

**Deloitte &  
Touche**



Deloitte Touche  
Tohmatsu

Company Registration No. 1974199

**SUMITOMO CORPORATION CAPITAL  
EUROPE PLC**

**Report and Financial Statements**

**31 March 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**

Y Kitagawa	(Chairman)	Japanese
F Iwase		Japanese

**SECRETARY**

K Miyahara	Japanese
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**REGISTERED OFFICE**

5th Floor Vintners' Place  
68 Upper Thames Street  
London EC4V 3BJ

**SOLICITORS**

Clifford Chance  
200 Aldersgate Street  
London EC1A 4JJ

**AUDITORS**

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

**DIRECTORS' REPORT**

The directors are pleased to present their annual report and the audited financial statements for the year ended 31 March 1998.

**ACTIVITIES**

The group deals in marketable securities and other investments including the provision of finance to associated companies, which activity is funded from finance raised on the European capital markets, and includes a programme for the issue of short term Euro Commercial Paper ("ECP") and Medium Term Notes.

**REVIEW OF DEVELOPMENTS****Results and financial position**

The group achieved a profit before taxation of \$9,900,000 (1997 - \$13,267,000) which is considered to be satisfactory. A dividend of \$5,540,000 (1997 - \$14,078,000), was paid during the year.

**Future prospects**

The directors consider that the group is in a sound position to continue with and develop its current activities.

**DIRECTORS**

The present membership of the Board is set out on page 1. Mr Ishikawa resigned as a director on 3 June 1997 and Mr Kitagawa was appointed as a director on the same date. Other than as noted above, all directors served throughout the year.

The directors have no beneficial interest as defined by the Companies Act 1985 in the share capital of the company or any other group company incorporated in Great Britain.

**DONATIONS**

The company donated \$505 (1997 - \$489) to charity during the year.

**PAYMENT OF SUPPLIERS**

The company's policy is to obtain the best possible terms of payment from suppliers for all forms of business. In general, the company agrees with its suppliers the terms on which business is conducted and it is the company's policy to abide by such terms.

**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

K Miyahara

Secretary

5/June/ 1998

**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 group and company as at the end of the financial year and of the profit or loss of the group for that period. 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 group 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 group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## SUMITOMO CORPORATION CAPITAL EUROPE PLC

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 16 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 3 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 group's and 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 affairs of the group and the company at 31 March 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

5 June 1998


**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 1998**

	Note	1998 \$000	1997 \$000
<b>TURNOVER</b>	1,2	149,121	151,124
Cost of sales	3	(135,583)	(134,150)
<b>Gross profit</b>		13,538	16,974
Administrative expenses		(3,638)	(3,707)
<b>OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	9,900	13,267
Tax on profit on ordinary activities	6	(4,184)	(6,044)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		5,716	7,223
Dividends paid	7	(5,540)	(14,078)
<b>PROFIT/(LOSS) TRANSFERRED/(CHARGED) TO RESERVES</b>		176	(6,855)
<b>Retained profit brought forward</b>		3,034	9,889
<b>Retained profit carried forward</b>		3,210	3,034

All activities are continuing. There are no recognised gains or losses for the current financial year and preceding financial year other than the profits/(losses) disclosed above.


**CONSOLIDATED BALANCE SHEET**  
**31 March 1998**

	Note	\$000	1998 \$000	\$000	1997 \$000
<b>FIXED ASSETS</b>					
Tangible assets	8		220		371
Investments	9		591,532		908,406
			<u>591,752</u>		<u>908,777</u>
<b>CURRENT ASSETS</b>					
Debtors	10	37,695		23,834	
Long term loans	11	290,992		219,105	
Loans and securities	11	1,427,312		1,217,804	
Cash at bank and in hand		149,588		24,199	
			<u>1,905,587</u>	<u>1,484,942</u>	
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(1,293,064)</u>		<u>(890,586)</u>	
<b>NET CURRENT ASSETS</b>			<u>612,523</u>		<u>594,356</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,204,275		1,503,133
<b>CREDITORS: amounts falling due after more than one year</b>	13		<u>(1,064,683)</u>		<u>(1,363,717)</u>
			<u>139,592</u>		<u>139,416</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		136,382		136,382
Profit and loss account			3,210		3,034
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>			<u>139,592</u>		<u>139,416</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

F Iwase  
Director

5, JUNE. 1998




**COMPANY BALANCE SHEET**  
**31 March 1998**

	Note	\$000	1998 \$000	\$000	1997 \$000
<b>FIXED ASSETS</b>					
Tangible assets	8		93		181
Investments	9		23,359		37,860
			<u>23,452</u>		<u>38,041</u>
<b>CURRENT ASSETS</b>					
Debtors	10	26,318		11,103	
Loans and securities	11	1,096,273		1,112,153	
Cash at bank and in hand		124,241		8,892	
		<u>1,246,832</u>		<u>1,132,148</u>	
<b>CREDITORS: amounts falling due within one year</b>	12	(786,808)		(552,180)	
<b>NET CURRENT ASSETS</b>			<u>460,024</u>		<u>579,968</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			483,476		618,009
<b>CREDITORS: amounts falling due after more than one year</b>	13		(344,063)		(478,708)
			<u>139,413</u>		<u>139,301</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		136,382		136,382
Profit and loss account			3,031		2,919
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>			<u>139,413</u>		<u>139,301</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

  
 F. Iwase

Director

5, JUNE. 1998

**NOTES TO THE ACCOUNTS****Year ended 31 March 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.

**Currency**

The company's activities are predominantly carried out in United States Dollars. Accordingly, it has been concluded by the management of the company that the company's financial records and the financial statements should be prepared in United States Dollars, which is the functional currency for the company.

**Turnover**

Turnover represents interest income, net profits on disposal of current asset investments and other gains arising from the company's ordinary trading activities, together with amounts billed to group customers (excluding VAT) in respect of services provided during the year.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and its subsidiary.

**Acquisitions**

On acquisition of a business fair values are attributed to the group's share of net tangible assets. Where the cost of the acquisition exceeds the value attributed to such net assets, the difference is treated as purchased goodwill and is written off directly to reserves in the year of acquisition.

**Foreign currencies**

Assets, liabilities, revenues and costs denominated in currencies other than United States Dollars are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at year end rates of exchange. All exchange differences thus arising are reported as part of the profit and loss for the year.

Investments in overseas subsidiaries are hedged by foreign exchange contracts. Gains and losses resulting from the retranslation of investments in overseas subsidiaries at year end rates and from hedging forward exchange contracts are taken to the company's and group's reserves on consolidation.

**Fixed asset investments**

Fixed asset investments are carried as cost less provisions for permanent diminution in value.

**Tangible fixed assets**

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	over the period of the lease
Office fixtures, fittings and equipment	over 3 to 5 years

**Securities**

Current asset securities are stated at the lower of cost and net realisable value.


**NOTES TO THE ACCOUNTS**
**Year ended 31 March 1998**
**1. ACCOUNTING POLICIES (continued)**
**Deferred taxation**

Deferred taxation is provided at anticipated tax rates on timing differences which arise due to the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

**Leases**

Rental costs under operating leases are charged to the profit and loss account as payments fall due.

**Related party transactions**

The company has taken advantage of the provisions in FRS 8, Related Party Disclosures, not to disclose details of transactions with group companies.

**Cashflow Statement**

The company has adopted FRS1 (Revised), and in accordance with the provisions therein, no cashflow statement has been prepared. A consolidated cashflow statement can be found in the published accounts of the ultimate parent company Sumitomo Corporation.

**2. TURNOVER**

	1998 \$000	1997 \$000
Service fees receivable	93	49
Interest receivable and similar income:		
Bank deposit and similar interest receivable from current asset securities	84,648	79,673
Interest receivable from fellow group companies	64,845	69,794
Other trading (losses)/gains	(465)	1,608
	<u>149,121</u>	<u>151,124</u>

**3. COST OF SALES**

	1998 \$000	1997 \$000
Cost of sales represents interest payable and similar charges as follows:		
Interest payable on commercial paper, medium term notes, short term loans and long term loans	<u>135,583</u>	<u>134,150</u>


**NOTES TO THE ACCOUNTS**
**Year ended 31 March 1998**
**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

The directors of the company are employees of a fellow group company. Emoluments calculated for disclosure purposes under the Companies Act 1985 are as follows:

	1998 \$000	1997 \$000
Directors' emoluments for qualifying services	345	333
Emoluments of the highest paid director	345	333
Employee costs during the year (including directors):	\$000	\$000
Wages and salaries	1,420	1,528
Social security costs	123	154
	1,543	1,682
Average number of persons employed (including directors):	No.	No.
Administration	11	11

**5. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

A geographical analysis of turnover, profit before taxation and net assets is not given because the directors consider that to do so would be seriously prejudicial to the interests of the company.

	1998 \$000	1997 \$000
Profit on ordinary activities before taxation is after charging:		
Auditors' remuneration		
- audit fee	60	57
- non audit services	65	63
Rental of leasehold property	341	352
Depreciation and other amounts written off tangible fixed assets	154	157

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1998 \$000	1997 \$000
UK corporation tax at 31% (1997 - 33%)	2,930	6,044
Overseas tax	1,147	-
Adjustment in respect of prior years	4,077	6,044
	107	-
	4,184	6,044


**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1998**
**7. DIVIDENDS**

	1998 \$000	1997 \$000
Dividends paid of 4.2 cents (1997 - 10.8 cents) per ordinary share	5,540	14,078

**8. TANGIBLE FIXED ASSETS**

Group	Leasehold improvements \$000	Office fixtures, fittings and equipment \$000	Total \$000
<b>Cost</b>			
At 1 April 1997	40	799	839
Additions	-	3	3
Disposals	-	(154)	(154)
At 31 March 1998	40	648	688
<b>Accumulated depreciation</b>			
At 1 April 1997	25	443	468
Charge for the year	5	149	154
Disposals	-	(154)	(154)
At 31 March 1998	30	438	468
<b>Net book value</b>			
At 31 March 1998	10	210	220
At 31 March 1997	15	356	371


**NOTES TO THE ACCOUNTS**
**Year ended 31 March 1998**
**8. TANGIBLE FIXED ASSETS (CONTINUED)**

<b>Company</b>	<b>Leasehold improvements \$000</b>	<b>Office fixtures, fittings and equipment \$000</b>	<b>Total \$000</b>
<b>Cost</b>			
At 1 April 1997	25	281	306
Additions	-	3	3
	<hr/>	<hr/>	<hr/>
At 31 March 1998	25	284	309
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At 1 April 1997	10	115	125
Charge for the year	5	86	91
	<hr/>	<hr/>	<hr/>
At 31 March 1998	15	201	216
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 1998	10	83	93
	<hr/>	<hr/>	<hr/>
At 31 March 1997	15	166	181
	<hr/>	<hr/>	<hr/>

**9. INVESTMENTS HELD AS FIXED ASSETS**

<b>Group</b>	<b>Other investments Total \$000</b>
<b>Cost</b>	
At 1 April 1997	908,406
Additions	78,500
Redemptions	(395,374)
	<hr/>
At 31 March 1998	591,532
	<hr/>
Listed investments	162,813
Unlisted investments	428,719
	<hr/>
Total at 31 March 1998	591,532
	<hr/>


**NOTES TO THE ACCOUNTS**
**Year ended 31 March 1998**
**9. INVESTMENTS HELD AS FIXED ASSETS (continued)**

The market value for listed securities was not materially higher than the amounts shown above.

Company	Other investments \$000	Shares in subsidiary undertakings \$000	Total \$000
Cost			
At 1 April 1997	11,900	25,960	37,860
Redemptions	(11,900)	-	(11,900)
Foreign exchange translation difference	-	(2,601)	(2,601)
At 31 March 1998	-	23,359	23,359

The company holds 100% of the share capital of its subsidiary undertaking, Sumitomo Corporation Capital Netherlands BV, a company incorporated in the Netherlands, whose principal activity is dealing in marketable securities and other investments.

**10. DEBTORS**

	Group		Company	
	1998 \$000	1997 \$000	1998 \$000	1997 \$000
Prepayments and accrued income	25,639	9,577	19,441	1,781
Amounts owed by group companies	9,926	9,405	4,891	6,327
Other debtors	2,130	4,852	1,986	2,995
	37,695	23,834	26,318	11,103

**11. LOANS AND SECURITIES HELD AS CURRENT ASSETS**

	Group		Company	
	1998 \$000	1997 \$000	1998 \$000	1997 \$000
Current loan investments	-	10,000	-	-
Loans to subsidiary company	-	-	4,547	381
Loans to fellow group companies				
Due after more than one year	290,992	219,105	-	-
Due within one year	950,633	1,064,556	842,553	1,026,480
Other securities (unlisted)	471,650	115,734	244,144	70,359
Other securities (listed)	5,029	27,514	5,029	14,933
	1,718,304	1,436,909	1,096,273	1,112,153

The market value for listed securities was not materially higher than the amounts shown above.


**NOTES TO THE ACCOUNTS**
**Year ended 31 March 1998**
**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Medium term notes	223,478	253,506	125,963	150,988
Short term loan	346,536	259,657	110,000	195,000
Long term loan	160,155	158,051	-	-
Commercial paper	544,587	198,541	544,587	198,541
Corporation tax	1,742	4,577	1,514	2,695
Other creditors	250	1,574	156	296
Accruals and deferred income	16,316	14,680	4,588	4,660
	<u>1,293,064</u>	<u>890,586</u>	<u>786,808</u>	<u>552,180</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Medium term notes	878,104	1,131,209	344,063	478,708
Long term loans	186,579	232,508	-	-
	<u>1,064,683</u>	<u>1,363,717</u>	<u>344,063</u>	<u>478,708</u>
Analysis of repayments:				
Between one and two years	156,748	337,324	59,452	112,184
Between two and five years	681,376	703,023	284,611	366,524
More than five years	226,559	323,370	-	-
	<u>1,064,683</u>	<u>1,363,717</u>	<u>344,063</u>	<u>478,708</u>

The medium term notes and the long term loans repayable in more than five years are repayable over a period of up to twelve years and bear rates of interest based on LIBOR rates.

**14. PROVISIONS FOR LIABILITIES AND CHARGES**
**Group and Company**
**Deferred taxation**

There are no potential amounts of deferred taxation as at 31 March 1998 or 31 March 1997.




**NOTES TO THE ACCOUNTS**
**Year ended 31 March 1998**
**15. CALLED UP SHARE CAPITAL**

	1998	1997
Authorised:		
15,000,000 ordinary shares of £1 each	£15,000,000	£15,000,000
150,000,000 ordinary shares of \$1 each	\$150,000,000	\$150,000,000
	<u>\$000</u>	<u>\$000</u>
Allotted and fully paid:		
5,765,856 ordinary shares of £1 each	11,382	11,382
125,000,000 ordinary shares of \$1 each	125,000	125,000
	<u>136,382</u>	<u>136,382</u>

**16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1998 \$000	1997 \$000
Profit attributable to shareholders of the group	5,716	7,223
Dividends	(5,540)	(14,078)
	<u>176</u>	<u>(6,855)</u>
Addition/(Reduction) to shareholders' funds		
Opening shareholders' funds	139,416	146,271
Closing shareholders' funds	<u>139,592</u>	<u>139,416</u>

**17. PROFIT AND LOSS ACCOUNT**

The movement of the company's profit and loss reserves is as follows:

	\$'000
Balance at 1 April 1997	2,919
Profit for the year	5,652
Dividends paid	(5,540)
	<u>3,031</u>
Balance at 31 March 1998	

The above profit was dealt with in the accounts of the parent company. A profit and loss account for the parent company is not presented in accordance with the exemption provided by Section 230 of the Companies Act 1985.

**18. ULTIMATE PARENT COMPANY**

The ultimate parent and controlling company is Sumitomo Corporation, a company incorporated in Japan.

The group accounts for Sumitomo Corporation are available at 2-2, Hitotsubashi 1-chome, Chiyoda-ku, Tokyo, Japan.

**NOTES TO THE ACCOUNTS****Year ended 31 March 1998****19. OPERATING LEASE COMMITMENTS**

At 31 March 1998 the company was committed to making the following payments during the next year in respect of operating leases:

	Leasehold property \$000
Leases which expire:	
Within two to three years	57
	<hr/>

**20. OTHER FINANCIAL COMMITMENTS<sup>3</sup>**

At 31 March 1998 the company was committed to issuing further medium term notes and commercial paper in the normal line of business amounting to \$25,000,000 (1997: \$nil).

## **ADDITIONAL INFORMATION**

The additional financial information on page 18 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.


**DETAILED COMPANY PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 1998**

	1998	1997
	\$	\$
<b>TURNOVER</b>		
Service fees receivable	43,988	1,917
Dividends received	2,200,000	3,959,000
Interest receivable	76,955,709	70,519,115
Other trading (losses)/gains	(552,903)	1,635,680
	<u>78,646,794</u>	<u>76,115,712</u>
Cost of sales - Interest payable	(67,416,168)	(59,929,568)
<b>Gross profit</b>	11,230,626	16,186,144
<b>EXPENSES</b>		
Bank charges	19,023	20,395
Travel expenses	86,772	38,879
Communication expenses	34,906	34,311
Entertainment expenses	5,162	5,501
Books and subscriptions	204,557	218,031
Stationery and printing	4,874	7,565
Professional fees	202,716	190,732
Salaries	1,029,913	1,009,000
Welfare expenses (including employer's N.I. contributions)	72,703	106,639
Office expenses	49,731	42,023
Rent	278,784	281,300
Company house expenses	127,823	120,774
Depreciation	91,049	90,684
Commission paid	217,313	102,143
Irrecoverable VAT	120,759	132,061
Non operating expenses	31	8
Donation	505	489
Miscellaneous expenses	56	-
	<u>(2,546,677)</u>	<u>(2,400,535)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<u>8,683,949</u>	<u>13,785,609</u>