

Company Registration No. 2214224

MITSUBISHI CORPORATION (UK) PLC

Report and Financial Statements

Year ended 31 December 1999

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



MITSUBISHI CORPORATION (UK) PLC

REPORT AND FINANCIAL STATEMENTS 1999

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MITSUBISHI CORPORATION (UK) PLC

REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Asaoka
T Hanaoka
H Nemichi
M Miyaji

SECRETARY

K Fujita

REGISTERED OFFICE

Bow Bells House
Bread Street
London EC4M 9BQ

SOLICITORS

Field Fisher Waterhouse
Clifford Chance

AUDITORS

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

The company's principal activities are those of trading in a broad range of commodities, technologies, industrial and consumer products, and the provision of services, including financing.

RESULTS AND DIVIDENDS

Profit for the year after taxation amounted to £1,945,000 (1998 - £3,574,000).

The directors recommend that no dividend is paid this year (1998: £3,350,000).

BUSINESS DEVELOPMENT AND FUTURE PROSPECTS

The company has continued trying to find new products and markets. This year the gross profit has decreased along with other operating income. This is in line with expectations at the start of the year.

Trading conditions continue to remain uncertain; however, the company is optimistic in the long term.

DIRECTORS AND THEIR INTERESTS

The current directors are shown on page 1. The directors who served during the year and up to the date of this report were:

H Nemichi

M Miyaji

M Asaoka (appointed 9 March 2000)

T Hanaoka (appointed 9 March 2000)

H Kataoka (resigned 9 March 2000)

During the year none of the directors had any beneficial interests, as defined by the Companies Act 1985, in the share capital of the company or any other group company incorporated in the United Kingdom, or the ultimate parent company.

CHARITABLE CONTRIBUTIONS

Contributions made to charities during the year amounted to £80,326 (1998 - £83,460).

CREDITORS

The company aims to make payment under agreed terms. During the year average payment was made in approximately 30 days (1998 - approximately 30 days).

YEAR 2000

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

DIRECTORS' REPORT

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

A handwritten signature in cursive script, appearing to read 'M Miyaji', written in dark ink.

M Miyaji

Managing Director

27th Jun, 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF

MITSUBISHI CORPORATION (UK) PLC

We have audited the financial statements on pages 6 to 17 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and
Registered Auditors

27 June 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1999

	Note	1999 £'000	1998 £'000
TURNOVER	2	881,586	921,048
Cost of sales		(863,755)	(902,484)
Gross profit		17,831	18,564
Administrative expenses		(19,339)	(19,001)
Other operating income		3,831	5,423
OPERATING PROFIT	4	2,323	4,986
Income from shares in group undertakings		238	258
Interest receivable and similar income	5	11,735	24,626
Interest payable and similar charges	6	(11,515)	(24,323)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,781	5,547
Tax on profit on ordinary activities	7	(836)	(1,973)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	1,945	3,574
Dividends	15	-	(3,350)
Retained profit for the financial year		1,945	224
Retained profit brought forward		11,498	11,274
Retained profit carried forward		13,443	11,498

All of the company's operations for both the current and the preceding financial years fall into the category of "Continuing Operations" as defined in Financial Reporting Standard 3.

There were no recognised gains or losses attributable to shareholders for the current or the preceding financial years other than as shown above.

BALANCE SHEET
31 December 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible assets	8	921	1,070
Investments	9	3,715	3,889
		<u>4,636</u>	<u>4,959</u>
CURRENT ASSETS			
Stocks	10	31,039	32,674
Debtors			
Due within one year	11	388,360	365,015
Due after more than one year	11	46,450	42,751
Cash at bank and in hand		21,260	31,082
		<u>487,109</u>	<u>471,522</u>
CREDITORS: amounts falling due within one year	12	<u>(381,928)</u>	<u>(391,748)</u>
NET CURRENT ASSETS		<u>105,181</u>	<u>79,774</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>109,817</u>	<u>84,733</u>
CREDITORS: amounts falling due after more than one year	13	<u>(62,724)</u>	<u>(39,585)</u>
		<u>47,093</u>	<u>45,148</u>
CAPITAL AND RESERVES			
Called up share capital	14	33,650	33,650
Profit and loss account		13,443	11,498
FUNDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS	15	<u>47,093</u>	<u>45,148</u>

These financial statements were approved by the Board of Directors on *27th Jun*, 2000.

Signed on behalf of the Board of Directors



M Miyaji

Director

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Group accounts

The company has taken advantage of s229(2) of the Companies Act 1985 and has not prepared group accounts since, in the opinion of the directors, they would be of no real value to the members of the company in view of the insignificance of the amounts involved. The company's financial statements present information about it as an individual undertaking and not as a group.

Cash flow statement

The company has not prepared a cash flow statement following the revision of FRS1 on the basis that the ultimate holding company produces consolidated accounts, which include a cash flow statement, into which the company's accounts are fully consolidated.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided against cost in equal annual instalments over the estimated useful life of the asset. Office equipment has an estimated useful life of three or four years and other assets have an estimated useful life of four years.

Investments

Investments held as fixed assets are stated at cost less any provision required to reflect an impairment in value.

Stocks

Stocks consist of goods for resale stated at the lower of cost and net realisable value. Cost includes all the expenditure incurred in bringing stocks to their present location and condition.

Turnover

The turnover recognised is that for which the company has entered into any transaction at its own risk as principal, or in the case of disclosed agency or brokerage transactions, the commission receivable.

Foreign exchange

Assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated at the rates prevailing on the dates of the transactions. Resulting differences on translation are charged or credited to the profit and loss account.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases. Further details are given in note 17 to the accounts. For operating leases where the company acts as lessor, the assets have been recorded as fixed assets and depreciated over their useful lives, rental income is credited to the profit and loss account in equal instalments over the period of the lease.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

1. ACCOUNTING POLICIES (continued)

Pension costs

The company operates a defined benefit pension scheme. The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pensions cost is a substantially level percentage of current and expected future pensionable payroll. Further details of the scheme are given in note 18 to the accounts.

2. TURNOVER

Turnover represents:

- gross sales with respect to transactions in which the company is named as principal;
- commission receivable for transactions in which the company acts as a disclosed settlement agent; and
- brokerage commission receivable.

Turnover comprises:

	1999	1998
	£'000	£'000
Principal	871,734	911,334
Agency	6,562	6,608
Brokerage	3,290	3,106
	<u>881,586</u>	<u>921,048</u>

In the opinion of the directors it is seriously prejudicial to the interests of the company and not meaningful to give an analysis of turnover, profit or net assets by geographical area. The directors are also of the opinion that the company's trading business constitutes one class of activity.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1999	1998
	£'000	£'000
Directors' emoluments:		
Other emoluments	374	351
Pension contributions	5	3
	<u>379</u>	<u>354</u>
Remuneration of the highest paid director (excluding pension contributions)	223	201
Amount of accrued pension of the highest paid director	1	2
	<u>No.</u>	<u>No.</u>
Number of directors who are members of the company pension scheme	3	3
	<u>No.</u>	<u>No.</u>
Average number of persons employed		
Trading and administration	142	141
	<u>£'000</u>	<u>£'000</u>
Employee costs (excluding directors' emoluments)		
Wages and salaries	3,763	3,692
Social security costs	294	293
Other pension costs	493	378
Cost in respect of parent company's employees	6,344	5,341
	<u>10,894</u>	<u>9,704</u>

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following amounts:

	1999	1998
	£'000	£'000
Depreciation of tangible fixed assets (note 8)	541	633
Rentals under operating leases other than hire of plant and machinery	1,176	1,228
Rentals receivable in respect of operating leases	-	(6)
Auditors' remuneration:		
Audit	93	93
Other fees	144	131
	<u></u>	<u></u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	1999	1998
	£'000	£'000
Amounts receivable from group undertakings	5,249	3,681
Other interest receivable and similar income	6,486	20,945
	<u>11,735</u>	<u>24,626</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1999	1998
	£'000	£'000
Interest on bank loans and overdrafts repayable within five years	9,074	14,449
Interest payable to group undertakings	2,033	1,505
Other interest payable	408	8,369
	<u>11,515</u>	<u>24,323</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999	1998
	£'000	£'000
United Kingdom corporation tax at 30.25% (1998 - 31%) based on the profit for the year	836	1,922
Tax on franked investment income	-	51
	<u>836</u>	<u>1,973</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

8. TANGIBLE FIXED ASSETS

	Furniture, fixtures and fittings £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 1999	2,692	6,650	153	9,495
Additions	18	287	-	305
Disposals	(76)	(156)	(145)	(377)
At 31 December 1999	<u>2,634</u>	<u>6,781</u>	<u>8</u>	<u>9,423</u>
Accumulated depreciation				
At 1 January 1999	2,584	5,601	153	8,338
Disposals	(76)	(156)	(145)	(377)
Charge for the year	84	457	-	541
At 31 December 1999	<u>2,592</u>	<u>5,902</u>	<u>8</u>	<u>8,502</u>
Net book value				
At 31 December 1999	<u>42</u>	<u>879</u>	<u>-</u>	<u>921</u>
At 31 December 1998	<u>108</u>	<u>962</u>	<u>-</u>	<u>1,070</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

9. INVESTMENTS HELD AS FIXED ASSETS

	At 1 January 1998 £'000	Revaluations/ (disposals) £'000	At 31 December 1999 £'000
Cost			
Shares in subsidiary undertaking	50	-	50
Shares in other group undertakings	3,478	(174)	3,304
Participating interest	165	-	165
Other investments other than loans	461	-	461
Total	<u>4,154</u>	<u>(174)</u>	<u>3,980</u>

	At 1 January 1999 £'000	Increase/ (release) of provisions £'000	At 31 December 1999 £'000
Provision			
Shares in other group undertakings	70	-	70
Participating interest	165	-	165
Other investments other than loans	30	-	30
Total	<u>265</u>		<u>265</u>

	1999 £'000	1998 £'000
Net book value		
Shares in subsidiary undertaking	50	50
Shares in other group undertakings	3,234	3,408
Participating interest	-	-
Other investments other than loans	431	431
Total	<u>3,715</u>	<u>3,889</u>

All of the investments are unlisted.

Subsidiary undertaking

The shares in a subsidiary undertaking represent a 100% holding and equivalent voting rights in the share capital of MC (Operations) Limited, a company incorporated in the United Kingdom and registered in England and Wales. The company is involved in providing property management and related services.

Associated group undertakings

Included within shares in other group undertakings is £387,612 representing a 20% holding and equivalent voting rights in the ordinary share capital of ERB Autokredit AG, a Swiss Registered Motor Vehicle Finance company.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

Other significant holdings

Also included within shares in other group undertakings is £700,000 which represents a 10% share holding in the ordinary share capital of Princes Limited, and £649,248 which represents a 30% holding and equivalent voting rights in the ordinary share capital MC Portugal Lda, a subsidiary of MC International NV and ultimately of Mitsubishi Corporation. The company is incorporated in Portugal.

Participating interest

The participating interest represents a 33% holding in Polymers International (UK) Limited, a company involved in importing and distribution.

In the opinion of the directors the company's share of the profit and net assets of the associated undertakings is not material and therefore has not been disclosed in these financial statements.

10. STOCKS

	1999 £'000	1998 £'000
Finished goods and goods for resale	31,039	32,674

The replacement cost of stocks held at 31 December 1999 and 31 December 1998 was not significantly different from the amounts at which stocks are stated in the financial statements.

11. DEBTORS

	1999 £'000	1998 £'000
Amounts due within one year:		
Trade debtors	143,557	141,254
Amounts owed by parent company and fellow subsidiary undertakings	234,789	212,632
Amounts owed by participating interests	-	1,862
Loans to third parties	4,582	5,090
Prepayments and accrued income	5,432	3,641
Advance corporation tax	-	536
	<u>388,360</u>	<u>365,015</u>
Amounts due after more than one year:		
Trade debtors	499	499
Amounts owed by parent company and fellow subsidiary undertakings	2,090	4,451
Loans to third parties	43,861	37,801
	<u>46,450</u>	<u>42,751</u>
Total debtors	<u>434,810</u>	<u>407,766</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999	1998
	£'000	£'000
Bank loans and overdrafts (unsecured)	131,338	201,958
Trade creditors	77,319	78,601
Amounts owed to parent company and fellow subsidiary undertakings	159,920	94,837
Amounts owed to participating interests	-	203
Taxation and social security	2,709	3,200
Accruals and deferred income	10,642	11,949
Dividends proposed	-	1,000
	<u>381,928</u>	<u>391,748</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999	1998
	£'000	£'000
Bank loans (unsecured)	32,669	25,070
Trade creditors	198	2,476
Amounts owed to fellow subsidiary undertakings	29,857	12,039
	<u>62,724</u>	<u>39,585</u>

Included in loans are the following amounts:

	Bank	1999	Total	Bank	1998	Total
	£'000	Inter	£'000	£'000	Inter	£'000
		company			company	
		£'000			£'000	
Amounts due between one and two years	3,383	12,041	15,424	2,595	-	2,595
Amounts due between two and five years	29,286	17,816	47,102	22,475	12,039	34,514
	<u>32,669</u>	<u>29,857</u>	<u>62,526</u>	<u>25,070</u>	<u>12,039</u>	<u>37,109</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

14. CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised:		
50,000,000 ordinary shares of £1 each	50,000	50,000
Allotted and fully paid:		
33,650,000 ordinary shares of £1 each	33,650	33,650

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Profit for the financial year	1,945	3,574
Dividends	-	(3,350)
Opening shareholders' funds	45,148	44,924
Closing shareholders' funds	47,093	45,148

16. CONTINGENT LIABILITIES

Contingent liabilities at the year end incurred in the ordinary course of business are as follows:

	1999 £'000	1998 £'000
Commitments to honour the repayment of loan obligations	176	4,306

Under the normal course of business the company may arrange bank guarantees for suppliers.

17. OPERATING LEASE COMMITMENTS

At 31 December 1999, the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings £'000
Leases which expire:	
Within two to five years	1,215

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

18. PENSION SCHEME

The Mitsubishi Corporation Retirement Benefits Scheme ("the Scheme") is a funded defined benefit pension scheme operated by Mitsubishi Corporation (UK) PLC for the benefit of its employees and certain employees of associated companies.

The Scheme is administered by Trustees who are appointed by the company. They are advised by Buck Consultants Limited and an appointed Scheme actuary. The Scheme's assets are managed by London and Manchester (Managed Funds) Limited and Fidelity Pensions Management.

An actuarial valuation is performed every three years and the latest valuation was performed as at 1 April 1998. The results of the 1998 valuation, which was performed using the Projected Unit valuation method, showed that the assets of the Scheme amounted to £10,402,000 and were sufficient to secure 107% of the liabilities of the Scheme based on projected final pensionable salaries. The main actuarial assumptions used were an investment rate of return of 8% per annum, an annual increase in salaries of 6.5% and that pensions in payment will be increased by 3% per annum. The imbalance between assets and liabilities is being reduced by adjusting the company's on-going contributions to the Scheme.

The charge for the year in the profit and loss account represents contributions made by the company in accordance with the advice of the actuary. No adjustment has been made to reflect the surplus in the Scheme since in the opinion of the directors the effect of such an adjustment is not significant. The pension charge for the year in respect of employees was £492,829 (1998 - £377,536).

19. IMMEDIATE AND ULTIMATE PARENT COMPANY

In the opinion of the directors, the company's ultimate parent company and controlling entity is Mitsubishi Corporation, a company incorporated in Japan. The immediate parent company is Mitsubishi Corporation International NV.

Copies of the group financial statements of the ultimate parent company can be obtained from Mitsubishi Corporation, Department AA-F, 6-3 Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-86, Japan. The immediate parent company does not prepare group financial statements.

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption from related party disclosures available in Financial Reporting Standard No.8 - Related Party Disclosures, as the consolidated financial statements of the ultimate parent company are publicly available as noted above.