



**SUMITOMO CORPORATION CAPITAL
EUROPE PLC**

Report and Financial Statements

31 March 1999

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



**REPORT AND FINANCIAL STATEMENTS 1999**

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**REPORT AND FINANCIAL STATEMENTS 1999****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 1999.

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 \$8,022,000 (1998 - \$9,900,000) which is considered to be satisfactory. A dividend of \$7,826,000 (1998 - \$5,540,000), 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.

ROLE OF FINANCIAL INSTRUMENTS

The group's financial instruments, other than derivatives, comprise commercial papers, medium term notes and borrowings, short-term and long-term securities, loans to fellow group companies, some cash and various other items, such as other debtors, other creditors, etc, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for Sumitomo Corporation group's operations.

The group also enters into derivative transactions (principally currency swaps, interest rate swaps and forward foreign exchange contracts). The purpose of such transactions is to manage the currency and interest rate risks arising from the group's operations and its sources of finance.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of October 1994.

Interest rate risk

The group finances its operations through a mixture of retained profits, commercial papers, medium term notes and bank borrowings. The group borrows in the desired currencies at both fixed and floating rates of interest and then uses interest rate swaps to generate the desired interest profile and to manage the group's exposure to interest rate fluctuations.

Liquidity risk

As regards liquidity, the group has \$2 billion Euro Medium Term Note Program and \$1.5 billion Euro Commercial Paper Program.

Additional short-term flexibility is achieved by loan facility agreements.

Foreign currency risk

The group's functional currency is US dollar. Monetary assets and liabilities denominated in currencies other than the functional currency are hedged by currency swaps or forward foreign exchange contracts, only when these assets and liabilities do not match. The group keeps Sterling and Netherlands Guilder cash in bank balances for the payment of its expenses, which have no material foreign currency risk.

DIRECTORS

The directors who served during the year are set out on page 1.

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.

**DIRECTORS' REPORT****DONATIONS**

The company donated \$nil (1998 -\$505) to charity during the year.

YEAR 2000

The directors take seriously their responsibility for ensuring that there is no material disruption to the group's operations as a result of the Year 2000 change. The group has established a committee headed by an executive director to ensure that all systems will continue in operation after Year 2000.

All costs associated with this program of compliance have been written off to the profit and loss account in the period in which they are incurred. The likely future costs are uncertain and have therefore not been estimated.

EUROPEAN MONETARY UNION

The group has taken all reasonable measures to enable it to transact in Euros with customers and suppliers when EMU came into effect on 1 January 1999. Preparations include the establishing of Euro bank facilities, updating the computer systems and where necessary the training of staff.

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

9. July 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 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.



AUDITORS' REPORT TO THE MEMBERS OF SUMITOMO CORPORATION CAPITAL EUROPE PLC

We have audited the financial statements on pages 6 to 19 which have been prepared under the accounting policies set out on pages 9 and 10.

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 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 of the company as at 31 March 1999 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

9. 7. 1999


CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 1999

	Note	1999 \$'000	1998 \$'000
TURNOVER	1,2	140,355	149,121
Cost of sales	3	(128,870)	(135,583)
Gross profit		11,485	13,538
Administrative expenses		(3,463)	(3,638)
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	8,022	9,900
Tax on profit on ordinary activities	6	(2,540)	(4,184)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		5,482	5,716
Dividends paid	7	(7,826)	(5,540)
(LOSS)/PROFIT (CHARGED)/TRANSFERRED TO RESERVES		(2,344)	176
Retained profit brought forward		3,210	3,034
Retained profit carried forward		866	3,210

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 1999

	Note	\$'000	1999 \$'000	\$'000	1998 \$'000
FIXED ASSETS					
Tangible assets	8		126		220
Investments	9		414,745		591,532
			<u>414,871</u>		<u>591,752</u>
CURRENT ASSETS					
Debtors	10	22,881		37,695	
Long term loans	11	260,490		290,992	
Loans and securities	11	1,527,806		1,427,312	
Cash at bank and in hand		144,580		149,588	
			<u>1,955,757</u>	<u>1,905,587</u>	
CREDITORS: amounts falling due within one year	12	(574,295)		(1,293,064)	
NET CURRENT ASSETS			<u>1,381,462</u>		<u>612,523</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,796,333		1,204,275
CREDITORS: amounts falling due after more than one year	13		(1,659,085)		(1,064,683)
			<u>137,248</u>		<u>139,592</u>
CAPITAL AND RESERVES					
Called up share capital	17		136,382		136,382
Profit and loss account			866		3,210
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>137,248</u>		<u>139,592</u>

These financial statements were approved by the Board of Directors on 9. July 1999.

Signed on behalf of the Board of Directors


 T. Iwase

Director


COMPANY BALANCE SHEET
31 March 1999

	Note	1999 \$'000	1998 \$'000
FIXED ASSETS			
Tangible assets	8	34	93
Investments	9	23,855	23,359
		<u>23,889</u>	<u>23,452</u>
CURRENT ASSETS			
Debtors	10	11,389	26,318
Loans and securities	11	715,813	1,096,273
Cash at bank and in hand		48,177	124,241
		<u>775,379</u>	<u>1,246,832</u>
CREDITORS: amounts falling due within one year	12	<u>(265,644)</u>	<u>(786,808)</u>
NET CURRENT ASSETS		<u>509,735</u>	<u>460,024</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>533,624</u>	<u>483,476</u>
CREDITORS: amounts falling due after more than one year	13	<u>(396,411)</u>	<u>(344,063)</u>
		<u>137,213</u>	<u>139,413</u>
CAPITAL AND RESERVES			
Called up share capital	17	136,382	136,382
Profit and loss account	19	831	3,031
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>137,213</u>	<u>139,413</u>

These financial statements were approved by the Board of Directors on 9 July 1999.

Signed on behalf of the Board of Directors


 F Iwase

Director

NOTES TO THE ACCOUNTS
Year ended 31 March 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.

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.

Investment in overseas subsidiary is hedged by foreign exchange contracts. Gains and losses resulting from the retranslation of investment in overseas subsidiary at year end rate 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.

SUMITOMO CORPORATION CAPITAL EUROPE PLC

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

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.

Cash flow Statement

The company has adopted FRS 1 (Revised), and in accordance with the provisions therein, no cash flow statement has been prepared. A consolidated cash flow statement can be found in the published accounts of the ultimate parent company Sumitomo Corporation.

2. TURNOVER

	1999 \$'000	1998 \$'000
Service fees receivable	75	44
Interest receivable and similar income:		
Bank deposit and similar interest receivable from current asset securities	56,292	84,648
Interest receivable from fellow group companies	85,108	64,845
Commission receivable from fellow group companies	49	49
Other trading losses	(1,169)	(465)
	<u>140,355</u>	<u>149,121</u>

3. COST OF SALES

	1999 \$'000	1998 \$'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>128,870</u>	<u>135,583</u>

SUMITOMO CORPORATION CAPITAL EUROPE PLC

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

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:

	1999 \$'000	1998 \$'000
Directors' emoluments for qualifying services	317	345
	<u>\$'000</u>	<u>\$'000</u>
Emoluments of the highest paid director	317	345
	<u>\$'000</u>	<u>\$'000</u>
Employee costs during the year (including directors):		
Wages and salaries	1,338	1,420
Social security costs	121	123
	<u>1,459</u>	<u>1,543</u>
	No.	No.
Average number of persons employed (including directors):		
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.

	1999 \$'000	1998 \$'000
Profit on ordinary activities before taxation is after charging:		
Auditors' remuneration		
- audit fee	61	60
- non audit services	105	65
Rental of leasehold property	339	341
Depreciation and other amounts written off tangible fixed assets	133	154

SUMITOMO CORPORATION CAPITAL EUROPE PLC

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 \$'000	1998 \$'000
UK corporation tax at 31% (1998 - 31%)	1,561	2,930
Overseas tax	979	1,147
	<u>2,540</u>	<u>4,077</u>
Adjustment in respect of prior years	-	107
	<u>2,540</u>	<u>4,184</u>

7. DIVIDENDS

	1999 \$'000	1998 \$'000
Dividends paid of 6.0 cents(1998 - 4.2 cents) per ordinary share	7,826	5,540

8. TANGIBLE FIXED ASSETS

Group	Leasehold improvements \$'000	Office fixtures, fittings and equipment \$'000	Total \$'000
Cost			
At 1 April 1998	40	648	688
Additions	-	39	39
Disposals	-	(22)	(22)
	<u>40</u>	<u>665</u>	<u>705</u>
At 31 March 1999	40	665	705
Accumulated depreciation			
At 1 April 1998	30	438	468
Charge for the year	5	128	133
Disposals	-	(22)	(22)
	<u>35</u>	<u>544</u>	<u>579</u>
At 31 March 1999	35	544	579
Net book value			
At 31 March 1999	<u>5</u>	<u>121</u>	<u>126</u>
At 31 March 1998	<u>10</u>	<u>210</u>	<u>220</u>

SUMITOMO CORPORATION CAPITAL EUROPE PLC

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

8. TANGIBLE FIXED ASSETS (continued)

Company	Leasehold improvements \$'000	Office fixtures, fittings and Equipment \$'000	Total \$'000
Cost			
At 1 April 1998	25	284	309
Additions	-	22	22
Disposals	-	(22)	(22)
At 31 March 1999	25	284	309
Accumulated depreciation			
At 1 April 1998	15	201	216
Charge for the year	5	76	81
Disposals	-	(22)	(22)
At 31 March 1999	20	255	275
Net book value			
At 31 March 1999	5	29	34
At 31 March 1998	10	83	93

9. INVESTMENTS HELD AS FIXED ASSETS

Group	Other investments Total \$'000
Cost	
At 1 April 1998	591,532
Additions	-
Redemptions	(176,787)
At 31 March 1999	414,745
Listed investments	113,534
Unlisted investments	301,211
Total at 31 March 1999	414,745

SUMITOMO CORPORATION CAPITAL EUROPE PLC

NOTES TO THE ACCOUNTS Year ended 31 March 1999

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 1998	-	23,359	23,359
Redemptions	-	-	-
Foreign exchange translation difference	-	496	496
	<hr/>	<hr/>	<hr/>
At 31 March 1999	-	23,855	23,855
	<hr/>	<hr/>	<hr/>

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	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Amounts owed by group companies	11,329	9,926	5,009	4,891
Other debtors	3,090	2,130	3,077	1,986
Corporation tax recoverable	1,720	-	1,720	-
Prepayments and accrued income	6,742	25,639	1,583	19,441
	<hr/>	<hr/>	<hr/>	<hr/>
	22,881	37,695	11,389	26,318
	<hr/>	<hr/>	<hr/>	<hr/>

11. LOANS AND SECURITIES HELD AS CURRENT ASSETS

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Current loan investments	-	-	-	-
Loans to subsidiary company	-	-	-	4,547
Loans to fellow group companies				
Due after more than one year	260,490	290,992	-	-
Due within one year	1,093,221	950,633	610,200	842,553
Other securities (unlisted)	434,585	471,650	105,613	244,144
Other securities (listed)	-	5,029	-	5,029
	<hr/>	<hr/>	<hr/>	<hr/>
	1,788,296	1,718,304	715,813	1,096,273
	<hr/>	<hr/>	<hr/>	<hr/>

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

SUMITOMO CORPORATION CAPITAL EUROPE PLC

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1999 \$'000	1998 \$000	1999 \$'000	1998 \$'000
Medium term notes	217,445	223,478	144,482	125,963
Short term loans	246,644	346,536	50,000	110,000
Long term loans	24,334	160,155	-	-
Commercial paper	65,000	544,587	65,000	544,587
Corporation tax	3,186	1,742	2,471	1,514
Other creditors	157	250	141	156
Accruals and deferred income	17,529	16,316	3,550	4,588
	<u>574,295</u>	<u>1,293,064</u>	<u>265,644</u>	<u>786,808</u>

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

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Medium term notes	1,494,391	878,104	396,411	344,063
Long term loans	164,694	186,579	-	-
	<u>1,659,085</u>	<u>1,064,683</u>	<u>396,411</u>	<u>344,063</u>
Analysis of repayments:				
Between one and two years	953,341	156,748	225,823	59,452
Between two and five years	387,953	681,376	153,421	284,611
More than five years	317,791	226,559	17,167	-
	<u>1,659,085</u>	<u>1,064,683</u>	<u>396,411</u>	<u>344,063</u>

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

SUMITOMO CORPORATION CAPITAL EUROPE PLC

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

14. FINANCIAL ASSETS AND LIABILITIES

After taking into account the various interest rate swaps, currency swaps and other derivative transactions entered into by the group, the interest rate exposure of the group's financial assets and liabilities at 31 March 1999 are as follows:

Financial assets

Currency	Total \$'000	Floating rate financial assets \$'000	Fixed rate financial assets			Non-interest bearing financial assets \$'000
				Weighted average interest rate %	Weighted average period for which rate is fixed Years	
US Dollar	2,322,416	717,527	1,604,846	5.3	0.4	43
Sterling	135	-	-	-	-	135
Netherlands Guilder	25,070	-	25,028	3.0	0.2	42

The non-interest bearing financial assets represent cash at bank.

The floating rate financial assets bear interest at rates based on LIBOR.

Financial liabilities

Currency	Total \$'000	Floating rate financial liabilities \$'000	Fixed rate financial liabilities		
				Weighted average interest rate %	Weighted average period for which rate is fixed Years
US Dollar	2,212,508	1,900,864	311,644	5.2	0.3

The floating rate financial liabilities bear interest at rates based on LIBOR.

Maturity of financial liabilities

The maturity profile of the group's financial liabilities at 31 March 1999 is as follows:

	\$'000
In one year or less	553,423
In more than one year but not more than two years	953,341
In more than two years but not more than five years	387,953
In more than five years	317,791
	<u>2,212,508</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

15. FINANCIAL INSTRUMENTS

Fair values of financial assets and liabilities

Set out below is a comparison by category of book values and fair values of the group's financial assets and liabilities as at 31 March 1999.

	Book value \$'000	Fair value \$'000
Primary financial instruments held or issued to finance the group's operations:		
Short-term financial assets and current portion of long-term lending	1,672,386	1,672,713
Long-term lending	260,490	260,490
Fixed asset investments	414,745	412,477
Short-term financial liabilities and current portion of long-term borrowings	553,423	536,841
Long-term borrowings	1,659,085	1,595,096
Derivative financial instruments held to manage the interest rate and currency profile:		
Interest rate swaps	-	806
Caps	-	5
Forward rate agreements	-	(170)
Currency swaps	-	(76,163)
Forward foreign exchange	-	3,037

Gains and losses on hedges

The group enters into derivatives transactions (principally currency swaps, interest rate swaps and forward foreign exchange contracts) to manage its currency and interest rate risks. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gain and losses is as follows:

	Gains \$'000	Losses \$'000	Total net gains (losses) \$'000
Unrecognised gains and losses on hedges at 31 March 1999	50,974	(123,459)	(72,485)
Of which:			
Gains and losses expected to be recognised in 2000	23,107	(37,864)	(14,757)
Gains and losses expected to be recognised in 2001 or later	27,867	(85,595)	(57,728)
Gains and losses arising in previous years that were recognised in the year	32,852	(76,497)	(43,645)

SUMITOMO CORPORATION CAPITAL EUROPE PLC

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

15 FINANCIAL INSTRUMENTS (continued)

Currency exposures

As at 31 March 1999, after taking into account the effects of forward foreign exchange contracts and currency swaps, the group's currency exposures are:

	Sterling \$'000	Netherlands Guilder \$'000	Total \$'000
Functional currency of group operation			
US dollar	134	1,371	1,505

Further details regarding the group's treasury management and policies are included in the Directors' Report.

16. PROVISIONS FOR LIABILITIES AND CHARGES

Group and Company

Deferred taxation

There are no potential amounts of deferred taxation as at 31 March 1999 or 31 March 1998.

17. CALLED UP SHARE CAPITAL

	1999	1998
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>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 \$'000	1998 \$'000
Profit attributable to shareholders of the group	5,482	5,716
Dividends	(7,826)	(5,540)
(Reduction)/addition to shareholders' funds	(2,344)	176
Opening shareholders' funds	<u>139,592</u>	<u>139,416</u>
Closing shareholders' funds	<u>137,248</u>	<u>139,592</u>

SUMITOMO CORPORATION CAPITAL EUROPE PLC

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

19. PROFIT AND LOSS ACCOUNT

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

	\$'000
Balance at 1 April 1998	3,031
Profit for the year	5,626
Dividends paid	(7,826)
	<hr/>
Balance at 31 March 1999	831
	<hr/>

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

20. 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.

21. OPERATING LEASE COMMITMENTS

At 31 March 1999 the group was committed to making the following payments during the next year in respect of operating leases:

	Leasehold Property \$'000
Leases which expire:	
Within one year	55
Within two to five years	30
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22. OTHER FINANCIAL COMMITMENTS

At 31 March 1999 the company was committed to issuing further medium term notes and commercial paper in the normal line of business amounting to \$nil (1998: \$25,000,000).

ADDITIONAL INFORMATION

The additional financial information on page 19 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.

SUMITOMO CORPORATION CAPITAL EUROPE PLC

DETAILED COMPANY PROFIT AND LOSS ACCOUNT

Year ended 31 March 1999

	1999	1998
	\$	\$
TURNOVER		
Service fees receivable	75,005	43,988
Dividends received	1,770,000	2,200,000
Interest receivable	61,551,281	76,955,709
Other trading (losses)/gains	(1,211,230)	(552,903)
	<hr/>	<hr/>
Cost of sales - Interest payable	62,185,056	78,646,794
	(52,706,373)	(67,416,168)
	<hr/>	<hr/>
Gross profit	9,478,683	11,230,626
EXPENSES		
Bank charges	15,738	19,023
Travel expenses	44,958	86,772
Communication expenses	33,536	34,906
Entertainment expenses	2,780	5,162
Books and subscriptions	199,032	204,557
Stationery and printing	4,894	4,874
Professional fees	209,870	202,716
Salaries	921,436	1,029,913
Welfare expenses (including employer's N.I. contributions)	75,728	72,703
Office expenses	50,299	49,731
Rent	275,889	278,784
Company house expenses	127,396	127,823
Depreciation	81,265	91,049
Commission paid	122,949	217,313
Irrecoverable VAT	127,149	120,759
Non operating expenses	-	31
Donation	-	505
Miscellaneous expenses	-	56
	<hr/>	<hr/>
	(2,292,919)	(2,546,677)
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7,185,764	8,683,949
	<hr/>	<hr/>