

**Deloitte &
Touche**

Deloitte Touche
Tohmatsu



Company Registration No. 2214224

MITSUBISHI CORPORATION (UK) PLC

Report and Financial Statements

Year ended 31 December 1998

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





REPORT AND FINANCIAL STATEMENTS 1998

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REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H Nemichi
M Miyaji
H Kataoka

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 1998.

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 £3,574,000 (1997 - £3,912,000).

An interim dividend of £2,350,000 (1997: £nil) has been declared and paid. A final dividend of £1,000,000 is proposed (1997: £nil)

SHARE CAPITAL

There was no change to authorised or issued share capital during the year.

BUSINESS DEVELOPMENT AND FUTURE PROSPECTS

This is the eleventh period of trading for the company. Overall gross profit remains similar to last year, though performance of trading divisions varied against last year.

Trading conditions continue to remain fairly unstable in certain areas of the world. Expectations of profits for the forthcoming year are therefore cautious.

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:

T Masuda	Chairman and Managing Director (resigned 6 April 1998)
H Nemichi	Chairman (appointed 6 April 1998)
K Kubota	(resigned 1 July 1998)
M Miyaji	Managing Director (appointed 1 July 1998)
H Kataoka	

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 £83,460 (1997 - £98,457).

**DIRECTORS' REPORT****YEAR 2000 AND EURO**

The directors have reviewed the risks related to the Year 2000 and the introduction of the Euro. The associated costs are not considered to be material.

CREDITORS

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

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

M Miyaji
Managing Director

17 March 1999

**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. 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 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

17 March 1999


PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	1998 £'000	1997 £'000
TURNOVER			
Cost of sales	2	921,048 (902,484)	1,243,542 (1,223,330)
Gross profit		18,564	20,212
Administrative expenses		(19,001)	(19,798)
Other operating income	4	5,681	6,925
OPERATING PROFIT	5	5,244	7,339
Interest receivable and similar income	6	24,626	15,468
Interest payable and similar charges	7	(24,323)	(16,868)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,547	5,939
Tax on profit on ordinary activities	8	(1,973)	(2,027)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	3,574	3,912
Dividends	9	(3,350)	-
Retained profit for the financial year		224	3,912
Retained profit brought forward		11,274	7,362
Retained profit carried forward		11,498	11,274

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

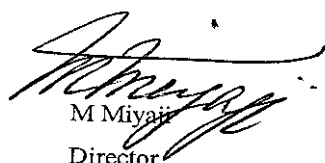
There were no recognised gains or losses attributable to shareholders for the current or the preceding accounting years other than as shown above.


BALANCE SHEET
31 December 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	10		
Investments	11	1,070	2,049
		<u>3,889</u>	<u>3,543</u>
		4,959	5,592
CURRENT ASSETS			
Stocks			
Debtors	12	32,674	61,801
Due within one year	13	365,015	323,916
Due after more than one year	13	42,751	36,884
Investments	14	-	75,993
Cash at bank and in hand		<u>31,082</u>	<u>187,530</u>
		471,522	686,124
CREDITORS: amounts falling due within one year	15	<u>(391,748)</u>	<u>(526,850)</u>
NET CURRENT ASSETS		<u>79,774</u>	<u>159,274</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		84,733	164,866
CREDITORS: amounts falling due after more than one year	16	<u>(39,585)</u>	<u>(119,942)</u>
		<u>45,148</u>	<u>44,924</u>
CAPITAL AND RESERVES			
Called up share capital			
Profit and loss account	17	33,650	33,650
		<u>11,498</u>	<u>11,274</u>
FUNDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS	18	<u>45,148</u>	<u>44,924</u>

These financial statements were approved by the Board of Directors on 17 March 1999.

Signed on behalf of the Board of Directors


M Miyaji
Director

**NOTES TO THE ACCOUNTS**
Year ended 31 December 1998**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 about it 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 a permanent diminution in value.

Investments held as current assets are generally held until redemption and are stated at cost. The premium or discount on these investments is amortised over the period to redemption.

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 agency or brokerage transactions, the commission receivable.



NOTES TO THE ACCOUNTS
Year ended 31 December 1998

1. ACCOUNTING POLICIES (continued)

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 20 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. Further details are given in note 10 to the accounts.

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 21 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 settlement agent; and
- brokerage commission receivable.

Turnover comprises:

	1998 £'000	1997 £'000
Principal		
Agency	911,334	1,235,893
Brokerage	6,608	3,962
	3,106	3,687
	<u>921,048</u>	<u>1,243,542</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 1998
3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £'000	1997 £'000
Directors' emoluments:		
Other emoluments		
Pension contributions	351	346
Remuneration of the highest paid director (excluding pension contributions)	3	-
Amount of accrued pension of the highest paid director	201	198
	<u>2</u>	<u>-</u>
 Number of directors who are members of the company pension scheme	 No <u>3</u>	 No <u>3</u>
 Average number of persons employed Trading and administration	 No <u>141</u>	 No <u>153</u>
 Employee costs (excluding directors' emoluments)	 £'000	 £'000
Wages and salaries	3,692	3,662
Social security costs	293	279
Other pension costs	378	216
Cost in respect of parent company's employees	5,341	6,521
	<u>9,704</u>	<u>10,678</u>

4. OTHER OPERATING INCOME

	1998 £'000	1997 £'000
This includes the following:		
Income from shares in group undertakings	<u>258</u>	<u>296</u>

5. OPERATING PROFIT

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

	1998 £'000	1997 £'000
Depreciation of tangible fixed assets (note 10)	633	1,379
Rentals under operating leases other than hire of plant and machinery	1,228	1,171
Rentals receivable in respect of operating leases	(6)	(305)
Auditors' remuneration:		
Audit	93	91
Other fees	<u>131</u>	<u>46</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £'000	1997 £'000
Amounts receivable from group undertakings	3,681	989
Other interest receivable and similar income	20,945	14,479
	<u>24,626</u>	<u>15,468</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £'000	1997 £'000
Interest on bank loans and overdrafts repayable within five years	14,449	15,540
Interest payable to group undertakings	1,505	204
Other interest payable	8,369	1,124
	<u>24,323</u>	<u>16,868</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31% (1997 - 31%) based on the profit for the year	1,922	1,968
Tax on franked investment income	51	59
	<u>1,973</u>	<u>2,027</u>

9. DIVIDENDS

	1998 £'000	1997 £'000
Interim dividend paid - 6.98p per ordinary share (1997 - nil per ordinary share)	2,350	-
Final dividend proposed - 2.97p per ordinary share (1997 - nil per ordinary share)	<u>1,000</u>	<u>-</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
10. TANGIBLE FIXED ASSETS

	Furniture, fixtures and fittings £'000	Office equipment £'000	Motor vehicles £'000	Plant and machinery £'000	Assets in course of construction £'000	Total £'000
Cost						
At 1 January 1998	2,739	6,030	154	875	440	10,238
Additions	20	302	-	-	-	322
Transfers	-	440	-	-	440	-
Disposals	(67)	(209)	(1)	(875)	-	(1,152)
At 31 December 1998	2,692	6,563	153	-	-	9,408
Accumulated depreciation						
At 1 January 1998	2,477	5,347	154	211	-	8,189
Disposals	(67)	(205)	(1)	(211)	-	(484)
Charge for the year	174	459	-	-	-	633
At 31 December 1998	2,584	5,601	153	-	-	(8,338)
Net book value						
At 31 December 1998	108	962	-	-	-	1,070
At 31 December 1997	262	683	-	664	440	2,049

The net book value of fixed assets at 31 December 1998 includes assets let by the company under operating leases at an original cost of £nil (1997 - £866,164) and with related accumulated depreciation of £nil (1997 - £204,092).

11. INVESTMENTS HELD AS FIXED ASSETS

	At 1 January 1998 £'000	Additions/ (redemptions) £'000	At 31 December 1998 £'000
Cost			
Shares in subsidiary undertaking	50	-	50
Shares in other group undertakings	3,254	224	3,478
Participating interest	165	-	165
Other investments other than loans	348	113	461
Total	3,817	337	4,154



NOTES TO THE ACCOUNTS
Year ended 31 December 1998

11. INVESTMENTS HELD AS FIXED ASSETS (continued)

	At 1 January 1998 £'000	Increase/ (Release) of provisions £'000	At 31 December 1998 £'000
Provision			
Shares in subsidiary undertaking	-	-	-
Shares in other group undertakings	245	(175)	70
Participating interest	-	165	165
Other investments other than loans	29	1	30
Total	<u>274</u>	<u>(9)</u>	<u>265</u>
		1998	1997
		£'000	£'000
Net book value			
Shares in subsidiary undertaking		50	50
Shares in other group undertakings		3,408	2,699
Participating interest		-	165
Other investments other than loans		431	629
Total		<u>3,889</u>	<u>3,543</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.

Other group undertakings

Included within shares in other group undertakings is £438,000 representing a 20% holding and equivalent voting rights in the ordinary share capital of ERB Autokredit AG, a Swiss Registered Motor Vehicle Finance company. These shares were acquired during the year.

Also included within shares in other group undertakings is £835,000 which represents a 10% holding and equivalent voting rights 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 and equivalent voting rights 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.


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
12. STOCKS

	1998 £'000	1997 £'000
Finished goods and goods for resale	32,674	61,801

The replacement cost of stocks held at 31 December 1998 and 31 December 1997 was not significantly different from the amounts at which stocks are stated in the financial statements.

13. DEBTORS

	1998 £'000	1997 £'000
Amounts due within one year:		
Trade debtors		
Amounts owed by parent company and fellow subsidiary undertakings	141,254	102,542
Amounts owed by participating intersts	212,632	194,678
Loans to third parties	1,862	2,918
Prepayments and accrued income	5,090	12,510
Advance corporation tax	3,641	10,589
Value added tax	536	679
	-	-
	<u>365,015</u>	<u>323,916</u>
Amounts due after more than one year:		
Trade debtors		
Amounts owed by parent company and fellow subsidiary undertakings	499	504
Loans to third parties	4,451	5,048
Prepayments and accrued income	37,801	31,332
	-	-
	<u>42,751</u>	<u>36,884</u>
Total debtors	<u>407,766</u>	<u>360,800</u>

14. INVESTMENTS HELD AS CURRENT ASSETS

The majority of current asset investments represent bonds purchased which mature or are intended to be disposed of within one year. The amount at which current asset investments are reflected in the accounts does not differ significantly from their market value. At the year end the company held no such investments.


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £'000	1997 £'000
Bank loans and overdrafts (unsecured)	201,958	253,779
Trade creditors	78,601	115,195
Amounts owed to parent company and fellow subsidiary undertakings	94,837	141,455
Amounts owed to participating interests	203	246
Taxation and social security	3,200	3,028
Accruals and deferred income	11,949	13,147
Dividends proposed	1,000	-
	<u>391,748</u>	<u>526,850</u>

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

	1998 £'000	1997 £'000
Bank loans (unsecured)	25,070	18,239
Trade creditors	2,476	97,873
Amounts owed to fellow subsidiary undertakings	12,039	3,830
	<u>39,585</u>	<u>119,942</u>

An amount of £2,595,000 (1997 - £12,137,000), being the portion of the long-term loans repayable within one year, is included in bank loans and overdrafts falling due within one year.

Bank loans falling due after more than one year are repayable as follows:

	1998 £'000	1997 £'000
Amounts due between one and two years	2,595	-
Amounts due between two and five years	22,475	-
Amounts due after five years	-	18,239
	<u>37,110</u>	<u>18,239</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
17. CALLED UP SHARE CAPITAL

	1998 £'000	1997 £'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

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £'000	1997 £'000
Profit for the financial year	3,574	3,912
Dividends	(3,350)	-
Opening shareholders' funds	44,924	41,012
Closing shareholders' funds	45,148	44,924

19. CONTINGENT LIABILITIES

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

	1998 £'000	1997 £'000
Commitments to honour the repayment of loan obligations	4,306	7,006

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

20. OPERATING LEASE COMMITMENTS

At 31 December 1998, 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 1998**21. 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 £377,536 (1997 - £215,825).

22. 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.

23. 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.