

**mitsui BUSSAN COMMODITIES
LIMITED**

Annual Financial Statements

31 December 1994

**Touche Ross & Co.
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR**



REPORT AND FINANCIAL STATEMENTS 1994

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the cash flow statement	9
Notes to the accounts	10

REPORT AND FINANCIAL STATEMENTS 1994

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K Ito
T Matsuoka
M Ejima
H Nakamura
H Uno (Managing Director)
S Underhill (Co-Managing Director)
H Senga
Y Morishita
M Roffey

SECRETARY

Legibus Secretaries Ltd

REGISTERED OFFICE

20 Old Bailey
London
EC4M 7QQ

BANKERS

The Sakura Bank Limited
Barclays Bank PLC
Fuji Bank Limited
Bank of Tokyo Limited
Hamburgische Landesbank

SOLICITORS

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

AUDITORS

Touche Ross & Co.
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 1994.

ACTIVITIES

The company is engaged in metal trading on The London Metal Exchange. 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 6. Trading generated a profit before tax of US\$7,730,566 (1993 - US\$787,036).

DIVIDENDS AND TRANSFERS TO RESERVES

The directors have recommended a dividend of US\$750,000 (US\$50 per share) for 1994 (1993 - US\$Nil).

The retained profit for the year of US\$4,293,337 (1993 - US\$492,695) has been transferred to reserves.

FIXED ASSETS

Details of tangible fixed assets are set out in note 8 to the accounts.

CALLED UP SHARE CAPITAL

During the year, the authorised share capital of the company was increased by 10,000 shares of US\$1,000 each. These shares were subsequently issued at par. Details are set out in note 12 to the accounts.

DIRECTORS

The current directors are listed on page 1.

The following directors served during the year:

K Ito	(Japanese)	
S Miyazawa	(Japanese)	(Resigned 31 December 1994)
M Ejima	(Japanese)	
H Mikami	(Japanese)	(Appointed 1 April 1994, resigned 31 July 1994)
S Inoue	(Japanese)	
H Yamamoto	(Japanese)	(Resigned 31 March 1994)
H Nakamura	(Japanese)	
H Uno	(Japanese)	
S Underhill		(Appointed 13 January 1994)
H Senga	(Japanese)	(Appointed 1 September 1994)
Y Morishita	(Japanese)	(Appointed 1 September 1994)
M Roffey		(Appointed 1 September 1994)

Mr S Inoue resigned on 31 January 1995 and Mr T Matsuoka was appointed on 1 February 1995.

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

DIRECTORS' REPORT

AUDITORS

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

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

A handwritten signature in black ink, appearing to read 'H. Nakamura', with a large, sweeping flourish extending to the right.

H Nakamura
Director
30 March 1995

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;
- 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. 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.



Chartered Accountants

Touche Ross & Co.
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Telephone: National 0171 936 3000
International + 44 171 936 3000
Telex: 884739 TRLNDN G
Fax (Gp. 3): 0171 583 1198
LDE: DX 599

MTSUI BUSSAN COMMODITIES LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on page 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 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 1994 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

30 March 1995

mitsui bussan commodities limited

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1994

	Note	1994 US\$	1993 US\$
REVENUE	1, 2	15,281,018	3,380,412
Administrative expenses		<u>(9,224,491)</u>	<u>(2,722,325)</u>
OPERATING PROFIT	4	6,056,527	658,087
Other interest and similar income		2,486,322	152,711
Interest payable and similar charges	5	<u>(812,283)</u>	<u>(23,762)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,730,566	787,036
Tax on profit on ordinary activities	6	<u>(2,687,229)</u>	<u>(294,341)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,043,337	492,695
Dividend proposed	7	<u>(750,000)</u>	<u>-</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	13	4,293,337	492,695
Profit and loss account brought forward		<u>548,271</u>	<u>55,576</u>
Profit and loss account carried forward		<u><u>4,841,608</u></u>	<u><u>548,271</u></u>

All items of income and expense disclosed above are derived from continuing operations. There are no recognised gains or losses attributable to the shareholders, other than those disclosed above.

MITSUI BUSSAN COMMODITIES LIMITED

BALANCE SHEET 31 December 1994

	Note	US\$	1994 US\$	US\$	1993 US\$
FIXED ASSETS					
Tangible assets	8		485,205		511,037
CURRENT ASSETS					
Debtors	9	278,834,075		11,461,437	
Cash at bank and in hand		<u>739,587</u>		<u>8,470,413</u>	
		279,573,662		19,931,850	
CREDITORS: amounts falling due within one year					
Bank loans and overdraft		7,661,983		40,645	
Trade creditors		192,283,204		7,579,787	
Proposed dividend		750,000		-	
Amounts owed to group companies:					
Parent company and fellow subsidiaries		52,796,429		6,257,807	
Other creditors including taxation and social security	10	3,383,340		396,285	
Accruals		<u>3,342,303</u>		<u>620,092</u>	
		260,217,259		14,894,616	
NET CURRENT ASSETS			19,356,403		5,037,234
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>19,841,608</u>		<u>5,548,271</u>
CAPITAL AND RESERVES					
Called up share capital	12	15,000,000		5,000,000	
Profit and loss account		<u>4,841,608</u>		<u>548,271</u>	
TOTAL EQUITY SHAREHOLDERS' FUNDS	13		<u>19,841,608</u>		<u>5,548,271</u>

These financial statements were approved by the Board of Directors on 30 March 1995.

Signed on behalf of the Board of Directors


H Nakamura
Director

CASH FLOW STATEMENT
Year ended 31 December 1994

	Note	1994 US\$	1993 US\$
Net cash (outflow)/inflow from operating activities	1	<u>(26,499,279)</u>	<u>1,118,694</u>
Returns on investments and servicing of finance			
Interest received		2,486,322	152,711
Interest paid		<u>(812,283)</u>	<u>(23,762)</u>
Net cash inflow from returns on investments and servicing of finance		<u>1,674,039</u>	<u>128,949</u>
Taxation			
UK corporation tax paid		<u>(307,741)</u>	<u>(99,526)</u>
Investing activities			
Purchase of tangible fixed assets		(220,061)	(442,903)
Disposal of tangible fixed assets		<u>878</u>	<u>8,880</u>
Net cash outflow from investing activities		<u>(219,183)</u>	<u>(434,023)</u>
Net cash (outflow)/inflow before financing		<u>(25,352,164)</u>	<u>714,094</u>
Financing activities			
Issue of ordinary share capital	4	<u>10,000,000</u>	<u>-</u>
Net cash inflow from financing activities		<u>10,000,000</u>	<u>-</u>
(Decrease)/Increase in cash and cash equivalents	3	<u><u>(15,352,164)</u></u>	<u><u>714,094</u></u>

NOTES TO THE CASH FLOW STATEMENT

Year ended 31 December 1994

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

	1994 US\$	1993 US\$
Operating profit	6,056,527	658,087
Depreciation	245,893	231,855
(Increase)/decrease in debtors	(267,185,138)	2,356,386
Increase/(decrease) in creditors	234,384,317	(2,125,182)
Profit on sale of fixed assets	(878)	(2,452)
Net cash (outflow)/inflow from operating activities	<u>(26,499,279)</u>	<u>1,118,694</u>

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1994 US\$	1993 US\$
Balance at beginning of year	8,429,768	7,715,674
Net cash (outflow)/inflow	<u>(15,352,164)</u>	<u>714,094</u>
Balance at end of year	<u>(6,922,396)</u>	<u>8,429,768</u>

3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS IN THE BALANCE SHEET

	1994 US\$	1993 US\$	Change in year US\$
Cash at bank and in hand	739,587	8,470,413	(7,730,826)
Bank overdraft	<u>(7,661,983)</u>	<u>(40,645)</u>	<u>(7,621,338)</u>
	<u>(6,922,396)</u>	<u>8,429,768</u>	<u>(15,352,164)</u>

4. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital £
Balance at 1 January 1994	5,000,000
Cash inflows from financing	<u>10,000,000</u>
Balance at 31 December 1994	<u>15,000,000</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1994

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.

Revenue

A company dealing in futures contracts has no equivalent to turnover, cost of sales and gross profit. Such figures are therefore not included in the profit and loss account.

Revenue therefore 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.

Tangible fixed assets

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

Leasehold improvements	Over the term of the lease
Office equipment	3-4 years
Motor vehicles	4 years

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 profit and loss account in equal annual amounts over the periods of the leases.

Valuation of trading 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.

NOTES TO THE ACCOUNTS

Year ended 31 December 1994

2. REVENUE

	1994 US\$	1993 US\$
Dealing profits, net commissions receivable, and amounts payable on metal lease agreements	<u>15,281,018</u>	<u>3,380,412</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1994 US\$	1993 US\$
Directors' emoluments	<u>2,097,322</u>	<u>150,861</u>
Remuneration of the Managing Director	<u>-</u>	<u>10,219</u>
Remuneration of the highest paid director	<u>1,635,451</u>	<u>98,212</u>
	No.	No.
Scale of other directors' remuneration:		
£ 0 - £ 5,000	8	8
£ 25,000 - £ 30,000	-	1
£ 100,000 - £ 105,000	1	-
£ 170,000 - £ 175,000	<u>1</u>	<u>-</u>
	US\$	US\$
Employee costs during the year:		
Wages and salaries	4,933,314	958,237
Social security costs	519,688	67,068
Other pension costs	<u>274,097</u>	<u>102,335</u>
	<u>5,727,099</u>	<u>1,127,640</u>
	No.	No.
Average number of persons employed:		
Trading	9	3
Administration	<u>9</u>	<u>7</u>
	<u>18</u>	<u>10</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1994

4. OPERATING PROFIT

	1994 US\$	1993 US\$
Operating profit is after charging:		
Rentals under other operating leases	232,817	191,100
Depreciation and other amounts written off tangible fixed assets	245,893	231,855
Auditors' remuneration - audit services	57,794	23,788
- other	12,496	37,133
	<u>245,893</u>	<u>231,855</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1994 US\$	1993 US\$
Bank loans and overdrafts payable within five years	812,283	23,762
	<u>812,283</u>	<u>23,762</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1994 US\$	1993 US\$
United Kingdom corporation tax at 33% (1993 - 33%) based on the profit for the year	2,687,038	299,614
Adjustment in respect of prior periods	191	(5,273)
	<u>2,687,229</u>	<u>294,341</u>

The taxation charge is high in relation to the profits for the period due to the incidence of expenditure which is disallowable for taxation purposes.

7. DIVIDEND PROPOSED

	1994 US\$	1993 US\$
A dividend of US\$50 per share (1993 - nil) has been proposed by the directors	750,000	-
	<u>750,000</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1994

8. TANGIBLE FIXED ASSETS

	Total US\$	Leasehold improve- ments US\$	Office equipment US\$	Motor vehicles US\$
Cost				
At 1 January 1994	1,003,483	231,959	717,264	54,260
Additions	220,061	-	220,061	-
Disposals	(14,737)	-	(14,737)	-
At 31 December 1994	1,208,807	231,959	922,588	54,260
Accumulated depreciation				
At 1 January 1994	492,446	160,215	306,077	26,154
Charge for the year	245,893	24,480	210,351	11,062
On disposals	(14,737)	-	(14,737)	-
At 31 December 1994	723,602	184,695	501,691	37,216
Net book value				
At 31 December 1994	485,205	47,264	420,897	17,044
At 31 December 1993	511,037	71,744	411,187	28,106

9. DEBTORS

	1994 US\$	1993 US\$
Amounts owed by group companies:		
Parent company and fellow subsidiaries	39,616,547	505,754
Trade debtors	238,797,110	10,824,232
Other debtors	191,438	121,322
ACT recoverable	187,500	-
Prepayments and accrued income	41,480	10,129
	278,834,075	11,461,437

Included in other debtors is a loan of £166 due from a director. The loan is repayable in equal instalments over 4 years and attracts interest of approximately 7%. The maximum amount outstanding during the year was £1,132.

10. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1994 US\$	1993 US\$
This heading includes:		
UK corporation tax	2,671,520	292,032
ACT payable	187,500	-

NOTES TO THE ACCOUNTS
Year ended 31 December 1994

11. PROVISIONS FOR LIABILITIES AND CHARGES

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

	Provided		Unprovided	
	1994	1993	1994	1993
	US\$	US\$	US\$	US\$
Depreciation in excess of capital allowances	-	-	49,886	13,577

12. CALLED UP SHARE CAPITAL

	1994	1993
	US\$	US\$
Authorised, allotted and fully paid: 15,000 (1993: 5,000) ordinary shares of US\$1,000 each	15,000,000	5,000,000

On 30 August 1994 the company increased its authorised share capital to 15,000 shares of US\$1,000 each. On 5 September 1994 10,000 shares of US\$1,000 each were issued at par for cash to provide the company with additional working capital.

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1994	1993
	US\$	US\$
Profit for the financial year	4,293,337	492,695
Increase in called up share capital	10,000,000	-
Opening shareholders' funds	5,548,271	5,055,576
Closing shareholders' funds	19,841,608	5,548,271

14. OPERATING LEASE COMMITMENTS

At 31 December 1994 the company was committed to making the following payments during the next year in respect of operating leases:

	Office equipment	Land and buildings
	US\$	US\$
Leases which expire: Within two to five years	44,044	100,458

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. Limited.