatives	324,973	613,933
	563,712	917,381

Of the dealing securities, none (2002 £3,978,281) are listed on the London Stock Exchange Limited and the rest on stock exchanges outside Great Britain.

Certain comparative figures in debtors and creditors have been reclassified to conform with changes in presentation in the current year.

Notes *(continued)*

10 Creditors: Due after more than one year

Amounts repayable within	2003 £'000 1-2 years	2003 £'000 2-5 years	2003 £'000 over 5 years	2002 £'000 1-2 years	2002 £'000 2-5 years	2002 £'000 Over 5 Years
Japanese Yen loans at rates of interest between 3.95% and 4.48%	-	-	-	78,891	-	-
USD notes at rates of interest between 2.2% and 7.35%	-	46,176	5,619	-	39,587	-
Japanese Yen notes at rates of interest between 0.43% and 2.6%	5,780	48,074	24,169	5,259	5,615	28,400
USD Floating Rate Notes	2,248	2,809	5,619	-	12,394	6,234
Japanese Yen Floating Rate Notes	121,736	32,575	253,770	29,453	120,703	209,850
Euro Floating Rate Notes	-	-	-	-	-	6,516
Obligations under finance leases	205	520	-	-	-	-
	129,969	130,154	289,177	113,603	178,299	251,000
		549,300			542,902	

Claims in respect of the long term creditors amounted to £135,506,877 (2002 £144,775,127) are subordinated to the claims of other creditors.

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. Fixed assets are included (at book value) in order to reconcile to the balance sheet.

	2003 Book Amount			
	Investment *£'000*	Financing *£'000*	Trading *£'000*	Total *£'000*
Financial Assets and Liabilities				
Cash at bank and in hand	6,941	-	-	6,941
Money market assets	-	124,617	-	124,617
Reverse repurchase agreements	-	-	5,049,184	5,049,184
Collateral paid	-	-	420,726	420,726
Securities (net)	-	-	951,739	951,739
Non-interest bearing current assets	14,105	13,896	120,694	148,695
Money market liabilities	-	(115,589)	-	(115,589)
Collateral received	-	-	(122,349)	(122,349)
Repurchase agreements	-	-	(4,529,674)	(4,529,674)
Derivatives (net)	-	7,660	(479,560)	(471,900)
Notes Issued	-	(502,576)	(486,250)	(988,826)
Non interest bearing liabilities	(22,582)	(4,370)	(164,177)	(191,129)
Internal financing transactions	283,971	476,362	(760,333)	-
Other Assets				
Tangible assets	12,845	-	-	12,845
Investment	-	-	-	-
Net assets	295,280	-	-	295,280

Notes *(continued)*

Fair Values of Financial Assets and Liabilities *(continued)*

	2003 Fair Value			
	Investment £'000	Financing £'000	Trading £'000	Total £'000
Financial Assets and Liabilities				
Cash at bank and in hand	6,941	-	-	6,941
Money market assets	-	124,617	-	124,617
Reverse repurchase agreements	-	-	5,049,184	5,049,184
Collateral paid	-	-	420,726	420,726
Securities (net)	-	-	951,739	951,739
Non-interest bearing current assets	14,105	13,896	120,694	148,695
Money market liabilities	-	(115,591)	-	(115,591)
Collateral received	-	-	(122,349)	(122,349)
Repurchase agreements	-	-	(4,529,674)	(4,529,674)
Derivatives (net)	(1,873)	(7,321)	(479,560)	(488,754)
Notes Issued	-	(486,173)	(486,250)	(972,423)
Non interest bearing liabilities	(22,582)	(4,370)	(164,177)	(191,129)
Internal financing transactions	283,971	476,362	(760,333)	-
Other Assets				
Tangible assets	12,845	-	-	12,845
Investment	-	-	-	-
Net assets	293,407	1,420	-	294,827

	2002 Book Amount			
	Investment £'000	Financing £'000	Trading £'000	Total £'000
Financial Assets and Liabilities				
Cash at bank and in hand	2,135	-	-	2,135
Money market assets	-	14,070	-	14,070
Reverse repurchase agreements	-	-	1,158,282	1,158,282
Collateral paid	-	-	291,031	291,031
Securities (net)	-	-	732,207	732,207
Non-interest bearing current assets	17,377	86	252,070	269,533
Money market liabilities	-	(156,725)	-	(156,725)
Collateral received	-	-	(84,517)	(84,517)
Repurchase agreements	-	-	(517,474)	(517,474)
Derivatives (net)	-	(18,250)	(223,538)	(241,788)
Notes Issued	-	(482,707)	(453,014)	(935,721)
Non interest bearing liabilities	(22,453)	(11,957)	(250,248)	(284,658)
Internal financing transactions	249,316	655,483	(904,799)	-
Other Assets				
Tangible assets	15,673	-	-	15,673
Investment	2,231	-	-	2,231
Net assets	264,279	-	-	264,279

Notes *(continued)*

Fair Values of Financial Assets and Liabilities *(continued)*

	2002 Fair Value			
	Investment £'000	Financing £'000	Trading £'000	Total £'000
Financial Assets and Liabilities				
Cash at bank and in hand	2,135	-	-	2,135
Money market assets	-	14,070	-	14,070
Reverse repurchase agreements	-	-	1,158,282	1,158,282
Collateral paid	-	-	291,031	291,031
Securities (net)	-	-	732,207	732,207
Non-interest bearing current assets	17,377	86	252,070	269,533
Money market liabilities	-	(156,747)	-	(156,747)
Collateral received	-	-	(84,517)	(84,517)
Repurchase agreements	-	-	(517,474)	(517,474)
Derivatives (net)	3,276	(8,782)	(223,538)	(229,044)
Notes Issued	-	(492,308)	(453,014)	(945,322)
Non interest bearing liabilities	(22,453)	(11,957)	(250,248)	(284,658)
Internal financing transactions	*249,254*	*656,606*	*(904,799)*	*1,061*
Other Assets				
Tangible assets	15,673	-	-	15,673
Investment	2,231	-	-	2,231
Net assets	267,493	968	-	268,461

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.

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 preparing the fair value information for the financing and investment areas, financial instruments have been calculated using mid market risk free curves and book value used for non financial instruments.

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.

Notes *(continued)*

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 2003							
Non-trading assets							
Money market assets	124,617	-	-	-	-	-	124,617
Derivatives	(22,401)	-	-	24,442	5,619	-	7,660
Other internal assets with trading books (see note 11)	760,333	-	-	-	-	-	760,333
Non-interest bearing assets	-	-	-	-	-	47,787	47,787
Total non-trading Assets	**862,549**	**-**	**-**	**24,442**	**5,619**	**47,787**	**940,397**
Non-trading liabilities							
Money market liabilities	(115,589)	-	-	-	-	-	(115,589)
Debt securities issued & loans received	(307,228)	(102,496)	(40,193)	(42,151)	(10,508)	-	(502,576)
Non-interest bearing liabilities	-	-	-	-	-	(26,952)	(26,952)
Total non-trading liabilities	**(422,817)**	**(102,496)**	**(40,193)**	**(42,151)**	**(10,508)**	**(26,952)**	**(645,117)**
Off balance sheet items	**(319,244)**	**104,178**	**85,193**	**124,984**	**4,889**	**-**	**-**
Interest rate sensitivity gap	**120,488**	**1,682**	**45,000**	**107,275**	**-**	**20,835**	**295,280**
Cumulative gap	**120,488**	**122,170**	**167,170**	**274,445**	**274,445**	**295,280**	

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
As at 31st December 2002							
Non-trading assets							
Money market assets	14,070	-	-	-	-	-	14,070
Derivatives	(58,880)	528	-	40,102	-	-	(18,250)
Other internal assets with trading books (see note 11)	904,799	-	-	-	-	-	904,799
Non-interest bearing assets	-	-	-	-	-	29,206	29,206
Total non-trading assets	**859,989**	**528**	-	**40,102**	-	**29,206**	**929,825**
Non-trading liabilities							
Money market liabilities	(156,725)	-	-	-	-	-	(156,725)
Debt securities issued & loans received	(216,032)	(127,750)	(15,187)	(123,738)	-	-	(482,707)
Non-interest bearing liabilities	-	-	-	-	-	(26,114)	(26,114)
Total non-trading liabilities	**(372,757)**	**(127,750)**	**(15,187)**	**(123,738)**	-	**(26,114)**	**(665,546)**
Off balance sheet items	**(511,189)**	**190,371**	**40,187**	**280,631**	-	-	-
Interest rate sensitivity gap	**(23,957)**	**63,149**	**25,000**	**196,995**	-	**3,092**	**264,279**
Cumulative gap	**(23,957)**	**39,192**	**64,192**	**261,187**	**261,187**	**264,279**	

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 the financing requirement of the operating expenditure.

Notes *(continued)*

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

The net gain/(loss) from trading in financial assets and liabilities included in the profit and loss account for the year ended 31st December 2003 can be analysed into the following business areas:

	2003 £'000	2002 £'000
Fixed income	49,212	25,937
Equity	8,700	(6,968)
Structured products	14,021	14,182
Commodity	793	2,316
	72,726	35,467

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

15 Called up share capital

	2003		2002	
	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	333,480	333,480	333,480	333,480

16 Reserves

	Profit and Loss Account £'000
Balance at 1st January 2003	(69,201)
Profit for the year	31,001
Balance at 31st December 2003	(38,200)

17 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Opening shareholders' funds	264,279	283,179
Retained profit/(loss) for the financial year	31,001	(18,900)
Closing shareholders' funds	295,280	264,279

Shareholders' funds are solely attributable to equity interests.

Notes *(continued)*

18 Assets Pledged as Collateral

	2003 £'000	2002 £'000
Cash pledged as collateral against obligations under derivative contracts	347,473	211,579
Cash pledged as collateral against obligations under share borrowings	61,170	67,976
Cash pledged as collateral against equity positions	5,359	2,104
Cash held as initial margin deposits at futures and options exchanges	6,724	9,371
Securities deposited as collateral with clearing organisations and banks	7,978	10,687
Market value of securities deposited as collateral under repurchase agreements	4,532,185	767,951
Market value of securities pledged to noteholders as part of on balance sheet structuring transactions	555,432	568,093
Total assets pledged as collateral	5,516,321	1,637,761

19 Issues of Debt Securities

In the normal course of business the company issued debt securities as part of structured client transactions, with various terms to maturity interest rates and other factors. All debt was privately placed with some debt listed on recognised investments exchanges. Of the amounts recorded in other liabilities some debt can be redeemed early either at the option of the issuer or the holder of the debt. Redemption calls and puts are summarised in the table below:

	Short Term Borrowings 2003 £'000	Creditors due after more than one year 2003 £'000	Short Term Borrowings 2002 £'000	Creditors due after more than one year 2002 £'000
Debt issued as part of structured transactions which are redeemable by the issuer prior to maturity	24,694	385,076	30,915	308,085
Debt issued as part of structured transactions which are redeemable by the holder of debt prior to maturity	283,718	-	285,153	-
Debt which can be redeemed only at maturity	246,528	163,499	233,475	234,817
	554,940	548,575	549,543	542,902

Notes *(continued)*

20 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. At the year end the company was committed to making the following annual payments in respect of building operating leases expiring:-

	2003 £'000	2002 £'000
Within 2-5 years	624	-
After 5 years	3,205	3,205
	3,829	3,205

The company participated in an underwriting syndicate in respect of a Public Offering of Notes for Worldcom, Inc. in 2001. It has been named along with all the other underwriters in many legal actions brought against the Directors and Auditors of Worldcom and the underwriters of its debt. The principal case, a class action, is currently at its discovery stage and the trial is scheduled for January, 2005, although this is subject to an application for a delay. The full litigation process, however, is likely to be lengthy and complex and the company intends to defend these actions vigorously.

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

21 Pension Fund

The Company provides a defined contribution pension scheme, the Group Personal Pension Plan (GPPP), for all employees joining the company. The assets of the scheme are held separately from those of the company in an independently administered fund.

The Company also provides a funded defined benefit pension scheme which is closed to new entrants. The assets of the scheme are held separately from those of the company in a segregated fund administered by trustees. An actuarial valuation was performed as at 6th April 2003. The results of the valuation, which was performed using the attained age method, showed that the assets of the scheme amounted to £24,765,920 and were sufficient to secure 70% of the liabilities of the scheme based on projected final pensionable salaries. This actuarial shortfall is being met via increased contributions over the future working lifetime of current active members. The main actuarial assumptions were an investment rate of return before retirement of 7% and an investment return after retirement of 5.5% per annum, an increase in salaries of 3.5% and that pensions would increase in payment by 2.5%. The funding level on the minimum funding requirement (MFR) valuation of the Pensions Act 1995 was between 110% and 115%. The charge to the Profit and Loss Account for 2003 was £1,684,164 (2002 £1,417,937).

Financial Reporting Standard 17 (FRS 17)

Whilst TMI continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24, the following transitional disclosures are required under FRS 17. An update to the last actuarial valuation was performed as at 31st December 2003 in accordance with the principles of FRS 17 and the major assumptions were as follows:-

Rate of Increase in Salaries	3.75%
Limited Price Indexation Pension Increases	2.75%
Discount Rate	5.40%
Inflation Assumption	2.75%

Tokyo-Mitsubishi International plc

Notes *(continued)*

The fair value of the scheme assets (which are not intended to be realised in the short term and may be subject to significant change before they are realised) and the present value of the scheme's liabilities (which are derived from cash flow projections over long periods and are thus inherently uncertain) were:-

	Expected Rate of Return Year Commencing 31/12/03	Value at 31/12/03 £'000	Expected Rate of Return Year Commencing 31/12/02	Value at 31/12/02 £'000
Equities & Property	7.50%	25,992	6.50%	20,225
Bonds	5.25%	3,452	4.75%	3,452
Cash	3.75%	927	4.00%	1,146
Total market value of assets		30,371		24,823
Present value of Scheme liabilities		(47,994)		(43,974)
Deficit in the Scheme		(17,623)		(19,151)

	2003 £'000	2002 £'000
Analysis of amount that would be chargeable to operating costs:		
Current service cost	1,586	1,575
Analysis of the amount that would be credited to other finance income:		
Expected return on pension scheme assets	1,553	2,022
Interest on pension scheme liabilities	(2,442)	(2,111)
Net return	(889)	(89)
Analysis of amount recognisable in statement of total recognised gains and losses (STRGL):		
Actual return less expected return on pension scheme assets	3,050	(8,032)
Experience gains and losses arising on scheme liabilities	1,782	225
Changes in assumptions underlying present value of scheme liabilities	(2,513)	(6,048)
Actuarial gain/(loss) recognised in STRGL	2,319	(13,855)
Movement in deficit during the year		
Deficit in Scheme at beginning of year	(19,151)	(4,918)
Current service cost	(1,586)	(1,575)
Contributions	1,684	1,286
Other finance income	(889)	(89)
Actuarial gain	2,319	(13,855)
Deficit in Scheme at the end of year	(17,623)	(19,151)

Notes *(continued)*

22 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).

23 Investment in Subsidiary

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

	Country of Incorporation	Main Activity	Ordinary Shares
TMI Nominees Limited	United Kingdom	Nominee for TMI	£1

The subsidiary is not consolidated into the company's financial statements as it is not material for the purpose of giving a true and fair view.

On 13th May 2003 the company disposed of all the issued ordinary share capital of BTM Securities (Spain) S.A. SVB and made an exceptional gain of £7,914,714.

24 Ultimate Holding Company

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

Mitsubishi Tokyo Financial Group, Inc.
4-1, Marunouchi 2-chome
Chiyoda-ku
Tokyo 100-6326
Japan

The parent that heads the smallest group of undertakings is Bank of Tokyo-Mitsubishi Ltd, 7-1 Marunouchi, 2-chome, Chiyoda, Tokyo, Japan.