



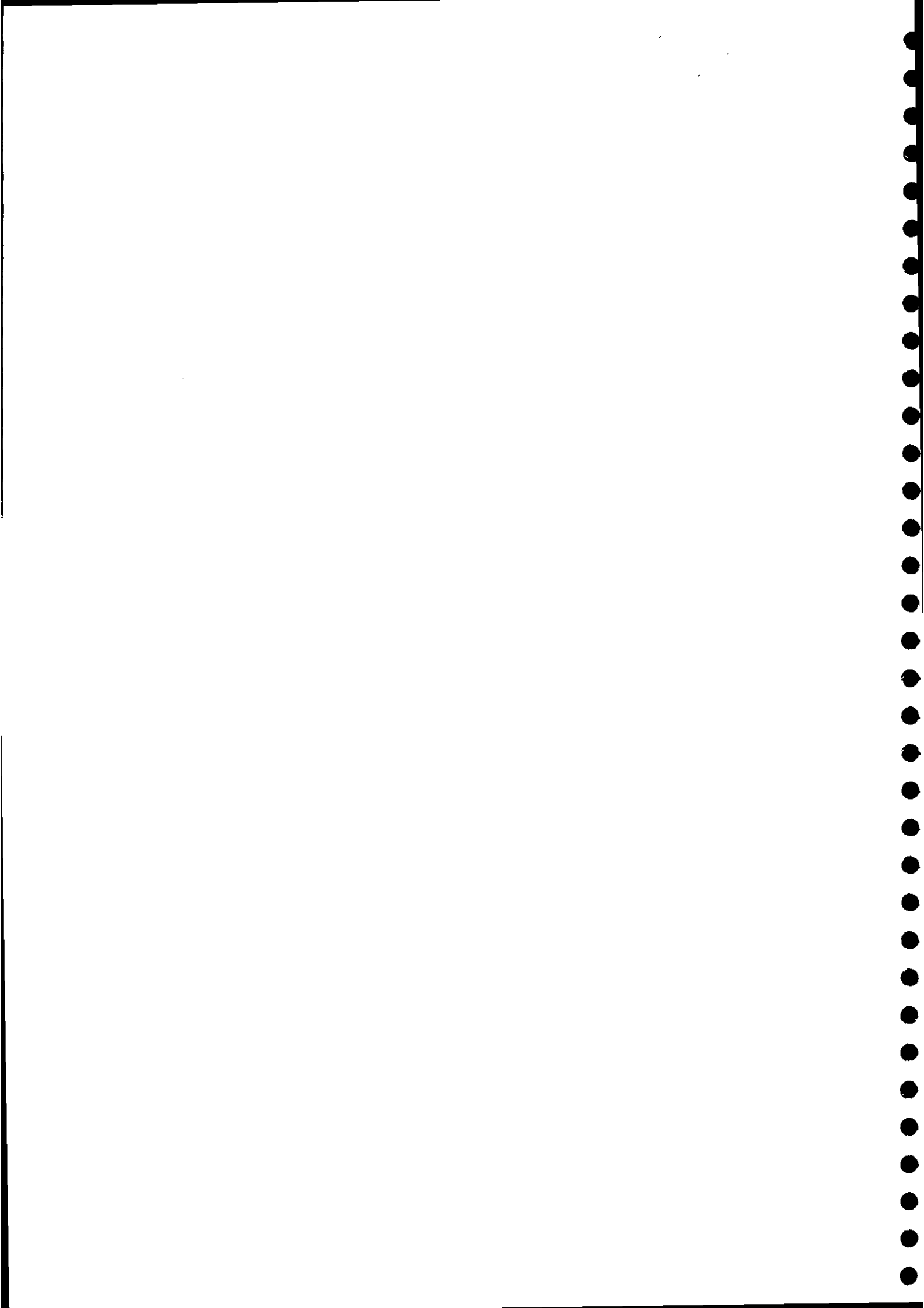
**MITSUI BUSSAN COMMODITIES  
LIMITED**

**Report and Financial Statements**

**31 December 1999**

**Deloitte & Touche  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR**





**REPORT AND FINANCIAL STATEMENTS 1999**

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**REPORT AND FINANCIAL STATEMENTS 1999****OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS**

H Nakamura  
S Underhill (Co-Managing Director)  
H Senga (Managing Director)  
Y Morishita  
M Ikeda  
M Roffey  
K Tasaka  
T Ohyama  
T Matsuoka

**SECRETARY**

S L Nath

**REGISTERED OFFICE**

Wren House  
15-23 Carter Lane  
London  
EC4V 5HH

**BANKERS**

The Sakura Bank Limited  
Barclays Bank PLC  
Fuji Bank Limited  
Bank of Tokyo-Mitsubishi Limited  
Chase Manhattan Bank

**SOLICITORS**

Clifford Chance  
200 Aldersgate Street  
London  
EC1A 4JJ

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

**DIRECTORS' REPORT**

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

**ACTIVITIES**

The company is engaged in metal trading on The London Metal Exchange and the trading of related OTC instruments. The US dollar is used as the reporting currency since the company's principal sources of income and expenditure are in this currency.

**REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The results for the current year of trading are set out on page 5. Trading generated a profit before tax of US\$ 2,690,068 (1998 - US\$ 3,472,752). The company expects to continue to trade profitably in future years.

**DIVIDENDS**

The directors have not recommended a dividend for 1999 (1998 - ).

**YEAR 2000**

The directors are continuing to review the impact of year 2000 on the operation of the business. The company has carried out a review of all its hardware, software and other systems, and is in the process of obtaining assurances from its suppliers. The future costs of obtaining compliance are not expected to be significant.

**DIRECTORS**

The current directors are listed on page 1.

The following directors served during the year:

H Nakamura	(Japanese)	
H Uno	(Japanese)	Resigned 1 May 1999
S Underhill		
H Senga	(Japanese)	
Y Morishita	(Japanese)	
M Roffey		
M Ikeda	(Japanese)	
K Tasaka	(Japanese)	
T Ohyama	(Japanese)	
T Matsuoka	(Japanese)	Appointed 1 May 1999

None of the directors held any interests in the shares of the company during the year.

**AUDITORS**

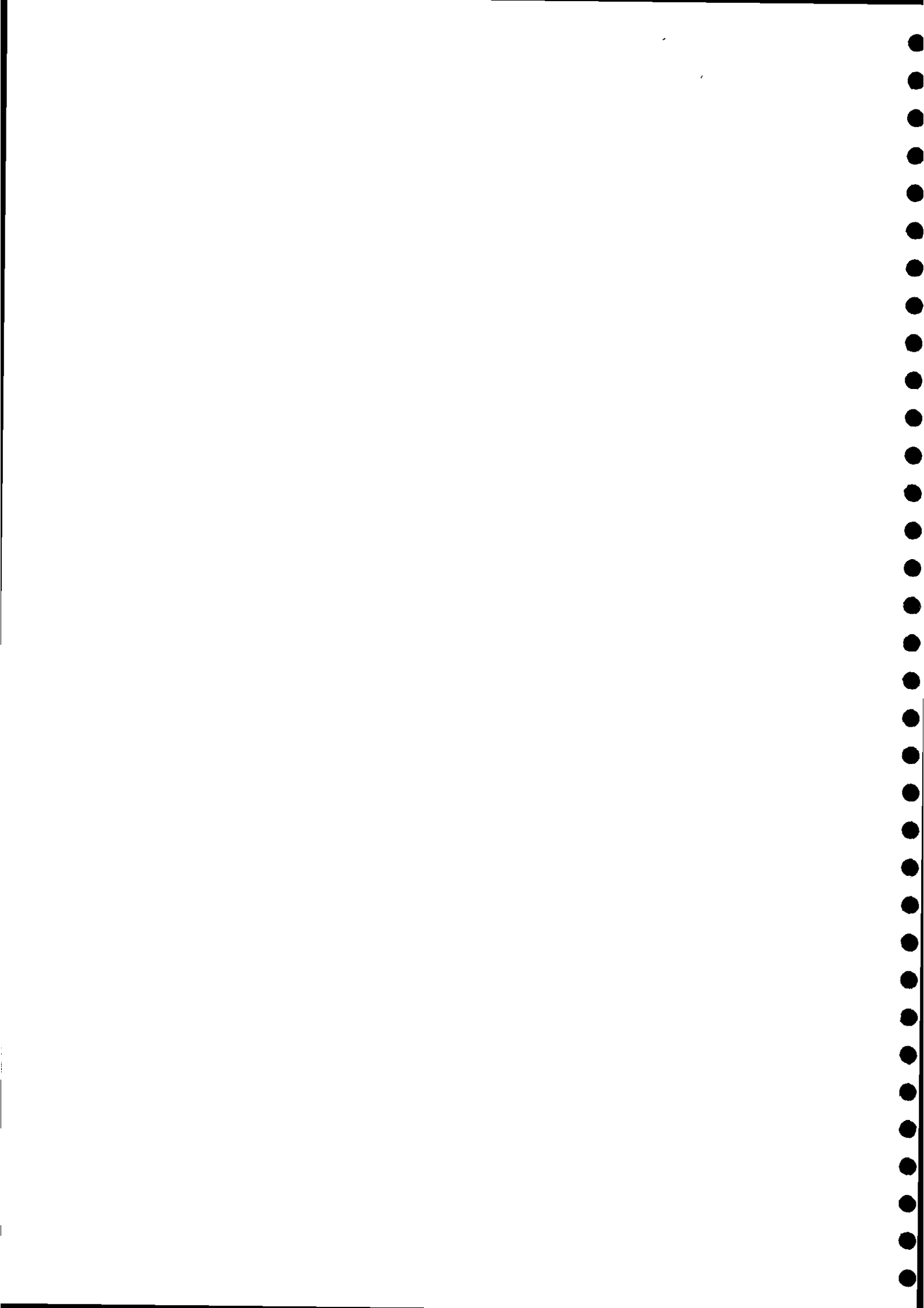
A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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



**H Nakamura**  
Director

14 March 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 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; and
- 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

### MITSUI BUSSAN COMMODITIES LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on page 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 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

14 March 2000




**PROFIT AND LOSS ACCOUNT**
**Year ended 31 December 1999**

	Note	1999 US\$	1998 US\$
<b>TURNOVER</b>	1,2	13,140,039	13,858,578
Administrative expenses		(11,817,914)	(11,202,492)
<b>OPERATING PROFIT</b>	4	1,322,125	2,656,086
Other interest and similar income		2,731,285	2,212,138
Interest payable and similar charges	5	(1,363,342)	(1,395,472)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,690,068	3,472,752
Tax charge on profit on ordinary activities	6	(791,272)	(1,092,222)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,898,796	2,380,530
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES</b>	13	1,898,796	2,380,530
<b>Profit and loss account brought forward</b>		2,748,583	368,053
<b>Profit and loss account carried forward</b>		4,647,379	2,748,583

All items of income and expenditure disclosed above are derived from continuing operations. There are no recognised gains or losses for the current financial year and preceding financial year, other than as stated in the profit and loss account.


**BALANCE SHEET  
31 December 1999**

	Note	1999 US\$	1998 US\$
<b>FIXED ASSETS</b>			
Tangible assets	7	983,213	871,419
Investments	8	652,870	504,370
		<u>1,636,083</u>	<u>1,375,789</u>
<b>CURRENT ASSETS</b>			
Debtors	9	138,299,353	141,942,039
Cash at bank and in hand		27,642,057	69,137,754
		<u>165,941,410</u>	<u>211,079,793</u>
<b>CREDITORS: amounts falling due within one year</b>			
Bank loans and overdrafts		332,978	538,614
Trade creditors		112,065,627	120,544,432
Amounts owed to group companies:			
Parent company and fellow subsidiaries		13,961,086	49,793,551
Subordinated liabilities	16	10,000,000	10,000,000
Other creditors including taxation and social security	10	245,037	1,207,224
Accruals and deferred income		1,189,428	2,442,462
		<u>137,794,156</u>	<u>184,526,283</u>
Provisions for liabilities and charges	11	135,958	180,716
		<u>137,930,114</u>	<u>184,706,999</u>
<b>NET CURRENT ASSETS</b>		<u>28,011,296</u>	<u>26,372,794</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>29,647,379</u>	<u>27,748,583</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	25,000,000	25,000,000
Profit and loss account		4,647,379	2,748,583
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	13	<u>29,647,379</u>	<u>27,748,583</u>

These financial statements were approved by the Board of Directors on 14 March 2000.

Signed on behalf of the Board of Directors

**H Nakamura**

Director



**CASH FLOW STATEMENT**  
**Year ended 31 December 1999**

	Note	1999 US\$	1998 US\$
<b>Net cash (outflow) / inflow from operating activities</b>	1	(39,414,980)	55,051,554
<b>Returns on investments and servicing of finance</b>			
Interest received		1,841,631	2,103,184
Interest paid		(1,363,342)	(1,395,472)
<b>Net cash inflow from returns on investments and servicing of finance</b>		478,289	707,712
<b>Taxation</b>			
UK corporation tax paid		(1,787,607)	(1,792,328)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(643,269)	(371,614)
Disposal of tangible fixed assets		77,506	1,667
<b>Net cash outflow from capital expenditure and financial investment activities</b>		(565,763)	(369,947)
<b>Net cash (outflow) / inflow before financing</b>		(41,290,061)	53,596,991
<b>(Decrease) / increase in cash</b>	2	(41,290,061)	53,596,991



**NOTES TO THE CASH FLOW STATEMENT**

**Year ended 31 December 1999**

**1. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES**

	<b>1999</b>	<b>1998</b>
	<b>US\$</b>	<b>US\$</b>
Operating profit	1,322,125	2,656,086
Depreciation	335,505	335,653
Decrease in debtors	4,709,247	2,117,970
(Decrease)/increase in creditors	(45,751,821)	49,941,553
(Profit)/loss on sale of fixed assets	(30,036)	292
Net cash (out) / inflow from operating activities	<u>(39,414,980)</u>	<u>55,051,554</u>

**2. CHANGES IN NET FUNDS AND RECONCILIATION OF NET CASH FLOWS TO MOVEMENT IN NET DEBT**

	<b>At</b>	<b>Cash flows</b>	<b>At</b>
	<b>31/12/1999</b>	<b>US\$</b>	<b>31/12/1998</b>
	<b>US\$</b>		<b>US\$</b>
Cash at bank and in hand	27,642,057	(41,495,697)	69,137,754
Bank overdraft	<u>(332,978)</u>	<u>205,636</u>	<u>(538,614)</u>
Debt due within one year	27,309,079	(41,290,061)	68,599,140
	<u>(10,000,000)</u>	<u>-</u>	<u>(10,000,000)</u>
Total net funds	<u>17,309,079</u>	<u>(41,290,061)</u>	<u>58,599,140</u>

**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, as modified by the valuation of trading positions.

**Turnover**

Turnover comprises:

- (i) profits on dealing operations, being gains less losses on options and futures dealing and currency hedging;
- (ii) gross commission from investment business, less commissions paid away.

All amounts are derived from the United Kingdom.

**Tangible fixed assets**

Depreciation is provided on the cost or revalued amount on the following bases:

Leasehold improvements	Over the term of the lease
Office equipment	Straight line method over 4 years
Motor vehicles	25% Reducing balance method

**Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on timing differences arising from 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.

**Foreign exchange**

Transactions denominated in other currencies are translated into US dollars at the rates of exchange ruling at the dates of the transactions. Fixed assets are translated at the rates ruling on acquisition. Other assets and liabilities stated in foreign currencies are translated into US dollars at the rates ruling at the year end. Exchange profits and losses are dealt with in 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 periods of the leases.

**Valuation of positions**

Positions held for trading purposes in options, futures and forwards are accounted for on a trade date basis and valued at market value. Market values are derived, as appropriate, from externally quoted prices and other market data and internal valuation models. Unrealised profits and losses on open forward contracts are discounted. Stocks held as trading positions are valued at net realisable value.

The client positions reflected in trade debtor and creditor accounts are also stated at market values.

**Pension costs**

The company contributes towards a money purchase pension scheme on behalf of its employees. Costs are charged against profits in the period in which they become payable.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

**2. TURNOVER**

	1999 US\$	1998 US\$
Dealing profits, net commissions receivable, and amounts payable on metal lease agreements	13,140,039	13,858,578

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1999 US\$	1998 US\$
Aggregate of directors' emoluments	1,433,603	1,553,645
Contributions to money purchase pension schemes	75,404	72,964

	1,509,007	1,626,609
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Emoluments of the highest paid director	793,640	817,519
Contributions to money purchase pension schemes	31,576	29,704

	825,216	847,223
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	No.	No.
Number of directors for whom the company made contributions to money purchase pension schemes	2	2

	US\$	US\$
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Employee costs during the year:		
Wages and salaries	4,682,184	5,622,478
Social security costs	547,724	226,911
Other pension costs	638,173	647,125

	5,868,081	6,496,514
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	1999 No.	1998 No.
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Average number of persons employed:		
Trading	12	15
Administration	18	16

	30	31
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**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

**4. OPERATING PROFIT**

	<b>1999</b>	<b>1998</b>
	<b>US\$</b>	<b>US\$</b>
Operating profit is after charging:		
Rentals under operating leases of land and buildings	202,264	202,910
Rentals under operating leases of office equipment	-	920
Depreciation and other amounts written off tangible fixed assets	335,505	335,653
Auditors' remuneration - audit services	63,886	66,305
Foreign exchange losses / (gains)	80,415	(3,546)
	<u>1,363,342</u>	<u>1,395,472</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>1999</b>	<b>1998</b>
	<b>US\$</b>	<b>US\$</b>
Bank loans and overdrafts payable within five years	2,860	3,691
Other loans - group undertakings	582,598	646,032
- other	777,884	745,749
	<u>1,363,342</u>	<u>1,395,472</u>

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

	<b>1999</b>	<b>1998</b>
	<b>US\$</b>	<b>US\$</b>
United Kingdom corporation tax at 30.25% (1998: 31%) based on the profit for the year	824,798	1,090,749
Adjustment in respect of prior periods	(33,526)	1,473
	<u>791,272</u>	<u>1,092,222</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**
**7. TANGIBLE FIXED ASSETS**

	<b>Total US\$</b>	<b>Leasehold improve- ments US\$</b>	<b>Office Equipment US\$</b>	<b>Motor vehicles US\$</b>
Cost				
At 1 January 1999	2,777,347	335,613	2,278,456	163,278
Additions	494,769	49,226	445,543	-
Disposals	(124,118)	-	-	(124,118)
At 31 December 1999	<u>3,147,998</u>	<u>384,839</u>	<u>2,723,999</u>	<u>39,160</u>
Accumulated depreciation				
At 1 January 1999	1,905,928	67,823	1,755,091	83,014
Charge for the year	335,505	33,840	289,800	11,865
Disposals during the year	(76,648)	-	-	(76,648)
At 31 December 1999	<u>2,164,785</u>	<u>101,663</u>	<u>2,044,891</u>	<u>18,231</u>
Net book value				
At 31 December 1999	<u>983,213</u>	<u>283,176</u>	<u>679,108</u>	<u>20,929</u>
At 31 December 1998	<u>871,419</u>	<u>267,790</u>	<u>523,365</u>	<u>80,264</u>

**8. INVESTMENTS**

	<b>1999 US\$</b>
At 1 January 1999	504,370
Additions	148,500
At 31 December 1999	<u>652,870</u>

**9. DEBTORS**

	<b>1999 US\$</b>	<b>1998 US\$</b>
Trade debtors	72,953,612	77,029,866
London Clearing House deposit	1,620,727	1,300,849
Amounts owed by group companies:		
Parent company and fellow subsidiaries	62,243,095	62,281,697
Other debtors	306,404	55,743
Tax/ACT recoverable	176,907	125,555
Prepayments and accrued income	998,608	1,148,329
	<u>138,299,353</u>	<u>141,942,039</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**
**10. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY**

	<b>1999</b>	<b>1998</b>
	<b>US\$</b>	<b>US\$</b>
This heading includes:		
UK corporation tax	292,147	1,064,465

**11. PROVISIONS FOR LIABILITIES AND CHARGES**

The amounts of deferred taxation provided and unprovided in the accounts are:

	<b>1999</b>	<b>Provided</b>	<b>1999</b>	<b>Unprovided</b>
	<b>US\$</b>	<b>1998</b>	<b>US\$</b>	<b>1998</b>
		<b>US\$</b>		<b>US\$</b>
Depreciation in excess of capital allowances	-	-	(80,415)	(16,939)
Other short term timing differences	-	-	-	-
	-	-	(80,415)	(16,939)
				<b>1999</b>
				<b>US\$</b>
<b>Other provisions:</b>				
Balance at 31 December 1998				180,716
Amount transferred from provisions				(44,758)
At 31 December 1999				135,958

**12. CALLED UP SHARE CAPITAL**

	<b>1999</b>	<b>1998</b>
	<b>US\$</b>	<b>US\$</b>
Authorised, allotted and fully paid: 25,000 ordinary shares of US\$1,000 each	25,000,000	25,000,000

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

	<b>1999</b>	<b>1998</b>
	<b>US\$</b>	<b>US\$</b>
Profit for the financial year	1,898,796	2,380,530
Opening shareholders' funds	27,748,583	25,368,053
Closing shareholders' funds	29,647,379	27,748,583



**NOTES TO THE ACCOUNTS**

**Year ended 31 December 1999**

**14. 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:

	<b>Office equipment</b>		<b>Land and buildings</b>	
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
Leases which expire:				
Over five years	-	920	202,264	202,910

**15. ULTIMATE PARENT COMPANY**

In the opinion of the directors, the ultimate parent company of Mitsui Bussan Commodities Limited, is Mitsui & Co., Ltd which is incorporated in Japan. A copy of the consolidated financial statements of the ultimate parent company can be obtained from that company's registered office 2-1 Ohtemachi 1-Chome, Chiyoda-ku, Tokyo 100, Japan. The parent company of both the largest and smallest groups of which the company is a part is Mitsui & Co., Ltd.

As a wholly owned subsidiary of a company whose accounts are publicly available, the company is exempt from the disclosure requirements of FRS8 relating to other group companies.

**16. SUBORDINATED LIABILITIES**

The subordinated debt has been borrowed from Mitsui & Co. UK PLC. Interest is payable at 0.40% above the London Inter-Bank Offer Rate for US dollars of the Bank of Tokyo-Mitsubishi Limited. The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the Company after giving seven Business Days' prior written notice to SFA of its intention to do so. The repayment date of the subordinated debt is 29 September 2000.