



Report and Financial Statements

31 December 2007

# Marubeni Europe plc

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Registered No. 1885084

## **DIRECTORS**

S Sonobe  
K Gunji  
S Muto  
T Hiroe

## **SECRETARY**

Y Nakaki

## **AUDITORS**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

## **SOLICITORS**

Clifford Chance LLP  
10 Upper Bank Street,  
London E14 5JJ

## **REGISTERED OFFICE**

River Plate House,  
7-11 Finsbury Circus,  
London EC2M 7AF

## DIRECTORS' REPORT

The directors present their report and the group financial statements for the year ended 31 December 2007.

### **RESULTS AND DIVIDENDS**

The group's loss for the year ended 31 December 2007 after taxation and minority interests, amounted to €4,501,000 (2006 Profit - €687,000).

The directors do not recommend the payment of a dividend (2006 - €nil).

### **PRINCIPAL ACTIVITIES**

The group's principal activities during the year were international trading in a broad range of industrial, agricultural and consumer goods, commodities, natural resources and investments, and the provision of financing, insurance, computer and other services related to this trading. The company operates through a network of European branches in France, Germany, Italy and (until December 2007) Sweden.

### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

While the group's normal trading operations have continued to generate an acceptable level of profits in 2007, during the final quarter a group company in which Marubeni Europe has a 5% equity participation suffered significant losses due to its holdings in investment vehicles exposed to assets backed by US sub-prime mortgages. A write-down of the investment of €7,997,000 has been included in "amounts written off investments" in the profit and loss account, based on that company's estimate of the valuation losses arising, as recognised in its financial statements for the year ended 29 February 2008. Group operating profit excluding this item would be €8,410,000, which represents an increase of €3,933,000 over the previous year. This is partly due to an increase of €927,000 in net interest earned as a result of higher loan financing activity when compared with the previous year. The net effect of these influences on the group's key performance measure of profit after tax has been a loss of €4,501,000 as reported above.

During the year, the branch office in Stockholm, Sweden ceased trading due to ongoing losses, and was formally closed in December, which will generate cost savings going forwards. In October, the company entered into a new six-year lease for office premises in London and carried out a refurbishment prior to occupation. The offices were subsequently occupied at the beginning of March 2008, when the company changed its registered office address. Included in other operating income in the income statement is an appropriate portion of the landlord's contribution to the cost of refurbishment works, received on 1 October at the commencement of the lease, while a rent-free incentive is being recognised as a reduction of rental expense evenly over the lease term.

The Marubeni group's business, in common with other general trading companies, is closely linked to its ultimate parent company and the wider Marubeni Corporation group with respect to trading transactions, ability to obtain funding and the reduction of credit risk. The directors believe that the group is well positioned to continue its profitable operations.

The directors recognise that the company and group face a wide range of financial and market risks in conducting their worldwide business activities. They consider the management of risk to be an important part of their function, and have put in place various strategies for the company and group undertakings, with the aim of limiting exposures to financial, exchange, credit, liquidity and cash-flow risks. These strategies include the use of hedging, insurance, diversification of trading activities, and the use of financial instruments to fix price or forecast foreign exchange requirements as they arise as more fully described in Note 16 of the financial statements. The directors have also implemented a comprehensive set of policies for business conduct and internal control.

DIRECTORS' REPORT

The directors intend to continue to promote core trading operations whilst also seeking new opportunities for investment and diversification within risk parameters acceptable to the group.

**PAYMENT POLICY**

It is the company's policy to settle all debts with its creditors on a timely basis, taking account of the credit period given by each supplier. At 31 December 2007, there were 20 days' purchases outstanding in trade creditors.

**DIRECTORS**

The following served as directors of the company during the year and up to the date of signing these financial statements:

S Sonobe	(appointed 2 April 2007)
T Nakayama	(resigned 2 April 2007)
T Kaneko	(resigned 2 April 2007)
K Gunji	(appointed 2 April 2007)
T Kamiya	(resigned 2 April 2007)
S Muto	
T Hiroe	(appointed 2 April 2007)

**CHARITABLE CONTRIBUTIONS**

Charitable contributions totalling €3,028 were made during the year (2006 - €10,369).

**DISCLOSURE OF INFORMATION TO THE AUDITORS**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

**AUDITOR**

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

By order of the board

Y Nakaki  
Secretary

29 May 2008

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statement in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company of the profit and 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 UK applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE INDEPENDENT AUDITORS  
to the members of Marubeni Europe plc**

We have audited the group's and parent company's financial statements for the year ended 31 December 2007 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP  
Registered Auditor  
London

# Marubeni Europe plc

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 2007

	<i>Notes</i>	2007 €000	2006 €000
<b>TURNOVER</b>	2	701,049	667,985
Cost of sales		(650,095)	(616,234)
<b>GROSS PROFIT</b>		<u>50,954</u>	<u>51,751</u>
Administrative expenses		(49,774)	(52,757)
Other operating income		2,211	1,438
Interest receivable and similar income	6	23,727	13,997
Interest payable and similar charges	7	(18,409)	(9,606)
Amounts written off investments	11	(8,339)	(346)
<b>GROUP OPERATING PROFIT</b>	3	<u>370</u>	<u>4,477</u>
Share of operating losses (excluding interest) of associates		(55)	(132)
Share of interest receivable of associates		35	29
Share of interest payable of associates		(102)	(74)
Share of operating losses of associates		<u>(122)</u>	<u>(177)</u>
<b>TOTAL OPERATING (LOSS)/PROFIT: GROUP AND SHARE OF ASSOCIATES</b>		<u>248</u>	<u>4,300</u>
Loss on disposal of fixed asset investments	11	(1,096)	-
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<u>(848)</u>	<u>4,300</u>
Taxation	8	(3,322)	(3,389)
<b>(LOSS)/PROFIT FOR THE YEAR AFTER TAXATION</b>		<u>(4,170)</u>	<u>911</u>
Minority interests - equity		(331)	(224)
<b>(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>	21	<u><u>(4,501)</u></u>	<u><u>687</u></u>

## Marubeni Europe plc

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### GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2007

	<i>Notes</i>	<i>2007</i> €000	<i>2006</i> €000
(Loss)/profit for the year excluding share of losses of associates		(4,311)	906
Share of associates' losses for the year		(190)	(219)
		<hr/>	<hr/>
<b>(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>		<b>(4,501)</b>	<b>687</b>
		<hr/>	<hr/>
Foreign exchange (loss) profit on retranslation of net assets of subsidiary undertakings		(109)	93
Foreign exchange (loss)gain on retranslation of net assets of associated undertakings		(24)	34
Actuarial gain on defined benefit pension liability	23	956	2,070
Deferred tax on defined benefit pension liability		(317)	(621)
		<hr/>	<hr/>
		506	1,576
		<hr/>	<hr/>
<b>TOTAL RECOGNISED (LOSSES)/GAINS RELATING TO THE YEAR</b>		<b>(3,995)</b>	<b>2,263</b>
		<hr/> <hr/>	<hr/> <hr/>

# Marubeni Europe plc

## GROUP BALANCE SHEET

at 31 December 2007

	<i>Notes</i>	€000	2007 €000	€000	2006 €000
<b>FIXED ASSETS</b>					
Tangible fixed assets	10		2,175		2,982
Fixed asset investments:					
Investment in associates	11	489		703	
Other Investments	11	19,397		27,170	
			19,886		27,873
			22,061		30,855
<b>CURRENT ASSETS</b>					
Stocks	12		25,028		27,888
Loans receivable - amounts falling due:	13				
after more than one year		70,919		2,234	
within one year		367,760		222,661	
			438,679	224,895	
Other debtors - amounts falling due:	14				
after more than one year		-		7	
within one year		144,097		134,014	
			144,097	134,021	
Total debtors			582,776		358,916
Cash at bank and in hand			27,989		26,712
			635,793		413,516
<b>CREDITORS: amounts falling due within one year</b>	17		483,215		300,063
<b>NET CURRENT ASSETS</b>			152,578		113,453
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			174,639		144,308
<b>CREDITORS: amounts falling due after more than one year</b>	18		35,352		1,161
<b>MINORITY INTEREST - EQUITY</b>			2,453		2,125
<b>NET ASSETS EXCLUDING PENSION LIABILITIES</b>			136,834		141,022
<b>PENSION LIABILITIES</b>	23		3,382		4,071
<b>NET ASSETS</b>			133,452		136,951

# Marubeni Europe plc

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## GROUP BALANCE SHEET

at 31 December 2007

		2007	2006
	<i>Notes</i>	€000	€000
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	85,243	91,834
Share premium account	21	51,681	51,681
Capital reserve	21	(32,245)	(38,598)
Foreign exchange reserve	21	(2,713)	(3,076)
Profit and loss account	21	30,962	35,110
Other Reserves	21	524	-
<b>EQUITY SHAREHOLDERS' FUNDS</b>	21	<u>133,452</u>	<u>136,951</u>

S Sonobe  
Director

K Gunji  
Director

29 May 2008

# Marubeni Europe plc

## BALANCE SHEET

at 31 December 2007

	<i>Notes</i>	<i>€000</i>	<i>2007</i> <i>€000</i>	<i>€000</i>	<i>2006</i> <i>€000</i>
<b>FIXED ASSETS</b>					
Tangible fixed assets	10		603		760
Fixed asset investments	11,20		55,916		71,084
			<u>56,519</u>		<u>71,844</u>
<b>CURRENT ASSETS</b>					
Stocks	12		14,700		18,878
Loans receivable - amounts falling due:	13				
after more than one year		70,880		2,210	
within one year		367,760		222,661	
		<u>438,640</u>		<u>224,871</u>	
Other debtors - amounts falling due:	14				
within one year		132,823		123,078	
		<u>132,823</u>		<u>123,078</u>	
Total debtors			571,463		347,949
Cash at bank and in hand			22,980		21,086
			<u>609,143</u>		<u>387,913</u>
<b>CREDITORS: amounts falling due</b>					
within one year	17		463,177		281,008
			<u>145,966</u>		<u>106,905</u>
<b>NET CURRENT ASSETS</b>					
			<u>202,485</u>		<u>178,749</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
<b>CREDITORS: amounts falling due after more</b>					
than one year	18		34,824		1,008
			<u>167,661</u>		<u>177,741</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITIES</b>					
<b>PENSION LIABILITIES</b>	23		3,382		4,071
			<u>164,279</u>		<u>173,670</u>
<b>NET ASSETS</b>			<u><u>164,279</u></u>		<u><u>173,670</u></u>

# Marubeni Europe plc

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## BALANCE SHEET at 31 December 2007

	<i>Notes</i>	<i>2007</i> €000	<i>2006</i> €000
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	85,243	91,834
Share premium account	21	51,681	51,681
Capital reserve	21	-	(591)
Foreign exchange reserve	21	(575)	(1,071)
Profit and loss account	21	27,406	31,817
Other Reserves	21	524	-
<b>EQUITY SHAREHOLDERS' FUNDS</b>	21	<u>164,279</u>	<u>173,670</u>

S Sonobe  
Director

K Gunji  
Director

29 May 2008

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Basis of consolidation*

The group financial statements consolidate the results of Marubeni Europe plc (“the company”) and its subsidiary undertakings, as summarised in Note 11, together “the group”, made up to 31 December each year using the acquisition method. No separate profit and loss account is prepared for Marubeni Europe plc as provided by Section 230(3) of the Companies Act 1985.

Undertakings, other than subsidiary undertakings, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associated undertakings and are accounted for using the equity method. The group financial statements include the appropriate share of these companies’ results and reserves based on audited financial statements or management accounts for each year.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

	<i>Depreciation rate (%) or period</i>	<i>Method</i>
Leasehold land	over the lease term,	
and buildings	up to maximum of 40 years	Straight line, 0% residual value
Motor vehicles	25.0% to 36.9% per annum	Reducing balance, 5% residual value
Fixtures and fittings	10.9% to 68.4% per annum	Reducing balance, 5% residual value
Computer equipment	31.9% to 68.4% per annum	reducing balance, 5% residual value
Computer software	over 3 to 5 years	Straight line, zero residual value

(Purchased software, including associated installation and modification costs)

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Fixed asset investments*

Fixed asset trade investments are initially valued at cost, less any impairment in value. They are reviewed for impairment if events or changes in circumstances indicate their carrying value may not be recoverable.

#### *Current asset investments*

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

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost represents amounts incurred in bringing each product to its present location and condition and is calculated on a weighted average basis. Net realisable value is based on selling price less further costs expected to be incurred to disposal.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

1. ACCOUNTING POLICIES (continued)

**Revenue recognition**

Turnover is derived as the net amount receivable exclusive of value added tax for goods and services supplied. Income from sales is recognised upon the transfer of title of goods, income from services is recognised evenly over the earning period.

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over onto replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Foreign currencies**

*Company*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. Such differences are taken to the profit and loss account. Exchange gains and losses on long term monetary items are also included in the profit and loss account. Exchange differences arising on the retranslation of opening net assets and retranslation of results for the year in respect of overseas branches are taken directly to reserves.

*Group*

The opening net assets of the relevant foreign enterprises are translated at the rate of exchange ruling at the balance sheet date. Profits and losses of these enterprises are translated at average exchange rates for the year. The exchange difference arising on the retranslation of opening net assets and retranslation of results for the year are taken directly to reserves. All other translation differences are taken to the profit and loss account.

**Operating leases**

Rentals paid under operating leases payable and received under operating leases receivable are charged or credited to income on a straight line basis over the lease term. Any benefits arising from an incentive received are allocated over the shorter of the lease term or a period ending on a date from which the prevailing market rental is payable.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

1. ACCOUNTING POLICIES (continued)

***Pensions***

The group, in conjunction with other fellow subsidiary undertakings, operates a defined benefit pension scheme in the UK, which requires contributions to be made to a separately administered fund. Any increase in the present value of the liabilities expected to arise from employee service in the period is charged against operating profit and included as part of staff costs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the Statement of Total Recognised Gains and Losses.

Pension scheme assets are measured using market values and liabilities are measured on an actuarial basis using the projected unit method. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred taxation, is presented within provisions for liabilities and charges on the face of the balance sheet.

The company operates unfunded defined benefit pension arrangements in overseas branches. Changes in provisions for retirement benefits are charged or credited to the profit and loss account based on annual estimates determined in accordance with local regulations.

***Cash flow statement***

As a subsidiary of Marubeni Corporation, which publishes group financial statements, the company has taken advantage of the exemption permitted by FRS 1 from the requirement to prepare a cash flow statement.

***Derivative instruments***

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The group also uses interest rate swaps to adjust interest rate exposures.

The group considers its derivative instruments qualify for hedge accounting when certain criteria are met.

***Forward foreign currency contracts***

The criteria for forward foreign currency contracts are:

- the instrument must be related to a firm foreign currency commitment;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the group's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed future transaction, are not recognised until the transaction occurs.

The group considers its derivative instruments qualify for hedge accounting when they are matched to a corresponding transaction and, accordingly, gains and losses on the hedging instrument are recognised at the same time as gains and losses on the hedged transaction.

***Interest rate swaps***

The criteria for interest rate swaps are:

- the instrument must be related to an asset or liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials are recognised by accruing with net interest payable. Interest rate swaps are not revalued to fair value or shown on the group balance sheet at the year end. If they are terminated early, the gain/ loss is spread over the remaining maturity of the original instrument.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

**2. TURNOVER AND SEGMENTAL INFORMATION**

Turnover represents the invoiced amount of goods sold and accruals for services provided which fall within the group's ordinary activities, all of which are continuing.

	2007	2006
	€000	€000
<i>Turnover comprises:</i>		
Principal sales	686,522	653,079
Other sales and commissions	14,527	14,906
	<u>701,049</u>	<u>667,985</u>

No geographical analysis of turnover, pre-tax result or net assets is given as in the opinion of the directors, to provide such information would be seriously prejudicial to the interests of the group.

Marubeni Europe plc purchases, distributes and markets a wide variety of industrial, agricultural and consumer goods, commodities, natural resources and capital equipment to a multitude of industries, and provides financing, insurance, computer and other services related to this trade.

The group operates on a worldwide basis and derives its income from these trading service activities. The directors are of the opinion that its total general trading business constitutes one class of activity. Accordingly its turnover and pre-tax result have not been broken down into classes of activity.

**3. OPERATING (LOSS)/PROFIT**

This is stated after charging:

	2007	2006
	€000	€000
Auditors' remuneration	773	752
Depreciation	569	1,458
Operating lease rentals - land and buildings	4,597	4,029
- others	106	116
	<u>773</u>	<u>752</u>

The remuneration of the auditors is further analysed as follows:

	2007	2006
	€000	€000
Audit of the financial statements	383	367
Other fees to auditors - audit of the group pension schemes	10	9
- local statutory audits for associates (subsidiaries)	119	115
- taxation services	40	35
- corporate finance services	14	17
- other services	207	209
	<u>773</u>	<u>752</u>

Included in the audit of the financial statements figure of €383,000 above are amounts payable to associates of the auditors in respect of the company's branches.

# Marubeni Europe plc

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

### 4. DIRECTORS' REMUNERATION

	<i>2007</i>	<i>2006</i>
	<i>€000</i>	<i>€000</i>
Aggregate emoluments in respect of qualifying services	1,622	1,747
The amounts in respect of the highest paid director were as follows:		
Aggregate emoluments	472	671
The Directors' pension arrangements are disclosed in Note 23.		

### 5. STAFF COSTS

	<i>2007</i>	<i>2006</i>
	<i>€000</i>	<i>€000</i>
Wages and salaries	16,924	19,470
Social security costs	2,168	2,475
Other pension costs	1,218	950
	20,310	22,895

The average monthly number of employees during the year was made up as follows:

	<i>2007</i>	<i>2006</i>
	<i>No.</i>	<i>No.</i>
Trading	110	119
Administration	69	65
	179	184

In addition, 31(2006 - 34) personnel employed by Marubeni Corporation were seconded to work for the group during the year. The salary costs of these personnel, which are included in the above figures, are borne by Marubeni Europe plc.

# Marubeni Europe plc

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007	2006
	€000	€000
Loans receivable and other debtors	1,025	3,067
Amounts receivable from group undertakings	18,996	7,053
	<u>20,021</u>	<u>10,120</u>
Income from shares in group undertakings	1,515	1,589
Income from unlisted trade investments	1,136	1,093
Bank deposit interest	1,055	1,195
	<u>23,727</u>	<u>13,997</u>

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	€000	€000
Bank loans and other loans wholly repayable within five years	2,896	3,431
Bank loans not wholly repayable within five years	1,812	-
Amounts payable to group undertakings	13,701	6,175
	<u>18,409</u>	<u>9,606</u>

### 8. TAXATION

The taxation charge is made up as follows:

	2007	2006
	€000	€000
Current tax:		
UK corporation tax	537	436
Tax under provided in prior years (UK)	96	16
Less: double taxation relief on dividend income	(142)	(142)
	<u>491</u>	<u>310</u>
Overseas tax		
Withholding tax on dividend	142	142
Overseas corporate taxes	2,839	2,947
Tax under/(over)provided in prior years (overseas)	13	(52)
	<u>3,485</u>	<u>3,347</u>
Group current tax	3,485	3,347
Share of associates' current tax	68	42
	<u>3,553</u>	<u>3,389</u>
Deferred tax:		
Overseas deferred tax	(231)	-
	<u>3,322</u>	<u>3,389</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

**8. TAXATION** (continued)

***Factors affecting current tax charge (reconciliation of tax)***

The tax assessed on the profit on ordinary activities for the year is higher (2006 - higher) than the standard rate of corporation tax for the region in which the company operates of 39.3% (2006 – 43.8%). The differences are reconciled below:

	2007	2006
	€000	€000
(Loss)/Profit on ordinary activities before tax	(848)	4,300
(Loss)/Profit before tax multiplied by relevant rate (1) of corporation tax to reflect results of European operations (39.3%) (2006 – 43.8%)	(333)	1,883
Timing differences	(343)	579
Provision against fixed asset investment not allowable for tax purposes	3,248	-
Permanent and other differences	641	963
Net effect of tax under/(over) provided in prior years	109	(36)
Total current tax	3,322	3,389

- (1) The relevant tax rate is 39.3% (2006 – 43.8%). This reflects the fact that the company has branches across Europe - significantly in Germany, Italy, France and Sweden, where profits are taxed at rates which are higher than the UK rate of Corporation Tax.

***Deferred Tax***

*Group and company*

Deferred tax assets have been recognised in the Balance Sheets in respect of (i) a timing difference arising on an accounting provision for a loss-making contract, included in current debtors in Note 14; and (ii) the pension fund liability as set out in Notes 1 and 23. The year-end provisions at 31 December are as follows:

	2007	2006
	€000	€000
Deferred tax asset (current) on timing difference for accounting provision	231	-
Deferred tax asset (non-current) on UK pension liability	426	743
	=====	=====
		€000
Deferred tax asset on UK pension liability at 1 January 2007		743
Decrease during the year		(317)
Deferred tax asset on UK pension liability at 31 December 2007		426
		=====

The deferred tax asset not recognised in the financial statements is as follows:

	2007	2006
	€000	€000
Timing differences on unclaimed capital allowances	1,155	1,474
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

**8. TAXATION** (continued)

There is a deferred tax asset of €1,155,000 (2006 – €1,474,000) arising from timing differences on unclaimed UK capital allowances which has not been recognised in the financial statements due to uncertainty surrounding the availability of suitable taxable profits against which these could reverse in the future.

The Finance Act 2007 reduces the standard rate of Corporation Tax in the UK from 30% to 28% with effect from 1 April 2008. Consequently, the deferred tax liabilities – both recognised and unrecognised – have been calculated at 28%, being the rate at which they are expected to reverse.

**9. (LOSS)/PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

The loss dealt with in the financial statements of the parent company, Marubeni Europe plc, for the year ended 31 December 2007 is €4,764,000 (2006 - profit €2,041,000).

**10. TANGIBLE FIXED ASSETS**

*Group*

	<i>Leasehold land and buildings €000</i>	<i>Motor vehicles €000</i>	<i>Fixtures and fittings €000</i>	<i>Computer equipment €000</i>	<i>Computer software €000</i>	<i>Total €000</i>
<b>Cost:</b>						
At 1 January 2007	369	419	9,355	2,100	129	12,372
Additions	-	46	8	144	5	203
Disposals	(2)	(235)	(1,210)	(496)	(35)	(1,978)
At 31 December 2007	367	230	8,153	1,747	99	10,597
<b>Depreciation:</b>						
At 1 January 2007	200	287	6,901	1,881	121	9,390
Provided during the year	24	29	392	118	6	569
Disposals	(1)	(178)	(859)	(464)	(35)	(1,537)
At 31 December 2007	223	138	6,434	1,535	92	8,422
<b>Net book value:</b>						
At 31 December 2007	144	92	1,719	212	7	2,175
At 1 January 2007	169	132	2,454	219	8	2,982

# Marubeni Europe plc

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

### 10. TANGIBLE FIXED ASSETS (continued)

#### Company

	<i>Leasehold land and buildings</i>	<i>Motor vehicles</i>	<i>Fixtures and fittings</i>	<i>Computer equipment</i>	<i>Computer software</i>	<i>Total</i>
	€000	€000	€000	€000	€000	€000
Cost:						
At 1 January 2007	369	419	4,355	2,100	129	7,372
Additions	-	46	8	144	5	203
Disposals	(2)	(235)	(351)	(496)	(35)	(1,119)
At 31 December 2007	367	230	4,012	1,747	99	6,456
Depreciation:						
At 1 January 2007	200	287	4,123	1,881	121	6,612
Provided during the year	24	29	48	118	6	225
Disposals	(1)	(178)	(306)	(464)	(35)	(984)
At 31 December 2007	223	138	3,865	1,535	92	5,853
Net book value:						
At 31 December 2007	144	92	147	212	7	603
At 1 January 2007	169	132	232	219	8	760

### 11. FIXED ASSET INVESTMENTS

#### Group

	<i>Associated undertakings</i>	<i>Trade investments</i>	<i>Total</i>
	€000	€000	€000
At 1 January 2007	703	27,170	27,873
Exchange difference on retranslation	(24)	-	(24)
Increase in provisions	-	(8,339)	(8,339)
Additions	-	3,913	3,913
Disposals	-	(3,347)	(3,347)
Share of losses retained by associated undertakings	(190)	-	(190)
At 31 December 2007	489	19,397	19,886

# Marubeni Europe plc

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

### 11. FIXED ASSET INVESTMENTS (continued)

#### Company

	<i>Subsidiary undertakings</i>	<i>Associated undertakings</i>	<i>Trade investments</i>	<i>Total</i>
	€000	€000	€000	€000
At 1 January 2007	42,217	1,875	26,992	71,084
Increase in provisions	-	(153)	(8,339)	(8,492)
Additions	-	-	2,399	2,399
Disposals	-	-	(3,313)	(3,313)
Liquidation of subsidiary undertakings (see Note 20)	(5,762)	-	-	(5,762)
At 31 December 2007	<u>36,455</u>	<u>1,722</u>	<u>17,739</u>	<u>55,916</u>

#### Group and company

Trade investments are stated net of provisions of €1,068,000 (2006 - €2,729,000). Disposals of shares in group companies and their investments during the year resulted in losses of €1,096,000 (2006 - €nil).

The company holds 20% or more of the equity of the following, unlisted companies at 31 December 2007:

<i>Name of Company</i>	<i>Country of Incorporation if not Great Britain</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>	<i>Accounting year end</i>
<b>Subsidiary undertakings:</b>				
Fujifilm Hungary Kft.	Hungary	Ordinary shares 100%	Fujifilm distribution	31 December
Hadis Export-Import GmbH	Germany	Ordinary shares 100%	General trading	31 December
Marubeni (Hungary) Engineering				
And Construction Kft	Hungary	Ordinary shares 100%	Engineering and Construction	31 December
I. Marubeni s.r.o.	Czech Republic	Ordinary shares 100%	Engineering and Construction	31 December
Zao Fujifilm Russia	Russia	Ordinary shares 80%	Fujifilm distribution	31 December
Image Ukraine CJSC	Ukraine	Ordinary shares 70%	Fujifilm distribution	31 December
Marubeni Specialty Chemicals				
Europe GmbH	Germany	Ordinary shares 51%	Chemicals trading	31 December
<b>Associated undertakings:</b>				
Marubeni Pulp and Paper				
Sales Europe GmbH	Germany	Ordinary shares 40%	Paper distribution	31 December
Yokohama Austria GmbH	Austria	Ordinary shares 27%	Tyre distribution	31 December
Comaboko SA	France	Ordinary shares 20%	Foods distribution	31 December
Marnix Europe Limited		Ordinary shares 20%	Insurance consultant	31 December

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2007

**12. STOCKS**

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	€000	€000	€000	€000
Goods for resale	19,333	20,309	9,005	13,000
Merchandise in transit	5,695	7,579	5,695	5,878
	<u>25,028</u>	<u>27,888</u>	<u>14,700</u>	<u>18,878</u>

**13. LOANS RECEIVABLE**

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	€000	€000	€000	€000
Within one year:				
Wholly due within one year from fellow subsidiary undertakings	336,549	213,887	336,549	213,887
Current portion of long term loans receivable - fellow subsidiary undertakings	30,247	-	30,247	-
- due from unrelated parties	964	8,774	964	8,774
	<u>367,760</u>	<u>222,661</u>	<u>367,760</u>	<u>222,661</u>
After more than one year:				
- fellow subsidiary undertakings	69,312	-	69,312	-
- due from unrelated parties	1,607	2,234	1,568	2,210
	<u>438,679</u>	<u>224,895</u>	<u>438,640</u>	<u>224,871</u>

Loans receivable due after more than one year represents amounts due from trading customers and fellow subsidiaries, mostly bearing interest rates related to LIBOR and due for repayment over the period up to the year 2017.

€438,147,000 (2006 - €224,871,000) of loans receivable are guaranteed by the group's parent company, Marubeni Corporation. All loans receivable from fellow subsidiary undertakings are included in the above guaranteed amount.

# Marubeni Europe plc

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

### 14. DEBTORS

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	€000	€000	€000	€000
<i>Within one year</i>				
Trade debtors - amounts falling due within one year	112,991	109,515	98,549	95,118
Advances on merchandise	1,396	662	1,396	662
Amounts due from subsidiary undertakings	-	-	4,284	5,173
Amounts due from associated undertakings	5,789	5,262	5,789	5,262
Amounts due from parent company	11,372	9,749	11,372	9,749
Amounts due from fellow subsidiary undertakings	6,307	3,995	6,307	3,995
Prepayments and accrued income	1,786	735	1,786	735
Other debtors	4,225	4,096	3,109	2,384
Deferred tax asset current	231	-	231	-
	<u>144,097</u>	<u>134,014</u>	<u>132,823</u>	<u>123,078</u>
<i>After more than one year</i>				
Trade debtors - amounts falling due after more than one year	-	7	-	-
	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>

### 15. CURRENT ASSET INVESTMENTS

*Group and company*

	2007	2006
	€000	€000
At 1 January	-	170
Transfer from fixed asset investment	-	-
Disposals	-	(170)
	<u>-</u>	<u>-</u>
At 31 December	<u>-</u>	<u>-</u>

**16. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS**

The group's financial instruments, other than short term debtors and creditors and derivatives, comprise fixed asset investments, bank loans, other loans to and from related and unrelated parties, Euro medium-term notes, commercial paper, cash, time deposits and fixed asset investments (excluding investments in associates). The main purpose of these financial instruments is to raise and manage finance for the group's trading operations. The group also enters into derivative transactions (principally interest rate swaps, currency swaps, forward currency exchange contracts and commodity futures contracts). The purpose of these transactions is to manage the interest rate, currency and commodity price risks arising from the group's operations and its sources of finance.

It is the group's policy not to engage in trading in financial instruments. Derivative financial instruments are solely used for hedging purposes.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, foreign currency risk, credit risk and commodity market price risk. The board considers these risks, and agrees policies for managing each of them, in order to ensure the long-term stability of the group's operations.

***Interest Rate Risk***

The group borrows in various currencies, normally in order to meet specific lending or investment opportunities, at predominantly floating rates of interest. Where necessary the group then uses interest rate swaps to generate the desired interest profile and to manage the group's exposure to interest rate fluctuations.

***Liquidity Risk***

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, commercial paper and Euro medium-term notes and group funding, at the same time seeking to obtain funding at favourable borrowing rates. Details of the group's long-term debt are summarised in note 19.

***Foreign Currency Risk***

As a result of the significant international transactions in US dollars, Japanese yen and other foreign currencies, and the fact that the parent's functional currency is euro, the group's balance sheet can be significantly affected by movements in exchange rates. However, the group takes steps to reduce the potential for such effects by managing its currency exposures through the use of spot and forward currency exchange contracts, by maintaining asset and liability exposures in matched currencies, and by the use of currency swap contracts.

***Commodity Market Price Risk***

By the very nature of its activities, the group's investments and traded commodities are exposed to market price fluctuations. Certain derivative contracts are entered into for the purpose of hedging against these market price movements.

***Credit Risk***

Group policies are aimed at minimizing the risk that counterparties may fail to discharge their financial obligations to the group. The means of reducing credit risk are through the use of credit insurance, and a policy of only granting deferred payment terms to customers who demonstrate an appropriate payment history or otherwise satisfy credit worthiness criteria. A parent company guarantee may be required for group funding loans.

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2007

16. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

At 31 December 2007 foreign currency and interest rate exposures of the group were:

	<i>Financial assets</i>				<i>Financial liabilities</i>			
	<i>Fixed interest rate</i>	<i>Floating interest rate</i>	<i>Non-interest bearing</i>	<i>Total</i>	<i>Fixed interest rate</i>	<i>Floating interest rate</i>	<i>Non-interest bearing</i>	<i>Total</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
Sterling	5,800	1,924	19,859	27,583	4,743	678	12,793	18,214
US Dollars	60,321	343,979	39,797	444,097	37,267	314,004	18,738	370,009
Japanese Yen	-	20,933	5,212	26,145	-	18,150	1,989	20,139
Euro	12	32,508	87,885	120,404	-	8,120	83,196	91,316
Others	-	660	18,352	19,012	125	-	14,740	14,865
<b>Total</b>	<b>66,133</b>	<b>400,004</b>	<b>161,476</b>	<b>627,613</b>	<b>42,135</b>	<b>340,952</b>	<b>131,456</b>	<b>514,543</b>

At 31 December 2006 foreign currency and interest rate exposures of the group were:

	<i>Financial assets</i>				<i>Financial liabilities</i>			
	<i>Fixed interest rate</i>	<i>Floating interest rate</i>	<i>Non-interest bearing</i>	<i>Total</i>	<i>Fixed interest rate</i>	<i>Floating interest rate</i>	<i>Non-interest bearing</i>	<i>Total</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
Sterling	2,373	712	20,081	23,166	-	-	11,138	11,138
US Dollars	91	224,691	40,968	265,750	157,731	16,822	23,484	198,037
Japanese Yen	-	1,029	1,493	2,522	-	6,491	851	7,342
Euro	615	18,809	63,403	82,827	-	-	60,769	60,769
Others	-	1,573	36,218	37,791	45	-	23,685	23,730
<b>Total</b>	<b>3,079</b>	<b>246,814</b>	<b>162,163</b>	<b>412,056</b>	<b>157,776</b>	<b>23,313</b>	<b>119,927</b>	<b>301,016</b>

The above disclosures include all short-term debtors and creditors and equity trade investments. The floating rate assets and liabilities are based on LIBOR rates (2006 - same). The non-interest bearing liabilities, which consist primarily of trade creditors and amounts due to group companies, have an average life of 73 days (2006 – 47 days). The non-interest bearing assets, which consist primarily of trade debtors, have an average life of 73 days (2006 – 66 days). Financial liabilities classified as fixed interest rate includes both short-term loans and long term loans which extend to 2014.

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2007

**16. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS** (continued)

At 31 December 2007, the fixed rate assets and liabilities had the following weighted average lives and weighted average interest rates:

	<i>Financial assets</i>			<i>Financial liabilities</i>	
	<i>Average interest rate</i>	<i>Average life in years</i>		<i>Average interest rate</i>	<i>Average life in years</i>
	<i>%</i>	<i>years</i>		<i>%</i>	<i>years</i>
Sterling	6.09	5	Sterling	5.96	1
US Dollars	5.5	4	US Dollars	5.43	5
Japanese Yen	-	-	Japanese Yen	-	-
Euro	3.5	1	Euro	-	-
Others	-	-	Others	5.2	1

At 31 December 2006, the fixed rate assets and liabilities had the following weighted average lives and weighted average interest rates:

	<i>Financial assets</i>			<i>Financial liabilities</i>	
	<i>Average interest rate</i>	<i>Average life in years</i>		<i>Average interest rate</i>	<i>Average life in years</i>
	<i>%</i>	<i>years</i>		<i>%</i>	<i>years</i>
Sterling	4.93	1	Sterling	-	-
US Dollars	5.05	1	US Dollars	5.57	1
Japanese Yen	-	-	Japanese Yen	-	-
Euro	2.78	1	Euro	-	-
Others	-	-	Others	2.48	1

***Fair values of financial assets and financial liabilities***

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

	<i>2007</i>	<i>2006</i>
	<i>Book value</i>	<i>Book value</i>
	<i>€000</i>	<i>€000</i>
<i>Primary financial instruments</i>		
<i>Assets</i>		
Cash and short term deposits	27,989	26,712
Debtors	141,548	133,279
Loans receivable	438,679	224,895
Fixed Asset Investments	19,397	27,170
	<u>627,613</u>	<u>412,056</u>
	<u><u>627,613</u></u>	<u><u>412,056</u></u>

# Marubeni Europe plc

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

### 16. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

	2007	2006
	<i>Book value</i>	<i>Book value</i>
	€000	€000
<i>Liabilities</i>		
In one year or less, or on demand	479,719	300,008
In more than one year but not more than two	2,444	1,008
In more than two years, but not more than five	15,333	-
In more than five years	17,047	-
	<u>514,543</u>	<u>301,016</u>

In the opinion of the directors the fair value of primary financial instruments is materially equal to book value, with variable interest bearing short term loans accounting for the majority of this balance.

#### *Derivative financial instruments*

	2007		2006	
	<i>Book value</i>	<i>Fair value</i>	<i>Book value</i>	<i>Fair value</i>
	€000	€000	€000	€000
<i>Derivative financial instruments held to hedge commodity exposure on expected future sales and purchases</i>				
Commodity market contracts	-	(1,158)	-	(179)

The aggregate unrecognised gains and losses on these contracts were; Gains - Nil, Losses - €1,158,000 (2006 Gains - Nil, Losses - €179,000).

#### *Derivative financial instruments held to manage the currency and interest rate profile*

Currency and/or interest rate swaps	-	(7)	-	(6)
-------------------------------------	---	-----	---	-----

The aggregate unrecognised gains and losses on these contracts were; 2007 Gains €216,000 Losses - €223,000, (2006 Gains - Nil, Losses - €6,000).

	2007		2006	
	<i>Book value</i>	<i>Fair value</i>	<i>Book value</i>	<i>Fair value</i>
	€000	€000	€000	€000
<i>Derivative financial instruments held to hedge the currency exposure on expected future sales</i>				
Forward foreign currency contracts	-	60	-	(18)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

**16. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)**

The aggregate unrecognised gains and losses on these contracts were €407,000 (2006 - €1,703,000) and €346,000 (2006 - €1,721,000), respectively. All of the unrecognised gains and losses are short-term in nature and are therefore realised within the following year, except for gains of €281,000, which will be recognised in more than one year. Market values, and broker's valuations where appropriate, have been used to determine the fair value of commodity market contracts, interest rate swaps and forward foreign currency contracts. The unrecognised gains and losses on instruments used for hedging, as disclosed above, are expected to be recognised on maturity next year, except for gains of €123,000, which will be recognised after more than one year. All such gains and losses will be offset by corresponding gains and losses on the underlying positions to which they relate in each functional currency.

*Borrowing facilities*

The group has various borrowing facilities available to it. The undrawn committed facilities available at 31 December are as follows:

	2007	2006
	€000	€000
Expiring in more than one year but not more than two years	340,020	379,160
	<u>          </u>	<u>          </u>

**17. CREDITORS: amounts falling due within one year**

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	€000	€000	€000	€000
Bank loans - wholly due within one year	41,028	42,511	41,028	42,511
- current portion of long term loans	2,444	8,232	2,444	8,232
Notes payable	6,152	14,074	6,152	14,074
Trade creditors	27,322	31,574	31,563	35,013
Amount due to parent company	45,924	54,628	45,924	54,628
Amounts due to subsidiary undertakings	-	-	879	656
Amounts due to associated companies	92	284	92	284
Amounts due to fellow subsidiary undertakings	320,984	119,929	320,984	119,929
Corporation tax	215	(424)	215	(424)
Other taxation and social security	2,307	1,784	2,307	1,784
Deferred income	204	216	204	216
Other creditors	32,546	25,966	7,378	2,807
Accrued expenses	3,997	1,289	4,007	1,298
	<u>483,215</u>	<u>300,063</u>	<u>463,177</u>	<u>281,008</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**18. CREDITORS: amounts falling due after more than one year**

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	€000	€000	€000	€000
Bank loans	34,824	1,007	34,824	1,007
Other creditors	528	154	-	1
	<u>35,352</u>	<u>1,161</u>	<u>34,824</u>	<u>1,008</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# Marubeni Europe plc

## NOTES TO THE FINANCIAL STATEMENTS

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### 19. LOANS PAYABLE

	2007	<i>Group</i> 2006	2007	<i>Company</i> 2006
	€000	€000	€000	€000
Amounts falling due:				
in one year or less or on demand	43,472	50,743	43,472	50,743
in more than one year but not more than two years	2,444	1,007	2,444	1,007
in more than two years but not more than five years	15,333	-	15,333	-
in more than five years	17,047	-	17,047	-
	<u>78,296</u>	<u>51,750</u>	<u>78,296</u>	<u>51,750</u>
less: included in creditors: amounts falling due within one year	(43,472)	(50,743)	(43,472)	(50,743)
	<u>34,824</u>	<u>1,007</u>	<u>34,824</u>	<u>1,007</u>

There were four bank loans (2006 - none) due in equal annual instalments extending over more than five years. Final maturities and terms of the four loans range from January 2012 to January 2014 at interest rates of 5.3% to 5.65%.

The company's obligations in respect of short term and long term bank loans are all supported by guarantees, letters of awareness or a keep-well agreement from the ultimate parent company.

### 20. SHARE CAPITAL

	2007	2006	2007	<i>Authorised</i> 2006
	<i>No.</i>	<i>No.</i>	€000	€000
Ordinary shares of £1 each				
At 1 January and 31 December	110,000,000	110,000,000	177,023	177,023
	<u>110,000,000</u>	<u>110,000,000</u>		
Ordinary shares of 1 Euro each				
At 1 January and 31 December	102,000,000	102,000,000	102,000	102,000
	<u>102,000,000</u>	<u>102,000,000</u>		
Total authorised share capital			<u>279,023</u>	<u>279,023</u>
				<i>Allotted, called up and fully paid</i>
	2007	2006	2007	2006
	<i>No.</i>	<i>No.</i>	€000	€000
Ordinary shares of £1 each				
At 1 January and 31 December	36,163,314	40,258,659	58,197	64,788
	<u>36,163,314</u>	<u>40,258,659</u>		
Ordinary shares of 1 Euro each				
At 1 January and 31 December	27,045,567	27,045,567	27,046	27,046
	<u>27,045,567</u>	<u>27,045,567</u>		
Total issued share capital			<u>85,243</u>	<u>91,834</u>

Ordinary shares of £1 each are translated to Euros at 1.60928, being the exchange rate ruling at the time of converting the functional currency to Euros.

### 20. SHARE CAPITAL (continued)

On 29<sup>th</sup> March 2006, the company issued one Ordinary 1 Euro share to Marubeni Corporation at a premium of €38,490,999, which was credited to the share premium account. The share was issued in exchange for all the shares held by Marubeni Corporation in three subsidiaries - Marubeni Iberia S.A. ("MI"), Marubeni France S.A. ("MF") and Marubeni Deutschland GmbH ("MD"). Marubeni Europe had previously acquired all of the trading net assets of these subsidiaries upon the establishment of branch offices in 1999. In exchange for their net assets, each subsidiary company had received new shares in Marubeni Europe totalling 4,095,345 of the £1 shares and all 24,705,258 of the €1 shares then in issue. These shares in Marubeni Europe were the only significant assets in each subsidiary. By acquiring 100% of the shares in the three subsidiaries on 29 March 2006 Marubeni Europe gained control of 28,800,603 (42.8%) of its own issued shares, the remainder all being held by Marubeni Corporation.

Management intends to liquidate all three subsidiaries and cancel all the shares held by them, leaving Marubeni Corporation as the sole shareholder. The first such liquidation – of MI – was completed on 30 September 2006, when its assets, consisting principally of its 389,114 £1 shares in Marubeni Europe, were transferred back to Marubeni Europe for cancellation, which occurred on 8 March 2007. The second liquidation – of MF – was completed on 23 March 2007. The 3,706,231 £1 shares it held in Marubeni Europe were also transferred back to Marubeni Europe for cancellation as described below. The liquidation of MD, which holds 24,705,258 €1 shares in Marubeni Europe, has not yet started, although its liquidation is intended.

The effect of these transactions is that, as at 31 December 2006, Marubeni Europe held 389,114 of its own £1 shares surrendered by MI, and indirectly controlled a further 3,706,231 £1 shares and 24,705,258 €1 shares through its investments in MF and MD respectively. At an extraordinary general meeting on 8 March 2007, a special resolution of shareholders approved the cancellation of the shares received from MI and, subject to and conditional on its liquidation, MF. On 27 March 2007, MF was duly liquidated, and the shares previously held by MI and MF were subsequently cancelled.

Presentation in the company balance sheets: In 2006 shares in Marubeni Europe received from MI were not included in the balance sheet as an investment but debited at the book value (cost) of the shares to a specially created capital reserve, a separate component of shareholders' funds, to reflect the fact that the shares were subsequently cancelled in March 2007.

On cancellation of 28,411,489 shares in Marubeni Europe received from MI and MF ("cancelled shares") in March 2007, the company has recorded a debit to share capital matched by a credit to a specially created other reserve, a separate component of shareholder's funds, which does not form part of the distributable reserves of the company. A transfer from this reserve to the profit and loss account has been made to the extent that net assets received in exchange for the original issue of the cancelled shares represent qualifying consideration as defined in section 3.11 of Technical Release Tech 01/08 issued by the Institute of Chartered Accountants in England and Wales.

In 2006 shares in MF and MD are shown as fixed asset investments at their acquisition cost. Following liquidation of MF, the company's investment in MF ceases to exist and its book value has been recorded as a debit in the profit and loss account section of shareholder's funds, representing a realised loss on liquidation.

Presentation in the group balance sheets: For 2006 shares in MF and MD were eliminated on consolidation because their net assets consisted primarily of the shares they held in Marubeni Europe. To reflect the substance of these cross-shareholdings, the book values (cost) of the shares in MF and MD were debited to a capital reserve, a separate component of shareholders' funds, to reflect the fact that the shares have been or will be cancelled.

The liquidation of MF in March 2007 has resulted in a reduction of the capital reserve balance. The remaining balance represents the book value of the company's investment in MD.

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at 31 December 2007

21. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital €000	Share premium €000	Capital reserve €000	Foreign exchange reserve €000	Profit and loss account €000	Other Reserve €000	Total €000
<b>Group</b>							
At 1 January 2006	91,834	13,190	-	(3,203)	32,974	-	134,795
Profit for the year	-	-	-	-	687	-	687
Exchange differences on retranslation of net assets of foreign enterprises	-	-	-	127	-	-	127
Contributed in year	-	38,491	-	-	-	-	38,491
Reserve for share cancellation	-	-	(38,598)	-	-	-	(38,598)
Actuarial gain on pension liability	-	-	-	-	2,070	-	2,070
Associated deferred tax	-	-	-	-	(621)	-	(621)
At 1 January 2007	91,834	51,681	(38,598)	(3,076)	35,110	-	136,951
(Loss) for the year	-	-	-	-	(4,501)	-	(4,501)
Cancellation of Shares	(6,591)	-	-	496	-	6,591	496
Realisation of profit on cancellation of shares	-	-	-	-	6,067	(6,067)	-
Exchange differences on retranslation of net assets of foreign enterprises	-	-	-	(133)	-	-	(133)
Reserve for share cancellation	-	-	6,353	-	-	-	6,353
Write down of investments	-	-	-	-	(6,353)	-	(6,353)
Actuarial gain on pension liability	-	-	-	-	956	-	956
Associated deferred tax	-	-	-	-	(317)	-	(317)
At 31 December 2007	85,243	51,681	(32,245)	(2,713)	30,962	524	133,452
<b>Company</b>							
At 1 January 2006	91,834	13,190	-	(1,071)	28,327	-	132,280
Profit for the year	-	-	-	-	2,041	-	2,041
Contributed in year	-	38,491	-	-	-	-	38,491
Reserve for share cancellation	-	-	(591)	-	-	-	(591)
Actuarial gain on pension liability	-	-	-	-	2,070	-	2,070
Associated deferred tax	-	-	-	-	(621)	-	(621)
At 1 January 2007	91,834	51,681	(591)	(1,071)	31,817	-	173,670
(Loss) for the year	-	-	-	-	(4,764)	-	(4,764)
Cancellation of Shares	(6,591)	-	-	496	-	6,591	496
Realisation of profit cancellation of shares	-	-	-	-	6,067	(6,067)	-
Reserve for share cancellation	-	-	591	-	(591)	-	-
Write down of investments	-	-	-	-	(5,762)	-	(5,762)
Actuarial gain on pension liability	-	-	-	-	956	-	956
Associated deferred tax	-	-	-	-	(317)	-	(317)
At 31 December 2007	85,243	51,681	-	(575)	27,406	524	164,279

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

**21. RECONCILIATION OF SHAREHOLDERS' FUNDS** (continued)

In the opinion of the Directors, the Other Reserve is non-distributable.

**22. CONTINGENT LIABILITIES AND COMMITMENTS**

At 31 December 2007 the company had annual commitments under non-cancellable operating leases over land and buildings as set out below:

	Land and Buildings		Other	
	2007 €000	2006 €000	2007 €000	2006 €000
Operating leases which expire:				
In less than one year	549	114	78	82
Within two to five years	725	497	20	34
In more than five years	2,085	3,297	29	31
	<u>3,359</u>	<u>3,908</u>	<u>127</u>	<u>148</u>

The company has guaranteed trading and other obligations of fellow subsidiaries and third parties. At 31 December 2006 contingent liabilities in respect of third parties were €2,108,000 (2005- €2,210,000).

The company has given undertakings to make contributions, if required, up to a maximum of €12,000,000 in two investment funds as follows:

Fund A - At 31 December 2007, a total of €1,484,000 (2006 – €1,516,000) has been invested, and is included in trade investments.

Fund B - At 31 December 2007, a total of €5,703,000 (2006 - €3,899,000) has been invested, and is included in trade investments.

The company has been named as a joint defendant with Marubeni Corporation (“MC”) in a civil case in Indonesia in which a total claim of US\$10 million has been filed. The action relates to certain loan transactions conducted by the company on behalf of its parent, MC, which believes that the litigation has no merit, but which has nevertheless taken legal steps to contest the action. MC has confirmed that it will indemnify the company and its officers for any costs or liabilities arising from the litigation.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

23. PENSION COMMITMENTS

**UK Defined Benefit Pension Scheme**

Marubeni Europe plc, in conjunction with other Marubeni group companies in the UK, operates a funded defined benefit pension scheme for the group's qualifying employees in the UK. The assets of the scheme are held separately from those of the group.

The pension cost of the scheme is determined with the advice of a qualified independent actuary on the basis of at least triennial valuations. The pension cost and the following disclosures are based on an apportionment of liabilities in respect of deferred and pensioner members that were employed by employers who no longer have active members among employers that currently have active members. The total deficit of the scheme at 31 December 2007 was €1,945,000. The most recent full actuarial valuation was carried out as at 1 April 2007, with an updated valuation for the purposes of FRS17 performed on the 31 December 2007, using the following main assumptions:

	<i>At 31/12 2007</i>	<i>At 31/12 2006</i>	<i>At 31/12 2005</i>
Rate of increase in salaries	3.4%	3.2%	3.2%
Rate of increase to pensions in payment accrued before 6 April 1997	0.0%	0.0%	0.0%
Rate of increase to pensions in payment accrued after 5 April 1997	3.2%	3.0%	3.0%
Rate of increase in deferred pensions	3.2%	3.0%	3.0%
Discount rate	5.8%	5.3%	4.8%
Inflation assumption	3.2%	3.0%	3.0%

The company contributions during the year amounted to €466,000 (2006 €586,000), and the agreed company contribution rate for the coming year is 17% p.a. of Pensionable Salary (2007 17%).

The company's share of the assets in the scheme and the expected rate of return were:

	Long-term Rate of return Expected at 31/12/2007	Value At 31/12 2007 €000	Long-term Rate of return Expected at 31/12/2006	Value At 31/12 2006 €000	Long-term Rate of return Expected at 31/12/2005	Value At 31/12 2005 €000
Equities	7.75%	7,135	8.3%	7,394	8.4%	6,315
Bonds	5.8%	1,851	5.3%	1,889	4.8%	1,633
Gilts	4.6%	2,464	4.6%	2,438	4.1%	2,336
Property	7.75%	-	8.3%	-	8.4%	21
Other	5.9%	66	5.1%	68	4.0%	31
Total market value of assets		11,516		11,789		10,336
Present value of scheme liabilities		(13,037)		(14,266)		(14,883)
Deficit in the scheme		(1,521)		(2,477)		(4,547)
Related deferred tax asset		426		743		1,364
Net UK pension liability		(1,095)		(1,734)		(3,183)
Non-UK provisions for retirement benefits		(2,287)		(2,337)		(2,180)
Total provisions for pension liabilities		(3,382)		(4,071)		(5,363)

# Marubeni Europe plc

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

### 23. PENSION COMMITMENTS (continued)

#### Analysis of amount charged to operating profit

	2007	2006
	€000	€000
Current service cost	332	444
Past service cost	134	-
Total operating charge	<u>466</u>	<u>444</u>

#### Other financial cost

	2007	2006
	€000	€000
Expected return on pension scheme assets	760	733
Interest on pension scheme liabilities	(688)	(749)
Net return	<u>72</u>	<u>(16)</u>

#### Analysis of amount recognised in Statement of Total Recognised Gains and Losses

	2007	2006
	€000	€000
Actual return less expected return on pension scheme assets	(108)	152
Experience gains arising on the scheme liabilities	683	249
Gain arising from changes in assumptions underlying the scheme liabilities	382	1,669
Actuarial gain recognised in Statement of Recognised Gains and Losses	<u>957</u>	<u>2,070</u>

#### Movements in deficit during the year

	2007	2006
	€000	€000
Deficit in scheme at the beginning of the year	(2,477)	(4,547)
Movement in year:		
Current service cost	(332)	(444)
Past service cost	(134)	-
Contributions in year	466	586
Exchange differences on retranslation	(73)	(126)
Other financial cost	72	(16)
Actuarial gain	957	2,070
Deficit in scheme at the end of the year	<u>(1,521)</u>	<u>(2,477)</u>

23. PENSION COMMITMENTS (continued)

**History of experience gains and losses**

	2007	2006	2005	2004	2003
	€000	€000	€000	€000	€000
Difference between the expected and actual return on scheme assets					
Amount	(108)	152	951	279	496
Percentage of scheme assets	(1)	1%	9%	3%	7%
Experience gains/(losses) on scheme liabilities					
Amount	683	249	473	547	(190)
Percentage of the present value of scheme liabilities	5%	2%	3%	4%	(1%)
Total amount recognised in statement of total recognised gains and losses					
Amount	957	2,070	(639)	753	778
Percentage of the present value of scheme liabilities	7%	14%	(4%)	6%	6%

**Directors' Pension arrangements**

The directors are members of an overseas pension scheme in Japan and are not members of the UK scheme. No contributions to the scheme in Japan are paid by Marubeni Europe plc, and no benefits are remitted to the UK. The overseas scheme is funded by the parent company, Marubeni Corporation.

**Overseas Branches' Unfunded Defined Benefit Pension Schemes**

The company operates unfunded defined benefit pension arrangements for its overseas branches, in accordance with local legal requirements. The total cost to Marubeni Europe plc of these schemes for the year ended 31 December 2007 was €661,000 (2006 - €50,000). The accrued provisions for retirement benefits under these schemes as at 31 December 2007 were €2,287,000 (2006 - €2,337,000).

The most significant of such overseas pension schemes is operated in Germany for staff employed locally by the German branch. The directors obtained an actuarial valuation as at 31 December 2007 using the following assumptions:

Discount rate	6.0% (2006:5.3%)
Increase in salaries	3.0% (2006: 3.0%)

The current service cost for the year in respect of the scheme was €136,000, the interest cost was €95,000 and the accumulated year-end accrued pension liability at 31 December 2007 included in non-current liabilities was €1,618,000 (2006 - €1,617,000).

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

**24. RELATED PARTY TRANSACTIONS**

In accordance with FRS 8, Marubeni Europe plc is exempt from disclosing transactions with fellow Marubeni Corporation group companies because it is at least 90% owned by its parent undertaking, which produces publicly available group financial statements.

**25. ULTIMATE PARENT COMPANY**

The ultimate parent company and controlling party is Marubeni Corporation, which is incorporated in Japan. Copies of Marubeni Corporation's financial statements, which represent the only group in which this group's financial statements are included, can be obtained from Marubeni Corporation's head office at 4-2 Ohtemachi 1-Chome, Chiyoda-ku, Tokyo, Japan.