

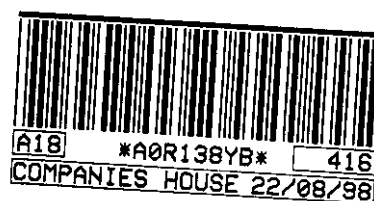


**MTSUI BUSSAN COMMODITIES
LIMITED**

Financial Statements

31 December 1997

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



**REPORT AND FINANCIAL STATEMENTS 1997**

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K Ito
H Nakamura
H Uno
S Underhill (Co-Managing Director)
H Senga (Managing Director)
Y Morishita
M Ikeda
M Roffey
K Tasaka

SECRETARY

Clifford Chance Secretaries Limited

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 1997.

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 6. Trading generated a profit before tax of US\$6,964,641 (1996 - loss of US\$18,758,960). The company expects to continue to trade profitably in future years.

DIVIDENDS

The directors have not recommended a dividend for 1997.

DIRECTORS

The current directors are listed on page 1.

The following directors served during the year:

K Ito	(Japanese)	
M Ejima	(Japanese)	
S Inoue	(Japanese)	
H Nakamura	(Japanese)	
H Uno	(Japanese)	
S Underhill		
H Senga	(Japanese)	
Y Morishita	(Japanese)	
M Roffey		
T Matsuoka	(Japanese)	(Resigned 1 August 1997)
M Ikeda	(Japanese)	
M Tasaka	(Japanese)	(Appointed 1 August 1997)

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



DIRECTORS' REPORT

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

M Ikeda
Director

26 March 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 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.



Chartered Accountants

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

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LDE: DX 599

AUDITORS' REPORT TO THE MEMBERS OF

MITSUI BUSSAN COMMODITIES LIMITED

We have audited the financial statements on pages 6 to 15 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 1997 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

26 March 1998

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1997

	Note	1997 US\$	1996 US\$
TURNOVER	1, 2	17,978,156	(11,696,521)
Administrative expenses		(11,685,620)	(7,470,766)
OPERATING PROFIT/(LOSS)	4	6,292,536	(19,167,287)
Other interest and similar income		1,744,280	2,182,893
Interest payable and similar charges	5	(1,072,175)	(1,774,566)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		6,964,641	(18,758,960)
Tax (charge)/credit on profit/(loss) on ordinary activities	6	(2,070,101)	5,414,230
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		4,894,540	(13,344,730)
Dividend proposed/waived	7	-	450,000
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	13	4,894,540	(12,894,730)
Profit and loss account brought forward		(4,526,487)	8,368,243
Profit and loss account carried forward		368,053	(4,526,487)

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


BALANCE SHEET
31 December 1997

	Note	1997 US\$	1996 US\$
FIXED ASSETS			
Tangible assets	8	837,417	860,073
Investments		504,370	500,685
		<u>1,341,787</u>	<u>1,360,758</u>
CURRENT ASSETS			
Debtors	9	143,986,484	92,648,328
Cash at bank and in hand		15,002,190	28,408,698
		<u>158,988,674</u>	<u>121,057,026</u>
CREDITORS: amounts falling due within one year			
Bank loans and overdraft		41	45
Trade creditors		65,400,810	43,189,803
Amounts owed to group companies:			
Parent company and fellow subsidiaries		47,266,616	47,402,188
Subordinated Liabilities	16	10,000,000	10,000,000
Other creditors including taxation and social security	10	8,424,466	448,844
Provisions for liabilities and charges	11	3,717,398	626,762
Accruals		153,077	276,629
		<u>134,962,408</u>	<u>101,944,271</u>
NET CURRENT ASSETS		<u>24,026,266</u>	<u>19,112,755</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>25,368,053</u>	<u>20,473,513</u>
CAPITAL AND RESERVES			
Called up share capital	12	25,000,000	25,000,000
Profit and loss account		368,053	(4,526,487)
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	<u>25,368,053</u>	<u>20,473,513</u>

These financial statements were approved by the Board of Directors on 26 March 1998.

Signed on behalf of the Board of Directors

M Ikeda

Director


CASH FLOW STATEMENT
Year ended 31 December 1997

	Note	1997 US\$	1996 US\$
Net cash (outflow)/inflow from operating activities	1	(16,854,418)	(5,624,619)
Returns on investments and servicing of finance			
Interest received		1,744,280	2,182,893
Interest paid		(1,072,175)	(1,774,566)
Net cash inflow from returns on investments and servicing of finance		672,105	408,327
Taxation			
UK corporation tax recovered/(paid)		3,132,469	(749)
Capital expenditure and financial investment			
Purchase of investments		-	(500,685)
Purchase of tangible fixed assets		(356,660)	(877,220)
Disposal of tangible fixed assets		-	12,627
Net cash outflow from capital expenditure and financial investment activities		(356,660)	(1,365,278)
Net cash (outflow)/inflow before financing		(13,406,504)	(6,582,319)
Financing activities			
Issue of ordinary share capital		-	10,000,000
Subordinated loan		-	10,000,000
Net cash inflow from financing activities		-	20,000,000
Increase in cash	2, 3	(13,406,504)	13,417,681


NOTES TO THE CASH FLOW STATEMENT
Year ended 31 December 1997
1. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1997 US\$	1996 US\$
Operating profit/(loss)	6,292,536	(19,167,287)
Depreciation	379,316	563,084
(Increase)/decrease in stocks	(12,543,322)	203,717
(Increase)/decrease in debtors	(42,197,404)	34,730
Increase in creditors	31,218,141	12,759,114
Profit on sale of fixed assets	-	(5,625)
Difference on foreign exchange	(3,685)	(12,352)
	<u>(16,854,418)</u>	<u>(5,624,619)</u>
Net cash outflow from operating activities		

2. CHANGES IN NET FUNDS

	1996 US\$	Cash flows US\$	1997 US\$
Cash at bank and in hand	28,408,698	(13,406,508)	15,002,190
Bank overdraft	(45)	4	(41)
	<u>28,408,653</u>	<u>(13,406,504)</u>	<u>15,002,149</u>
Debt due within 1 year	(10,000,000)	-	(10,000,000)
	<u>18,408,653</u>	<u>(13,406,504)</u>	<u>5,002,149</u>
Total net funds			

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

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

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.

Turnover 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 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. Costs are charged against profits in the period in which they become payable.


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
2. TURNOVER

	1997	1996
	US\$	US\$
Dealing (losses)/profits, net commissions receivable, and amounts payable on metal lease agreements	17,978,156	(11,696,521)

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997	1996
	US\$	US\$
Aggregate of directors' emoluments	1,762,903	907,230
Contributions to money purchase pension schemes	69,273	106,253
	1,832,176	1,013,483
Emoluments of the highest paid director	1,023,149	399,200
Contributions to money purchase pension schemes	72,257	68,600
	1,095,406	468,000
	No.	No.
Number of directors for whom the company made contributions to money purchase pension schemes	2	2
Employee costs during the year:	US\$	US\$
Wages and salaries	5,546,879	2,896,086
Social security costs	313,627	279,208
Other pension costs	452,905	462,018
	6,313,411	3,637,312

	1997	1996
	No.	No.
Average number of persons employed:		
Trading	14	14
Administration	14	13
	28	27

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

4. OPERATING PROFIT/(LOSS)

	1997	1996
	US\$	US\$
Operating profit/(loss) is after charging:		
Rentals under other operating leases	227,120	383,707
Depreciation and other amounts written off tangible fixed assets	379,316	563,084
Auditors' remuneration - audit services	96,973	79,389
Foreign exchange losses	130,885	61,025
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1997	1996
	US\$	US\$
Bank loans and overdrafts payable within five years	12,146	338,160
Other loans	1,060,029	1,436,406
	<u> </u>	<u> </u>
	1,072,175	1,774,566
	<u> </u>	<u> </u>

6. TAX CHARGE/(CREDIT) ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1997	1996
	US\$	US\$
United Kingdom corporation tax at 31% (1996 - 33%) based on the profit for the year	1,800,000	(5,410,000)
Adjustment in respect of prior periods	270,101	(4,230)
	<u> </u>	<u> </u>
	2,070,101	(5,414,230)
	<u> </u>	<u> </u>

7. DIVIDEND PROPOSED

	1997	1996
	US\$	US\$
Dividend proposed/(waived)	-	(450,000)
	<u> </u>	<u> </u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
8. TANGIBLE FIXED ASSETS

	Total US\$	Leasehold improve- ments US\$	Office equipment US\$	Motor vehicles US\$
Cost				
At 1 January 1997	2,051,032	289,826	1,637,088	124,118
Additions	356,660	24,213	293,287	39,160
At 31 December 1997	2,407,692	314,039	1,930,375	163,278
Accumulated depreciation				
At 1 January 1997	1,190,959	2,484	1,148,835	39,640
Charge for the year	379,316	31,538	315,049	32,729
At 31 December 1997	1,570,275	34,022	1,463,884	72,369
Net book value				
At 31 December 1997	837,417	280,017	466,491	90,909
At 31 December 1996	860,073	287,342	488,253	84,478

9. DEBTORS

	1997 US\$	1996 US\$
Amounts owed by group companies:		
Parent company and fellow subsidiaries	25,767,130	24,442,830
Trade debtors	89,823,570	62,174,249
Other debtors	56,094	240,497
Tax/ACT recoverable	198,692	3,437,999
Prepayments and accrued income	79,316	19,403
London Clearing House deposit	28,061,682	2,333,350
	143,986,484	92,648,328

10. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1997 US\$	1996 US\$
This heading includes:		
UK corporation tax	1,800,000	-

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

11. PROVISIONS FOR LIABILITIES AND CHARGES

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

	1997	Provided	1997	Unprovided
	US\$	1996	1997	1996
		US\$	US\$	US\$
Depreciation in excess of capital allowances	-	-	29,213	29,034
Other short term timing differences	-	-	5,074	5,074
Losses	-	-	-	379,288
	-	-	34,287	413,396

Other provisions:	Bonus	Forward valuation	Other	Total
Balance at 31 December 1996	233,000	89,546	304,216	626,762
Amount transferred to provisions	2,327,000	541,772	221,864	3,090,636
	2,560,000	631,318	526,080	3,717,398

12. CALLED UP SHARE CAPITAL

	1997	1996
	US\$	US\$
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

	1997	1996
	US\$	US\$
Profit/(loss) for the financial year	4,894,540	(13,344,730)
Dividends (proposed)/waived	-	450,000
	4,894,540	(12,894,730)
Increase in called up share capital. 10,000 authorised, allotted and fully paid up ordinary shares of US\$1,000 each	-	10,000,000
Opening shareholders' funds	20,473,513	23,368,243
Closing shareholders' funds	25,368,053	20,473,513

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

14. OPERATING LEASE COMMITMENTS

At 31 December 1997 the company was committed to making the following payments during the next year in respect of operating leases:

	Office equipment US\$	Land and buildings US\$
Leases which expire:		
Over five years	908	200,348

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 0.5% 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 30 June 1998.