

10

1698498

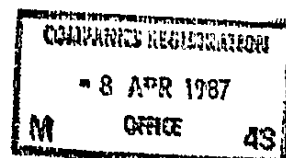
31

SECOND OF FOUR SIGNED COPIES

MITSUBISHI FINANCE INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1986



SECOND OF FOUR SIGNED COPIES

MITSUBISHI FINANCE INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1986



MITSUBISHI FINANCE INTERNATIONAL LIMITEDDIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 December 1986.

Activities and review of the business

The principal activities of the company are the managing, underwriting and marketing of issues of fixed rate, floating rate and equity related securities and trading in the international capital markets.

The past year has seen steady expansion in the company's international capital market activities, particularly in the area of fund management where assets under management have increased substantially.

Income from operations increased by approximately thirty per cent during the year and the directors expect that this growth will be sustained during the current financial year.

The company is a member of the Financial Intermediaries Brokers and Managers Regulatory Association.

Financial

The directors do not recommend the payment of a dividend. The profit for the year of £181,411 (1985 - £256,294) has been retained in the company.

On 4 February 1986 the authorised share capital of the company was increased to £50,000,000 from £10,000,000 and the issued share capital was increased to £25,000,000 from £10,000,000. 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.

Directors

The directors are as follows:

H Yamada (Chairman)  
M Yamada  
J Fujii  
T Kajiwara (Alternate for H Yamada)

Mr M Yamada was appointed and Mr J Nishiwaki resigned on 26 September 1986. Mr H Yamada was appointed and Mr T Nakamura resigned on 17 February 1987.

None of the directors had any interests in the shares of the company.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £199 (1985 - £460).

DIRECTORS' REPORT (continued)

Auditors

The auditors, KMG Thomson McLintock, are willing to continue in office and a resolution concerning their reappointment and remuneration will be submitted to the annual general meeting. As has been announced in the Press, KMG Thomson McLintock are merging with Peat Marwick Mitchell & Co and from 1 April 1987 they will practise under the name of Peat Marwick McLintock.

By order of the board



Secretary

1 King Street  
London EC2V 8EB

17 February 1987

**KMG** Thomson McLintock Chartered Accountants

70 Finsbury Pavement  
London EC2A 1SX

AUDITORS' REPORT TO THE MEMBERS OF  
MITSUBISHI FINANCE INTERNATIONAL LIMITED

We have audited the financial statements on pages 4 to 13 in accordance with approved auditing standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1986 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

*K M C Thomson McLintock*

17 February 1987

ACCOUNTING POLICIES

Format of financial statements

The financial statements of a dealer in securities require special treatments, which are 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.

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 valued at the lower of cost and net realisable value. Other securities, which are held as part of interest rate swap transactions, are amortised over the period to redemption.

Transactions are accounted for on a trade date basis.

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 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.

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 years
Office furniture and fittings	5 years
Motor vehicles	4 years
Office machinery	3 years

ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the profit 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.

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1986

	<u>Notes</u>	<u>1986</u>	<u>1985</u>
INCOME FROM OPERATIONS	1	£ 4,659,593	£ 3,601,610
Administrative expenses	2 - 4	(6,452,764)	(4,271,797)
Income from fixed asset investments	5	986,145	869,197
Other interest receivable	6	<u>1,478,433</u>	<u>269,253</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1	671,407	468,263
Taxation on profit on ordinary activities	7	<u>( 339,996)</u>	<u>( 211,969)</u>
Profit on ordinary activities after taxation		331,411	256,294
Extraordinary charge	8	<u>( 150,000)</u>	<u>-</u>
RETAINED PROFIT FOR THE YEAR		181,411	256,294
Retained profit brought forward		<u>648,804</u>	<u>392,510</u>
RETAINED PROFIT CARRIED FORWARD		<u>£ 830,215</u>	<u>£ 648,804</u>



BALANCE SHEET

As at 31 December 1986

	<u>Notes</u>	<u>1986</u>	<u>1985</u>
FIXED ASSETS			
Tangible assets	9	£ 1,183,166	£ 1,081,628
Investments	10	<u>11,617,814</u>	<u>15,129,255</u>
		12,800,980	16,210,883
CURRENT ASSETS			
Debtors	11	£ 62,077,812	85,798,176
Securities	12	415,269,336	335,648,195
Cash		<u>1,783,606</u>	<u>501,428</u>
		479,130,754	421,947,799
CREDITORS: Amounts falling due within one year	13	<u>465,870,157</u>	<u>427,253,512</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>13,260,597</u>	<u>( 5,305,713)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		26,061,577	10,905,170
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>( 231,362)</u>	<u>( 256,366)</u>
		£ 25,830,215	£ 10,648,804
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	15	£ 25,000,000	£ 10,000,000
Profit and loss account	16	<u>830,215</u>	<u>648,804</u>
		£ 25,830,215	£ 10,648,804
		=====	=====

 Director

 Director

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended 31 December 1986

	<u>1986</u>	<u>1985</u>
<b>SOURCE OF FUNDS</b>		
Profit on ordinary activities before taxation	£ 671,407	£ 468,263
Extraordinary items before taxation	( 150,000)	-
	521,407	468,263
Adjustment for items not involving the movements of funds:		
Depreciation	383,474	223,878
Loss on disposal of fixed assets	3,299	5,042
Loss/(profit) on disposal of fixed asset investments	1,340	( 96,221)
Total generated from operations	909,520	600,962
Funds from other sources:		
Proceeds from issue of share capital	15,000,000	-
Proceeds from sale of fixed assets	64,505	8,718
Proceeds from sale of fixed asset investments	6,481	1,612,601
	15,980,506	2,222,281
<b>APPLICATION OF FUNDS</b>		
Purchase of fixed tangible assets	£ 552,816	634,955
Purchase of fixed asset investments	4,133,571	-
Taxation paid	225,980	247,515
	4,912,367	882,470
	£ 11,068,139	£ 1,339,811
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>		
Debtors	£(23,720,364)	£( 38,638,238)
Creditors	(44,863,918)	9,705,721
	(68,584,282)	( 28,932,517)
<b>Movement in net liquid funds:</b>		
Cash	1,282,178	( 16,585,725)
Bank overdraft	6,386,293	( 3,754,022)
Securities	71,983,950	50,612,075
	£ 11,068,139	£ 1,339,811

NOTES

(forming part of the financial statements)

1 INCOME FROM OPERATIONS AND PROFIT ON ORDINARY ACTIVITIES  
BEFORE TAXATION

The whole of the income from operations and profit is derived from substantially the same class of business.

2 ADMINISTRATIVE EXPENSES

	<u>1986</u>	<u>1985</u>
Staff costs (note 3)	£ 2,757,306	£ 1,594,405
Depreciation of fixed tangible assets	383,474	223,878
Hire of quotation and communication equipment	688,303	450,166
Auditors' remuneration	15,800	12,000
Other administrative expenses	<u>2,607,881</u>	<u>1,991,348</u>
	<u>£ 6,452,764</u>	<u>£ 4,271,797</u>
	=====	=====

3 STAFF COSTS

	<u>1986</u>	<u>1985</u>
<u>Average number of employees</u>	95	75
	=====	=====
<u>Employee costs (excluding directors' emoluments)</u>		
Wages and salaries	£ 2,242,877	£ 1,344,594
Social security costs	184,581	67,762
Other pension costs	<u>329,848</u>	<u>182,049</u>
	<u>£ 2,757,306</u>	<u>£ 1,594,405</u>
	=====	=====

The number of employees whose emoluments, excluding pension contributions, exceeded £30,000 were as follows:

	<u>1986</u>	<u>1985</u>
£30,001 - £35,000	5	4
£35,001 - £40,000	8	-
£40,001 - £45,000	1	1
£45,001 - £50,000	-	1
£50,001 - £55,000	-	1
£55,001 - £60,000	1	3
£60,001 - £65,000	2	1
£65,001 - £70,000	-	1
£70,001 - £75,000	1	-
£75,001 - £80,000	1	-
£80,001 - £85,000	1	-
£95,001 - £100,000	3	-
	=====	=====

NOTES (continued)

4 DIRECTORS' EMOLUMENTS

	<u>1986</u>	<u>1985</u>
Fees	£ -	£ -
Emoluments (including pension contributions)	<u>174,097</u>	<u>124,687</u>
	<u>£ 174,097</u>	<u>£ 124,687</u>
	=====	=====

The emoluments, excluding pension contributions, of the chairman amounted to £nil (1985 - £nil) and of the highest paid director amounted to £84,897 (1985 - £77,871).

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

	<u>1986</u>	<u>1985</u>
£20,001 - £25,000	1	-
£45,001 - £50,000	-	1
£65,001 - £70,000	1	-
	==	==

5 INCOME FROM FIXED ASSET INVESTMENTS

	<u>1986</u>	<u>1985</u>
Income from fixed asset investments:		
Listed	<u>£ 986,145</u>	<u>£ 869,197</u>
	=====	=====

6 OTHER INTEREST RECEIVABLE

	<u>1986</u>	<u>1985</u>
Income from short-term deposits	<u>£ 1,478,433</u>	<u>£ 269,253</u>
	=====	=====

7 TAXATION ON ORDINARY ACTIVITIES

	<u>1986</u>	<u>1985</u>
UK corporation tax at 36.25% (1985 - 41.25%)		
on the profits for the year	£ 365,000	£ 195,640
Transfer (from)/to deferred tax	( 25,004)	33,010
Adjustment in respect of previous year	<u>-</u>	<u>( 16,681)</u>
	<u>£ 339,996</u>	<u>£ 211,969</u>
	=====	=====

The tax charge has been increased due to expenditure which is disallowed for taxation purposes.

NOTES (continued)

8 EXTRAORDINARY CHARGE

The extraordinary charge of £150,000 was the capital duty payable on the increase in the issued share capital (1985 - fnil).

9 FIXED TANGIBLE ASSETS

	<u>Leasehold improvements</u>	<u>Office furniture and fittings</u>	<u>Motor vehicles</u>	<u>Office machinery</u>	<u>Total</u>
<u>Cost</u>					
At 1 January 1986	£ 343,200	£ 117,563	£ 259,625	£ 666,104	£ 1,386,492
Additions	222,686	18,379	97,041	214,710	552,816
Disposals	-	-	(106,093)	( 11,925)	( 118,018)
At 31 December 1986	<u>565,886</u>	<u>135,942</u>	<u>250,573</u>	<u>868,889</u>	<u>1,821,290</u>
<u>Depreciation</u>					
At 1 January 1986	42,466	25,470	69,461	167,467	304,864
Disposals	-	-	( 44,914)	( 5,300)	( 50,214)
Charge for year	<u>47,045</u>	<u>25,170</u>	<u>62,474</u>	<u>248,785</u>	<u>383,474</u>
At 31 December 1986	<u>89,511</u>	<u>50,640</u>	<u>87,021</u>	<u>410,952</u>	<u>638,124</u>
Net book value at 31 December 1986	<u>£ 476,375</u> =====	<u>£ 85,302</u> =====	<u>£ 163,552</u> =====	<u>£ 457,937</u> =====	<u>£ 1,183,166</u> =====
Net book value at 31 December 1985	<u>£ 300,734</u> =====	<u>£ 92,093</u> =====	<u>£ 190,164</u> =====	<u>£ 498,637</u> =====	<u>£ 1,081,628</u> =====

10 FIXED ASSET INVESTMENTS

	<u>Listed investments</u>	<u>Unlisted investments</u>	<u>Total</u>
<u>Cost</u>			
At 1 January 1986	£ 15,121,434	£ 7,821	£ 15,129,255
Transfers from securities	3,600,369	-	3,600,369
Additions	4,133,571	-	4,133,571
Transfers to securities	(11,237,560)	-	(11,237,560)
Disposals	-	( 7,821)	( 7,821)
At 31 December 1986	<u>£ 11,617,814</u> =====	<u>£ -</u> =====	<u>£ 11,617,814</u> =====
<u>Market value</u>			
At 31 December 1986	<u>£ 11,160,998</u> =====	<u>£ -</u> =====	<u>£ 11,160,998</u> =====
At 1 January 1986	<u>£ 14,514,229</u> =====	<u>£ 7,821</u> =====	<u>£ 14,580,050</u> =====

The potential tax liability if sold at market value is fnil (1985- fnil).

NOTES (continued)

11 DEBTORS: Due within one year

	<u>1986</u>	<u>1985</u>
Securities sold but not delivered	£ 38,503,099	£ 72,812,294
Amounts owed by group companies:		
Holding company (note 18)	12,073,539	996,177
Fellow subsidiaries	739,878	20,382
Other debtors	1,256,250	1,316,212
Prepayments and accrued income	<u>9,505,046</u>	<u>10,653,111</u>
	<u>£ 62,077,812</u>	<u>£ 85,798,176</u>

12 SECURITIES

	<u>1986</u>	<u>1985</u>
Listed	£ 357,020,641	£ 301,443,818
Unlisted	<u>58,248,695</u>	<u>34,204,377</u>
	<u>£ 415,269,336</u>	<u>£ 335,648,195</u>

Included in the above are securities held as part of interest rate swap transactions amounting to £49,401,688 (1985 - fnil).

13 CREDITORS: Due within one year

	<u>1986</u>	<u>1985</u>
Securities bought but not delivered	£ 40,882,704	£ 216,749,743
Amount owed to group companies:		
Holding company (note 18)	417,991,235	198,823,464
Fellow subsidiaries	2,157,093	21,095
Bank loans and overdrafts	2,072,834	8,459,127
Tax and social security	341,779	253,391
Other creditors	<u>2,424,512</u>	<u>2,946,692</u>
	<u>£ 465,870,157</u>	<u>£ 427,253,512</u>

14 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax is provided on the following timing differences:

	<u>1986</u>	<u>1985</u>
Accelerated capital allowances	£ 147,106	£ 207,167
Other short term timing differences	<u>84,256</u>	<u>49,199</u>
	<u>£ 231,362</u>	<u>£ 256,366</u>

Potential deferred tax not provided amounted to fnil (1985 - fnil).

NOTES (continued)

15 CALLED UP SHARE CAPITAL

	<u>Authorised</u> <u>No</u>	<u>Allotted, called up and fully paid</u> <u>1986</u>	<u>Authorised</u> <u>No</u>	<u>Allotted, called up and fully paid</u> <u>1985</u>
Ordinary shares of £1 each	50,000,000 =====	£ 25,000,000 =====	10,000,0000 =====	£ 10,000,000 =====

The changes in share capital are described in the directors' report.

16 RESERVES

	<u>1986</u>	<u>1985</u>
Distributable reserves at end of year	£ 830,215 =====	£ 648,804 =====

17 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. There were no capital commitments at the year end (1985 - fnil)

18 HOLDING COMPANY

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

19 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 17 February 1987.