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MITSUBISHI FINANCE INTERNATIONAL PLC

FINANCIAL STATEMENTS

31ST DECEMBER 1990

22 JUL 1991

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DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 31st December 1990.

Activities

The principal activities of the company are trading in the international capital markets and dealing in derivative products.

The company has seen considerable expansion in its international capital markets business during the year, lead managing a larger volume of new issues during 1990 to a higher total value than any other year in its history. It has achieved its highest ever position in the Eurobond new issue league table, placing itself among the top 20 players in the market. Major progress and expansion was achieved in its activities in swaps, options and derivative products; these business areas made a significant profit contribution to the company. The directors expect that revenue from this sector will continue to grow, contributing an increasing proportion of the company's total income.

Some of the other traditional business sectors suffered from the quite exceptional and difficult business environment during the year. Income from operations decreased significantly as a result.

The directors are hopeful that 1991 will see an improvement in international capital market conditions and are confident that the company's reputation will be enhanced further as a quality securities house in the Market.

The company is a member of The Securities Association, the Investment Management Regulatory Organisation Limited and the Association of Futures Brokers and Dealers Limited.

Financial

The directors do not recommend the payment of a dividend. The loss for the year of £11,365,271 (1989 profit £831,615) has been transferred to reserves.

Increase in Share Capital

On 15th February 1991 the authorised share capital of the company was increased to £200,000,000 from £100,000,000 and the issued share capital was increased to £120,000,000 from £100,000,000. These shares were taken up at par by The Mitsubishi Bank, Limited, the proceeds of which are to provide a larger capital base for the company.

MITSUBISHI FINANCE INTERNATIONAL PLC

DIRECTOR'S REPORT (continued)

Directors

The directors are as follows:

K. Ibuki (Chairman)
M. Yamada
Y. Kambara
N. Yasunaga (Alternate for K. Ibuki)

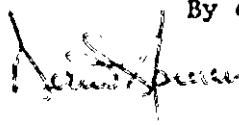
Mr. K. Ibuki was appointed and Mr. H. Yamada resigned on 30th October 1990. Mr. F. Maeda resigned on 14th December 1990.

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

Auditors

The auditors, KPMG Peat Marwick McLintock, are willing to continue in office and a resolution concerning their reappointment and remuneration will be submitted to the annual general meeting.

By order of the board

 David I. Spencer

Secretary

18th February 1991

6 Broadgate
London EC2M 2AA

REPORT OF THE AUDITORS, KPMG PEAT MARWICK McLINTOCK,
TO THE MEMBERS OF MITSUBISHI FINANCE INTERNATIONAL PLC

We have audited the financial statements on pages 4 to 15 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 1990 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick McLintock

KPMG PEAT MARWICK McLINTOCK

Chartered Accountants
London

18th February 1991

ACCOUNTING POLICIES

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 except certain securities, as disclosed, are held at market value.

Fixed asset investments

Investments are stated at cost less any provision which, in the opinion of the directors, is necessary to reflect a permanent diminution in value.

Income is accounted for on an accruals basis.

Securities

Dealing securities are stated at market value and securities held as part of individually matched interest rate swaps are held at cost. There has been a change in the accounting policy during the year in the valuation of dealing securities. No prior year adjustment has been made to restate the previous year's figures as the financial effect of the change in the accounting policy is minimal.

Open futures and options contracts are marked-to-market on a daily basis.

Transactions are accounted for on a trade date basis.

Swaps

Swaps are accounted for using current market rates based on the net present value of the associated cashflows.

Management fees and commission

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

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.

MITSUBISHI FINANCE INTERNATIONAL PLC

ACCOUNTING POLICIES (continued)

Depreciation

Depreciation is provided to write off the cost 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	3 - 5 years

Taxation

The credit for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that it is 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.

MITSUBISHI FINANCE INTERNATIONAL PLC

PROFIT AND LOSS ACCOUNT

For the year ended 31st December 1990

	<u>Notes</u>	<u>1990</u>	<u>1989</u>
INCOME FROM OPERATIONS	1	£ 2,008,901	£ 13,196,236
Administrative expenses	2 - 4	(25,375,321)	(18,435,190)
Income from fixed asset investments	5	4,677,347	4,786,188
Other interest receivable	6	<u>6,914,289</u>	<u>3,904,471</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1	(11,774,784)	3,451,705
Taxation on ordinary activities	7	<u>1,544,910</u>	<u>(1,204,202)</u>
(LOSS)/PROFIT on ordinary activities after taxation		(10,229,874)	2,247,503
Extraordinary charge	8	<u>(1,135,397)</u>	<u>(1,415,888)</u>
RETAINED (LOSS)/PROFIT FOR THE YEAR		(11,365,271)	831,615
Retained profit brought forward		<u>2,234,723</u>	<u>1,403,108</u>
RETAINED (LOSS)/PROFIT CARRIED FORWARD		£ (9,130,548)	£ 2,234,723
		=====	=====

BALANCE SHEET

As at 31st December 1990

	<u>Notes</u>	<u>1990</u>	<u>1989</u>
FIXED ASSETS			
Tangible assets	9	£ 8,235,855	£ 8,095,259
Investments	10	<u>74,835,977</u>	<u>49,420,198</u>
		83,071,832	57,515,457
CURRENT ASSETS			
Debtors	11	774,830,156	290,365,837
Securities	12	545,077,661	287,494,622
Cash		<u>37,494,076</u>	<u>36,774,237</u>
		1,357,401,893	614,634,696
CREDITORS: Amounts falling due within one year	13	<u>(1,309,475,027)</u>	<u>(568,636,548)</u>
NET CURRENT ASSETS		<u>47,926,866</u>	<u>45,998,148</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		130,998,698	103,513,605
CREDITORS: Amounts falling due after more than one year	14	(40,129,246)	-
PROVISION FOR LIABILITIES AND CHARGES	15	<u>-</u>	<u>(1,278,882)</u>
		£ 90,869,452	£102,234,723
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	16	£ 100,000,000	£100,000,000
Profit and loss account	17	<u>(9,130,548)</u>	<u>2,234,723</u>
		£ 90,869,452	£102,234,723
		=====	=====

Masamichi Yamada

Director

Masamichi Yamada

mitsubishi finance international plc

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended 31st December 1990

	<u>1990</u>	<u>1989</u>
SOURCE OF FUNDS		
(Loss)/Profit on ordinary activities before taxation	£ (11,774,784)	£ 3,451,705
Extraordinary items	<u>(1,135,397)</u>	<u>(1,828,466)</u>
	(12,910,181)	1,623,239
 Adjustment for items not involving the movement of funds:		
Depreciation	1,856,360	993,587
Profit on disposal of fixed assets	(35,456)	(29,480)
Loss/(profit) on sale of fixed asset investments	146,054	(32,768)
Fixed assets written off	<u>-</u>	<u>521,495</u>
 Total generated from operations	(10,943,223)	3,076,073
 Funds from other sources:		
Proceeds from subordinated note issue/ share capital	40,129,246	25,000,000
Proceeds from sale of fixed assets	167,435	141,385
Proceeds from sale of fixed asset investments	70,627,394	20,000,000
Taxation repaid	<u>284,409</u>	
	100,265,261	48,217,458
 APPLICATION OF FUNDS		
Purchase of fixed tangible assets	2,128,935	7,853,450
Purchase of fixed asset investments	79,624,438	10,000,000
Taxation paid	<u>-</u>	<u>730,798</u>
	<u>81,753,373</u>	<u>18,584,248</u>
	£18,511,888	£ 29,633,210
	=====	=====
 INCREASE/(DECREASE) IN WORKING CAPITAL		
Debtors	£484,482,700	£ 95,451,076
Creditors	<u>(784,937,353)</u>	<u>59,053,568</u>
	(300,454,653)	154,504,644
 Movement in net liquid funds:		
Cash	719,839	22,689,677
Bank overdraft	44,098,874	15,997,508
Securities	<u>274,147,828</u>	<u>(163,558,619)</u>
	£18,511,888	£ 29,633,210
	=====	=====

MITSUBISHI FINANCE INTERNATIONAL PLC

NOTES

(forming part of the financial statements)

1. INCOME FROM OPERATIONS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The whole of the income from operations and loss on ordinary activities is derived from substantially the same class of business.

2. ADMINISTRATIVE EXPENSES

	1990	1989
Staff costs (note 3)	£ 8,914,940	£ 7,485,687
Depreciation of fixed tangible assets	1,856,360	993,587
Hire of quotation and communication equipment	2,240,824	1,809,886
Auditors' remuneration	59,500	53,300
Profit on disposal of fixed assets	(35,456)	(29,480)
Other administrative expenses	12,339,153	8,122,210
	£25,375,321	£13,435,190
	=====	=====

3. STAFF COSTS

	1990	1989
<u>Average number of employees</u>	182	186
	====	====
<u>Employee costs</u> (excluding directors' emoluments)		
Wages and salaries	£ 7,560,081	£ 6,273,052
Social security costs	726,815	557,635
Other pension costs	628,044	655,000
	£ 8,914,940	£ 7,485,687
	=====	=====

MITSUBISHI FINANCE INTERNATIONAL PLC

NOTES (continued)

4. DIRECTORS' EMOLUMENTS

	1990	1989
Fees	£ -	£ -
Emoluments (including pension contributions)	<u>423,612</u>	<u>426,725</u>
	423,612	£ 466,715
	=====	=====

The emoluments, excluding pension contributions, of the chairman amounted to £nil (1989 - £nil) and of the highest paid director amounted to £172,076 (1989 - £172,498).

The number of other directors whose emoluments, excluding pension contributions, fell in each £5,000 bracket was as follows:

	1990	1989
£ 10,001 - £15,000	-	1
£ 95,001 - £100,000	1	-
£140,001 - £145,000	-	2
£150,001 - £155,000	1	-
	====	====

5. INCOME FROM FIXED ASSET INVESTMENTS

	1990	1989
Income from fixed asset investments	<u>£4,677,347</u>	<u>£4,786,188</u>
	=====	=====

6. OTHER INTEREST RECEIVABLE

	1990	1989
Income from short-term deposits	<u>£6,914,289</u>	<u>£3,904,471</u>
	=====	=====

7. TAXATION ON ORDINARY ACTIVITIES

	1990	1989
UK corporation tax at 35% (1989 - 35 %)	£ -	£ 675,708
Transfer to/(from) deferred tax	(1,278,882)	875,674
Adjustment in respect of previous years	<u>(266,028)</u>	<u>(347,180)</u>
	£(1,544,910)	£1,204,202
	=====	=====

MITSUBISHI FINANCE INTERNATIONAL PLC

NOTES (continued)

8. EXTRAORDINARY CHARGE

	1990	1989
Additional costs in respect of 1989 office relocation	£1,135,397	£1,828,466
Less: taxation	-	(412,578)
	£1,135,397	£1,415,888
	=====	=====

9. FIXED TANGIBLE ASSETS

	Leasehold improvements	Office furniture and fittings	Motor vehicles	Office machinery	Total
Cost					
At 1st January 1990	£3,005,632	£ 560,316	£ 920,761	£5,743,254	£10,229,963
Additions	378,831	84,267	365,745	1,300,092	2,128,935
Disposals	-	(17,597)	(293,567)	(15,120)	(326,284)
At 31st December 1990	3,384,463	626,986	992,939	7,028,226	12,032,614
Depreciation					
At 1st January 1990	82,126	167,041	317,491	1,568,046	2,134,704
Disposals	-	(17,597)	(164,949)	(11,759)	(194,305)
Charge for year	202,538	129,266	237,826	1,286,730	1,856,360
At 31st December 1990	284,664	278,710	390,368	2,843,017	3,796,759
Net book value at 31st December 1990	£3,099,799	£ 348,276	£ 602,571	£4,185,209	£ 8,235,855
	=====	=====	=====	=====	=====
Net book value at 31st December 1989	£2,923,506	£ 393,275	£ 603,270	£4,175,208	£ 8,095,259
	=====	=====	=====	=====	=====

MITSUBISHI FINANCE INTERNATIONAL PLC

NOTES (continued)

10. FIXED ASSET INVESTMENTS

	Total
<u>Cost</u>	
At 1st January 1990	£ 49,420,198
Additions	79,624,438
Transfer from dealing securities	20,411,539
Transfer to dealing securities	(3,846,750)
Disposals/redemption	(70,773,448)
At 31st December 1990	£ 74,835,977
	=====
<u>Market value</u>	
At 31st December 1990	£ 74,521,786
	=====
At 31st December 1989	£ 47,235,704
	=====

The potential tax liability if sold at market value is fnil (1989 - fnil)

11. DEBTORS: Due within one year

	1990	1989
Securities sold but not delivered	£ 577,594,513	£ 254,223,132
Amounts owed by group companies:		
Holding company (note 20)	27,198,700	14,719,879
Fellow subsidiaries	722,486	47,947
Swaps net present value	70,886,044	8,108,158
Purchased options	63,779,087	-
Tax recoverable	1,144,500	1,183,518
Other debtors	19,385,543	3,549,319
Prepayments and accrued income	14,119,283	8,533,884
	£ 774,830,156	£ 290,365,837
	=====	=====

MITSUBISHI FINANCE INTERNATIONAL PLC

NOTES (continued)

12. DEALING SECURITIES

	<u>1990</u>		<u>1989</u>	
	<u>Listed</u>	<u>Unlisted</u>	<u>Listed</u>	<u>Unlisted</u>
Dealing securities stated at market value (1989 lower of cost and net realisable value)	331,028,217	34,397,050	308,295,474	23,274,984
Securities which are held as part of individually matched interest rate swap transactions, stated at cost	145,370,551	34,281,843	25,208,730	41,112,500
Securities which are held to hedge those interest rate swap transactions which are marked-to-market, stated at market value	-		(110,327,066)	-
	£ 476,398,768	£ 68,678,893	£ 223,107,138	£ 64,387,484
	=====		=====	
Total	£ 545,077,661		£ 287,494,622	
	=====		=====	
The aggregate value of the above securities at market value is	£ 545,536,025		£ 287,762,881	
	=====		=====	

13. CREDITORS: Due within one year

	<u>1990</u>	<u>1989</u>
Securities bought but not delivered	£ 332,941,449	£ 178,495,034
Amount owed to group companies:		
Holding company (note 20)	351,345,899	172,412,393
Subordinated loan from holding company	49,510,110	-
Fellow subsidiaries	408,588,701	37,781,250
Bank loans and overdrafts	12,066,346	56,165,220
Short term borrowings	55,180,866	104,603,612
Tax and social security	255,961	273,215
Options sold	85,564,828	-
Other creditors	14,020,867	18,905,824
	£1,309,475,027	£ 568,636,548
	=====	

MITSUBISHI FINANCE INTERNATIONAL PLC

NOTES (continued)

14.	CREDITORS: Due after more than one year	1990	1989
	Subordinated Notes due	£40,129,246	-
	21st November, 1994	=====	=====

On the 19th November 1990 the company issued US\$77,000,000 (£40,129,246) 9 1/8 percent Subordinated Notes due 21st November, 1994. The notes were successfully placed with investors.

15. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax is provided on the following timing differences:

	1990	1989
Accelerated capital allowances	-	£ 301,042
Other short term timing differences	-	977,840
	£Nil	£1,278,882
	=====	=====

Potential deferred tax not provided for amounted to fnil (1989 - fnil).

16. CALLED UP SHARE CAPITAL

	1990	1989
Authorised	Allotted, called up	Allotted, called up
1990 and 1989	and fully paid	and fully paid
	No	No
Ordinary		
shares of		
£1 each	£100,000,000	£100,000,000
	=====	=====

17. PROFIT AND LOSS ACCOUNT

	1990	1989
Profit and Loss Account	£ (9,130,548)	£ 2,234,723
	=====	=====

18. GUARANTEES, CONTINGENT LIABILITIES AND COMMITMENTS

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

19. PENSION FUND

The Mitsubishi Finance International plc pension scheme is a non-contributory defined benefit pension scheme operated by Standard Life Pension Funds Limited for the benefit of staff employed by Mitsubishi Finance International plc.

With effect from 1st January 1989 the provisions of SSAP 24 have been adopted such that the expected cost of providing future pensions is recognised on a systematic basis over the period during which the company expects to derive a benefit from the services of its employees.

MITSUBISHI FINANCE INTERNATIONAL PLC

NOTES (continued)

An actuarial valuation is performed every three years, and the latest valuation was performed as at 31st December 1988. The results of the valuation, which was performed using the projected unit credit method, showed that the assets of the Scheme amounted to £2,309,714 and were sufficient to secure 121% of the liabilities of the Scheme based on final pensionable salaries. The main actuarial assumptions used were an investment rate of return of 9% pa, an increase in salaries of 8%, and no increase in plan benefits.

In accordance with the results of the valuation contributions are made to the Scheme at the rate of 20% of plan salaries. The surplus arising on the introduction of the provisions of SSAP 24 is being spread over the remaining service lives of the eligible employees.

20. HOLDING COMPANY

The company is a wholly owned subsidiary of The Mitsubishi Bank, Limited which is incorporated in Japan.

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 18th February 1991.