INTERNATIONAL BRIQUETTES HOLDING

AND ITS SUBSIDIARIES

(A majority-owned subsidiary of Siderúrgica Venezolana
"Sivensa", S.A.)

REPORT OF THE INDEPENDENT ACCOUNTANTS AND

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2001 AND 2000

INTERNATIONAL BRIQUETTES HOLDING
AND ITS SUBSIDIARIES

(A majority-owned subsidiary of
Siderúrgica Venezolana "Sivensa", S.A.)

CONSOLIDATED BALANCE SHEET

(Thousands of U.S. dollars)

	September 30,	
	2001	2000
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	11,870	11,346
Accounts receivable -		
Trade and other (Note 3)	6,017	6,418
Related companies (Note 4)	3,647	2,973
Inventories (Note 5)	7,446	12,652
Prepaid expenses, deferred income tax and other current assets	849	684
Total current assets	29,829	34,073
Investments under the equity method (Note 7)	54,232	109,038
Property, plant and equipment, net (Note 6)	103,930	113,789
Spare parts and other assets (Note 5)	3,617	5,906
Total assets	191,608	262,806
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable -		
Suppliers	3,978	5,217
Related companies (Note 4)	23,986	18,839
Profit sharing, vacations and other personnel accruals	1,196	1,152
Taxes	157	656
Other current liabilities	421	560
Total current liabilities	29,738	26,424
Accrual for employees termination benefits, net of advances to employees of US$2,771 (US$2,105 in 2000)	952	915
Total liabilities	30,690	27,339
Minority interest	2,929	3,078
Shareholders' equity (Note 10)	157,989	232,389
Total liabilities, minority interest and shareholders' equity	191,608	262,806

The accompanying notes are an integral part of the consolidated financial statements

INTERNATIONAL BRIQUETTES HOLDING
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

(Thousands of U.S. dollars, except share and per share data)

	Years ended September 30,		
	2001	2000	1999
Net sales:			
Exports (Note 4)	57,455	62,910	47,924
Domestic (Note 4)	3,673	17,219	4,538
	61,128	80,129	52,462
Cost of sales (Note 4)	(72,304)	(75,792)	(61,852)
Gross profit (loss)	(11,176)	4,337	(9,390)
General and administrative expenses (Note 4)	(5,680)	(6,301)	(6,567)
Operating loss	(16,856)	(1,964)	(15,957)
Interest income (Notes 4 and 7)	4,192	11,316	9,298
Interest expense (Notes 4 and 7)	(3,226)	(3,254)	(1,257)
Equity in losses of affiliates (Note 7)	(59,390)	(25,458)	(6,721)
Foreign exchange gain, net (Note 2-a)	707	687	233
Other income (expenses), net	192	(254)	(346)
	(57,525)	(16,963)	1,207
Loss before taxes and minority interest	(74,381)	(18,927)	(14,750)
Taxes (Note 9)	(168)	(684)	(310)
Loss before minority interest	(74,549)	(19,611)	(15,060)
Minority interest	149	(78)	167
Net loss	(74,400)	(19,689)	(14,893)
Basic and diluted net loss per share	(3,739)	(0.999)	(0.749)
Weighted average number of shares outstanding	19,897,467	19,897,467	19,897,467

The accompanying notes are an integral part of the consolidated financial statements

INTERNATIONAL BRIQUETTES HOLDING
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

(Thousands of U.S. dollars)

			Retained earnings		
	Capital stock	Additional paid-in capital	Legal reserve	Unappropriated (deficit)	Total
Balances at September 30, 1998	201	228,735	6,093	35,921	270,950
Net loss for 1999	-	-	-	(14,893)	(14,893)
Cash dividends	-	-	-	(3,979)	(3,979)
Balances at September 30, 1999	201	228,735	6,093	17,049	252,078
Net loss for 2000	-	-	-	(19,689)	(19,689)
Balances at September 30, 2000	201	228,735	6,093	(2,640)	232,389
Net loss for 2001	-	-	-	(74,400)	(74,400)
Balances at September 30, 2001	201	228,735	6,093	(77,040)	157,989

The accompanying notes are an integral part of the consolidated financial statements

INTERNATIONAL BRIQUETTES HOLDING
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Thousands of U.S. dollars)

	Years ended September 30,		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	(74,400)	(19,689)	(14,893)
Adjustments to reconcile net loss to net cash provided by operating activities -			
Minority interest	(149)	61	(167)
Equity in affiliates	59,390	25,458	6,721
Depreciation	9,869	11,267	9,600
Foreign exchange gain	(707)	(687)	(233)
Income from uncollected interest	(3,048)	(9,986)	(7,159)
Provision for doubtful accounts receivable and inventories	400	282	1,019
Net changes in operating accounts -			
Accounts receivable	384	6,170	(7,161)
Related companies, net	5,012	(3,604)	3,814
Inventories	4,806	936	3,309
Prepaid expenses and other assets	2,303	806	919
Accounts payable	(954)	9,071	6,122
Employee termination benefits, net	110	377	381
Accrued liabilities, other liabilities and employee benefits and other	(466)	512	(788)
Net cash provided by operating activities	2,550	20,974	1,484
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(10)	(92)	(6,849)
Additions to investments	(2,000)	(9,800)	(11,650)
Payments received from the Joint Venture companies	-	25,287	36,000
Payment received from BHP	-	-	10,000
Long-term loans participations acquired	-	(25,287)	(40,000)
Net cash used in investing activities	(2,010)	(9,892)	(12,499)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash dividends paid to shareholders	-	-	(3,979)
Dividends paid to minority interest	-	-	(84)
Net cash (used in) provided by financing activities	-	-	(4,063)
EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(16)	147	(20)
CASH AND CASH EQUIVALENTS:			
Increase (decrease) for the year	524	11,229	(15,098)
Balance at the beginning of the year	11,346	117	15,215
Balance at the end of the year	11,870	11,346	117
SUPPLEMENTARY INFORMATION:			
Taxes paid in cash	423	52	514
SUPPLEMENTARY INFORMATION ON NON - CASH ACTIVITIES:			
Capitalization of accounts receivable (Notes 4 and 7)	-	40,472	-

The accompanying notes are an integral part of the consolidated financial statements

NOTE 1 - OPERATIONS:

International Briquettes Holding (IBH), a Cayman Islands company, was formed on October 14, 1997 and for accounting purposes is the successor to Old IBH (Old IBH). On October 15, 1997, IBH acquired all the assets and assumed all of the liabilities of Old IBH, a Cayman Islands company, which for accounting purposes was the successor to Fior de Venezuela, S.A. (Fior). Fior is a 60%-owned Venezuelan subsidiary of Siderúrgica Venezolana "Sivensa", S.A. and operated within the IBH Division, which comprises Sivensa's high-density iron briquettes (HBI) production facilities; C.V.G. Ferrominera del Orinoco, C.A. owns the remaining 40% (see Note 4).

During 1997 Fior, as part of a series of reorganization transactions, transferred substantially all of its assets, liabilities and contracts to Old IBH in exchange for all the outstanding shares of Old IBH and a US$20 million note from Old IBH. First, in May 1997 Fior contributed to its Venezuelan wholly owned subsidiary, Operaciones RDI, C.A. (Operaciones RDI or "RDI") substantially all of the assets and contracts related to Fior's HBI facility located in Ciudad Guayana, Venezuela (the "Fior Plant", which has a rated annual capacity of 400,000 tons), and RDI assumed substantially all the liabilities related to the Fior Plant. Fior then contributed all of the outstanding shares of RDI to Old IBH in exchange for new shares of Old IBH and a US$20 million note from Old IBH. Second, in May 1997 Fior and its subsidiaries also participated in a series of transactions which resulted in the transfer of all the outstanding shares of Brifer International Ltd. (Brifer), a Barbados wholly owned subsidiary of Fior, to Old IBH in exchange for additional new shares of Old IBH. Also, as a consequence of that series of transactions, Brifer owns all of the patents, intellectual property and rights related to the Fior Plant (the "Improved Fior Process"). Third, in August 1997 Fior caused the transfer of all the assets and contracts related to the construction of a 2.2 million tons per year HBI facility (the "Orinoco Iron Plant") to Orinoco Iron, C.A. (Orinoco Iron), a Venezuelan wholly owned subsidiary of Old IBH (see Note 7). In October 1997 IBH acquired all the assets and assumed all the liabilities of Old IBH. Immediately, following these transactions IBH acquired all of the outstanding shares of Old IBH.

All these transactions were considered for accounting purposes to be a reorganization of Fior and, therefore, the assets transferred and liabilities assumed were all recorded by IBH at Fior's historical book value (the predecessor cost basis).

Additionally, in November 1997, IBH (wholly owned subsidiary of Fior at that date) completed an exchange offer to exchange one ordinary share of IBH for each three outstanding Global Depositary Shares (GDS) of Venezolana de Prerreducidos Caroní "Venprecar", C.A. (71.9%-owned subsidiary of Sivensa at that date) (see Note 8). Upon completion of the exchange offer, Venprecar became a 98.4%-owned subsidiary of IBH.

Venprecar is incorporated in Venezuela, manufactures HBI and operates in Sivensa's IBH Division. Venprecar's plant, located in Ciudad Guayana, Venezuela, has a rated annual capacity of 815,000 tons (see Note 6). Venprecar follows the same accounting practices and has the same year-end as IBH.

The world drop in steel industry prices and the effects of distortions in bolivar exchange rate parity have adversely affected the results of operations and financial position of IBH, its subsidiaries and the affiliates (see Note 7).

NOTE 2 - BASIS OF PRESENTATION AND ACCOUNTING PRINCIPLES:

a) Basis of presentation and translation into U.S. dollars -
After the reorganization of Fior, but before the exchange offer, IBH became a wholly owned subsidiary of Fior (see Note 1), and became the successor to the assets, liabilities and operations that Fior previously had; IBH is for accounting purposes the successor to Fior. After the reorganization, the shareholders of Fior remain in their same economic position that they had before. This transaction has been accounted for as a business combination of companies under common control in a manner similar to a pooling of interests. IBH's financial statements for the years prior to its legal formation included the assets, liabilities, shareholders' equity and results of operations of Fior and IBH (at historical cost) as if the reorganization referred to above had been consummated as of the beginning of the first year being presented in the consolidated financial statements.

After the exchange offer, IBH became a majority-owned subsidiary of Sivensa (see Notes 1 and 8). The transaction where by Sivensa contributed its 71.9% interest in Venprecar was accounted for as a business combination of companies under common control and, therefore, accounted for under accounting principles generally accepted in the United States (US GAAP) in a manner similar to a pooling of interests; IBH's historical financial statements through November 1997 were restated giving retroactive effect to the contribution of Sivensa's 71.9% interest in Venprecar. The 28.1% of Venprecar not owned by Sivensa was accounted for as minority interest in IBH's restated financial statements. The transaction where by the minority interest exchanged its shares for new shares of IBH was accounted for under US GAAP as a purchase transaction.

IBH presents its financial statements in accordance with US GAAP and the U.S. dollar is its reporting currency. IBH's main operations and assets are located in Venezuela, which has a highly inflationary economy. Because the Venezuelan entities make significant sales in U.S. dollar and have significant costs in U.S. dollar; it has been determined that the U.S. dollar is its

functional currency. The translation of the Venezuelan bolivar (Bs) financial statements into U.S. dollars has been conducted in accordance with Statement of Financial Accounting Standards (SFAS) No. 52 "Foreign Currency Translation" as applicable to an entity operating in a hyperinflationary environment. Pursuant to SFAS No. 52, (i) nonmonetary assets and capital accounts are translated at historical exchange rates, (ii) monetary assets and liabilities are translated at current exchange rates, and (iii) revenues and expenses are translated using average exchange rates for the period, except for items related to nonmonetary assets and liabilities (e.g. cost of sales, depreciation, and amortization of intangibles), which are translated using historical exchange rates. Translation adjustment is included in the statement of operations.

Foreign exchange gains and losses arise mainly from the effect of exchange rate fluctuations on net monetary items denominated in Venezuelan bolivars (Bs), and are included in the statement of operations (see Note 12). IBH and its subsidiaries have the following monetary balances in bolivars at the dates indicated:

	September 30,	
	2001	2000
	(Thousands)	
Assets:		
Cash and cash equivalents	Bs -	Bs 1,525,408
Accounts receivable and other monetary assets	4,194,491	2,573,394
Total monetary assets	4,194,491	4,098,802
Liabilities:		
Accounts payable and other monetary liabilities	(22,038,871)	(18,145,232)
Total monetary liabilities	(22,038,871)	(18,145,232)
Total net monetary liabilities in bolivars	Bs(17,844,380)	Bs(14,046,430)
Total net monetary liabilities equivalent in U.S. dollars	(US$24,016)	(US$20,320)

The year-end exchange rates and the average exchange rates for each year were as follows:

	September 30,		
	2001	2000	1999
Exchange rate per U.S. dollar at the end of the year (Bs/US$1)	743	691	628
Average exchange rate per U.S. dollar for the year (Bs/US$1)	713	665	590

IBH does not engage in hedging activities.

b) Consolidation principles -
The consolidated financial statements include the accounts of IBH; its wholly owned subsidiaries: Old IBH, Siderúrgica del Caroní "Sidecar", C.A. and SVS International Steel Holding; and its majority-owned subsidiary: Venezolana de Prerreducidos Caroní "Venprecar", C.A. (see Note 8). All intercompany transactions and balances have been eliminated in consolidation.

c) Inventories -
Inventories are valued at the lower of cost or net realizable value. Costs of iron briquettes, iron-ore and raw material were determined based on the average cost method. Cost of spare parts and supplies are determined using the first-in, first-out (FIFO) method.

d) Investments -
Investments in affiliated companies representing 20% to 50% of the capital stock of such companies are accounted for under the equity method (see Note 7). All intercompany transactions with affiliates have been proportionally eliminated in the statements of operations.

e) Property, plant and equipment -
Property, plant and equipment are recorded at cost (see Notes 1 and 2-a) . Additions and improvements are capitalized, whereas expenditures for maintenance and minor repairs, which do not extend the useful lives of the assets, are expensed. Depreciation of machinery and equipment is calculated using on the unit-of-production method. Other fixed assets are depreciated using the straight-line method, over their estimated useful lives.

f) Deferred income tax -
IBH accounts for income taxes in accordance with SFAS No. 109 "Accounting for Income Taxes." SFAS No. 109 requires an asset and liability method of accounting for income tax. Under this method, deferred income taxes reflect the net effect of the expected future tax consequences of: (a) "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement amounts and the tax bases of existing assets and liabilities; and; (b) tax credits and loss carry-forwards. Additionally, under SFAS No. 109, the effect on deferred taxes of a change in tax rates is recognized in income for the year as from the enactment date. A valuation allowance is recognized if a portion of deferred assets is likely not to be realized.

g) Accrued employee termination benefits and profit sharing -
IBH and its subsidiaries accrue their liability for employee termination benefits, which are a vested right of employees, based on the provisions of the Venezuelan Labor Law (the "Labor Law"). This liability is presented net of advances granted to employees. This law also provides for an indemnity payment equal to a minimum of 45 days of salary per year (up to maximum of 90 days, depending on employee seniority).

Additionally, the Labor Law establishes mandatory profit sharing for workers and employees in an annual amount equal to 15% of before-tax profits, subject to a minimum annual payment equal to 15 days' salary and a maximum payment equal to 120 days' salary. IBH and its subsidiaries accrued in the years ended September 30, 2001, 2000 and 1999, a profit sharing bonus based on 120 days' salary.

IBH does not have a pension plan or other post-retirement benefit programs.

h) Sales and cost of sales -
Sales and cost of sales of iron briquettes are recorded on an accrual basis when title to goods sold is transferred.

i) Cash equivalents -
IBH considers as cash equivalents all highly liquid short-term investments which are readily convertible to cash and have original maturities of three months or less, as well as funds on deposit with related companies (see Note 4).

j) Use of estimates in the preparation of financial statements -
The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates which affect the recorded balances of assets and liabilities and disclosure of contingent assets and liabilities and the recorded balances of income and expenses during the respective year. The actual results may vary from initial estimates.

k) Basic and diluted net loss per share -
Basic and diluted net loss per share has been determined by dividing net loss for the year by the weighted average number of shares outstanding during the year. For the business combination indicated in Note 2-a, computation was based on the aggregate of the weighted average outstanding shares of the constituent businesses, adjusted to equivalent shares of IBH for all periods presented. Basic and diluted loss per share is the same for all periods presented as the Company did not have any potentially dilutive instruments.

l) Fair value of financial instruments -
The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates their fair value, due to the short-term maturities of these instruments.

m) Concentration of credit and foreign currency risk -
Financial instruments that are exposed to a concentration of credit risk consist primarily of cash equivalents and accounts receivable. IBH's cash is placed with a diversified group of financial institutions and the third-party commercial accounts receivable balances are dispersed among many customers and IBH routinely assesses the financial strength of its customers. From time

to time, there is high concentration of accounts receivable and funds on deposit with related parties (see Note 4).

The Company exports most of its annual production to foreign countries, primarily the United States of America and, as a result, the majority of the Company's sales are denominated in U.S. dollars, while a part of the Company's costs and expenses are denominated in bolivars. As a result, variations between inflation and the bolivar devaluation may affect the operating margin.

n) Accounting for impairment of long-lived assets -
SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" requires that assets to be disposed of be reported at the lower of carrying amount or fair value less cost to sale. The Company reviews for impairment its long-lived assets to be held or used, whenever events indicate that the carrying value of an asset may not be recoverable. If it is not expected that an asset will be recovered through future cash flows, then the asset is written down to fair value, which is generally determined from estimated discounted future net cash flows.

o) Segment reporting -
SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" requires that a business enterprise reports financial and descriptive information about its reportable operating segments. Generally, segments financial information is required to be presented on the same or similar basis as used internally for evaluating segment performance and deciding how to allocate resources to segments. Management considers that IBH has only one operating segment and operates in only one country.

p) Comprehensive income -
SFAS No. 130 "Reporting Comprehensive Income" establishes guidelines for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income represents changes in the Company's shareholders' equity Company for the period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity for the period, except those resulting from investments by owners and distributions to owners. For all periods presented, the Company did not record changes in shareholders' equity from transactions and other events and circumstances from non-owner sources and, consequently, comprehensive income and accumulated income was equal to net results and retained earnings, respectively.

NOTE 3 - ACCOUNTS RECEIVABLE:

Accounts receivable comprise the following:

	September 30,	
	2001	2000
	(Thousands of U.S. dollars)	
Customers	2,779	3,541
Import duty draw backs	1,874	1,868
Value added tax and wholesale and luxury tax, net (Note 9)	1,772	1,473
Employees	92	99
Other accounts receivable	1,374	1,305
Allowance for doubtful accounts	(1,874)	(1,868)
	6,017	6,418

Import duty draw backs are established in the Venezuelan Customs Law and represent pending reimbursements to exporting companies.

Total exports sales of HBI were as follows:

	Years ended September 30,		
	2001	2000	1999
	(Thousands of U.S. dollars)		
Destination:			
United States of America	32,824	39,383	39,182
Spain	16,157	13,358	5,744
Italy	3,158	-	-
Mexico	3,089	-	1,172
France	2,227	4,860	-
Japan	-	3,251	264
Peru	-	2,058	1,562
	57,455	62,910	47,924

NOTE 4 - ACCOUNTS AND TRANSACTIONS WITH RELATED COMPANIES:

IBH, under various long-term contractual agreements, conducts business with its shareholders and certain affiliates (see Note 1). Accounts with related companies comprise the following:

	September 30,	
	2001	2000
	(Thousands of U.S. dollars)	
Funds on deposit with (cash equivalent):		
Tesocorp Administradora	6,267	10,817
Accounts receivable:		
Orinoco Iron, C.A.	2,535	-
Operaciones RDI, C.A.	665	-
Rutedis, Ltd.	407	407
Siderúrgica del Turbio “Sidetur”, S.A.	-	1,111
Sidecay	-	1,442
Other	40	13
	3,647	2,973
Accounts payable:		
C.V.G. Ferrominera del Orinoco	22,149	17,323
Siderúrgica del Turbio “Sidetur”, S.A.	1,376	-
Siderúrgica Venezolana “Sivensa”, S.A. (shareholder)	372	218
Steel Division Procurement	47	1,055
Servicios Administrativos Trix de Venezuela, C.A.	-	100
Operaciones RDI, C.A.	-	98
Other	42	45
	23,986	18,839

Significant transactions with related companies comprise the following:

	Years ended September 30,		
	2001	2000	1999
	(Thousands of U.S. dollars)		
Sales of iron briquettes	3,415	16,677	4,520
Purchases of iron ore	32,041	35,433	29,108
Purchases of spare parts and supplies	2,286	2,458	5,560
General and administrative expenses	1,153	1,420	1,163
Cost of electricity, gas and water	7,406	9,037	7,654
Interest income (expense):			
From Joint Venture affiliates (Note 7)	3,048	9,986	8,306
From other related companies	(1,968)	(96)	784

The iron ore used in the production of iron briquettes is provided by C.V.G. Ferrominera del Orinoco, C.A., a Venezuelan state-owned company and the only supplier of this mineral in Venezuela, under a contract entered into in 1988. The price of iron ore is fixed annually based on the world market prevailing prices. This contract has a ten-year term and includes an automatic renewal clause. It was renewed in 1997 under the same conditions for a period of twenty years. There is no minimum non-cancelable commitment to purchase iron ore. The account payable to Ferrominera is interest bearing on pass due amounts.

Electricity, gas and water consumed by Venprecar are delivered under contracts between services suppliers and Sidetur. These ten-years term contracts were entered into in 1991 and include and automatic renewal clause. Venprecar will reimburse Sidetur for the cost of services received.

Tesocorp Administradora, a subsidiary of Sivensa, manages IBH's excess funds. Funds transferred by IBH are recorded as funds on deposit with related companies, are mainly denominated in bolivars, and earn interest based on prevailing market rates.

Accounts with other related companies are interest free.

Orinoco Iron renders to Venprecar certain iron briquettes marketing and sales services in accordance with a sales agency agreement.

In 2001 and 2000 participations in loans granted to Orinoco Iron were contributed by IBH to increase the capital stock of Orinoco Iron (see Note 7).

Pursuant to the terms of a debt rescheduling agreement between Sivensa and its creditor banks, certain covenants were set forth for Sivensa and its subsidiaries, of which the following apply to IBH and Venprecar: a) covenant to enter into any type of debt that exceeds US$85 million; b) covenant regulating the maximum amount of capital investments; c) covenants for disposing of, selling or pledging accounts receivable and assets; d) covenants for pledging any of its fixed assets or properties; e) covenants for the payment of dividends; and f) covenants for making changes to contractual agreements. Sivensa is currently negotiating with its creditor banks to restructure this debt.

NOTE 5 - INVENTORIES:

Inventories consist of the following:

	September 30,	
	2001	2000
	(Thousands of U.S. dollars)	
Finished products (HBI)	1,412	4,135
Iron ore and raw material	1,196	1,813
Supplies and spare parts	7,818	8,835
Materials in transit	86	874
Allowance for obsolescence	(1,133)	(723)
	9,379	14,934
Less: Spare parts classified as long-term	(1,933)	(2,282)
	7,446	12,652

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consist of the following:

		September 30,	
		2001	2000
	Estimated useful lives	(Thousands of U.S. dollars)	
Building and building improvements	20 years	52,477	52,477
Machinery and equipment	7 to 20 years and units of production	146,962	146,929
Vehicles	3 years	1,773	1,773
Office furniture and fixtures	3 years	443	443
Accumulated depreciation		(97,967)	(88,095)
		103,688	113,527
Land		70	70
Construction in progress		172	192
		103,930	113,789

Depreciation expenses for the years ended September 30, 2001, 2000 and 1999 were US$9.8 million, US$11.3 million and US$9.6 million, respectively, which were charged to cost of sales.

According to reviews by management of Venprecar, certain major repairs are required to the fuel gas reformer and heat recovery system to adjust production capacity of the Venprecar plant. The cost of repairs estimated by management is of some US$8 million. As indicated in Note 7, this plant is included in the common security package given for the loan received by the affiliate Orinoco Iron.

NOTE 7 - FINMET PROJECT AND JOINT VENTURE COMPANIES:

Fior was developing a project for the construction of a plant for the direct reduction of iron-ore in the Guayana region of Venezuela. This plant will employ the Finmet (Finos Metalizados) process developed by Fior and Voest-Alpine Industrieanlagenbau (VAI) (see Note 11). In September 1997 IBH formed a Joint Venture with an Australian mining company, The Broken Hill Proprietary Company Limited (BHP) (currently BHP- Billiton), to jointly develop, construct and operate this project, and also to operate the plant formerly owned by Fior. The net assets formerly owned by Fior (see Note 1), including the project costs, represented the initial net assets of the Joint Venture.

Each of IBH and BHP has a 50% ownership interest in the Joint Venture, which consists of three companies, each of which is 50% owned by the two parties: i) Orinoco Iron, C.A. (Orinoco Iron), which began operating in August 2000, owns and operates a new 2.2 million tons per year expected capacity hot briquette iron plant utilizing the Finmet process (the Orinoco Iron plant); ii) Operaciones RDI, C.A. (RDI), which began operating in May 1997, owns and operates the plant formerly owned by Fior, and; iii) Brifer International Ltd. (Brifer), which owns the Company's proprietary rights on the technology involved in the improved fluid bed iron-ore fines reduction process (the Improved Fior process) and, together with VAI, the Finmet process (see Note 11).

In September 1997, under a Joint Venture agreement, BHP subscribed capital stock increases in Operaciones RDI and Orinoco Iron, which gave BHP a 50% participation in these companies. Also, BHP bought from IBH 50% of Brifer shares for US$30 million (present value of US$28.7 million), payable in cash, of which US$20 million was paid by BHP between October and November 1997, and the remaining US$10 million in 1999. Since IBH has commitments to support the Joint Venture financially (additional equity contributions and guarantees on bank financing), the gain on this sale was recorded as a reduction of IBH's investment base in the Joint Venture companies. Therefore, IBH's investment cost basis will be less than its proportionate share of the equity of the Joint Venture companies. This cost basis difference will be recognized when the long-term commitments are fulfilled or released.

As result of the transfers of assets indicated in Note 1, IBH also granted loans in 1997 to the Joint Venture companies for US$61.9 million. In November 1997 most of these loans were repaid to IBH.

Below is a summary of this exchange of assets, the effects of the Joint Venture formation on the financial statements and other changes in the investment cost basis at September 30, 2001:

	(Thousands of U.S. dollars)
IBH investment base prior to the formation of the Joint Venture:	
Equity (100% participation)	13,112
Notes payable to IBH	61,921
Effects upon formation of the Joint Venture:	
Receivable from BHP in excess of historical cost basis of Brifer shares sold	(28,740)
IBH net investment base in the Joint Venture companies (50% participation) at September 30, 1997	46,293
Equity on results during 1998 (net of US$3.9 million of interest expenses charged to the Joint Venture companies)	(307)
Increase in capital stock of Orinoco Iron	4,700
Notes and loans paid by the Joint Venture companies	(58,207)
Participations on long-term loans acquired by IBH	60,000
Accrued interest on notes and participations, net	2,865
Accretion of notes payable to IBH	468
IBH net investment base in the Joint Venture companies (50% participation) at September 30, 1998	55,812
Equity on results during 1999 (net of US$2.7 million of interest expenses charged to the Joint Venture companies)	(6,721)
Increase in capital stock of Orinoco Iron	7,900
Increase in capital stock of Operaciones RDI	750
Increase in capital stock of Brifer	3,000
Notes and loans paid by the Joint Venture companies	(36,000)
Participations on long-term loans acquired by IBH	40,000
Accrued interest on notes and participations, net	5,606
Accretion of notes payable to IBH	348
IBH net investment base in the Joint Venture companies (50% participation) at September 30, 1999	70,695
Equity on results during 2000 (net of US$2.7 million of interest expenses charged to the Joint Venture companies)	(25,458)
Increase in capital stock of Orinoco Iron (capitalization of loans) (Note 4)	40,472
Increase in capital stock of Operaciones RDI (cash contribution)	9,800
Notes and loans paid by the Joint Venture companies	(25,287)
Participations on long-term loans acquired by IBH	31,242
Accrued interest on notes and participations, net	7,574
IBH net investment base in the Joint Venture companies (50% participation) at September 30, 2000 - Carry forward	109,038

	(Thousands of U.S. dollars)
Brought forward	109,038
Equity on results during 2001 (net of US$3.8 million of interest expenses charged to the Joint Venture companies)	(59,390)
Increase in capital stock of Orinoco Iron (cash contributions) (Note 4)	2,000
Accrued interest on notes and participations, net	2,584
IBH net investment base in the Joint Venture companies (50% participation) at September 30, 2001	54,232

IBH has acquired, without recourse, participations in long-term loans granted by a bank to Orinoco Iron and Operaciones RDI. The bank continued to administer the loans. In January 2001 US$121,612,000 in respect of all participations acquired by IBH and interest earned up to that date, were contributed by IBH to increase the capital stock of Orinoco Iron. These participations have been presented as part of the investment base as from their acquisition, including interest earned.

The repayment of those long-term loans was made on the condition that Orinoco Iron and Operaciones RDI complied with commitments to financial creditors and maintained certain ratios of indebtedness and cash flows. The participations on these loans were considered as permanent financing to support the Joint Venture companies and presented as part of the investment cost basis of the Joint Venture.

Below is a summary of combined financial information for the Joint Venture companies, accounted for under the equity method:

	Years ended September 30,		
	2001	2000	1999
	(Thousands of U.S. dollars)		
Combined balance sheet data at the end of the year:			
Current assets, net of current liabilities	(75,343)	(5,510)	18,853
Property, plant and equipment, net	945,481	926,932	757,829
Total assets	983,184	987,522	811,615
Long-term financial debt	654,824	714,158	666,490
Total liabilities	761,435	890,843	759,125
Shareholders' equity	221,748	96,679	52,490
Combined statement of income data:			
Net sales	50,854	38,190	34,976
Gross loss	(42,788)	(20,971)	(6,994)
Operating loss	(55,641)	(33,662)	(12,691)
Net loss	(126,485)	(56,361)	(18,811)
Capital expenditures	31,676	209,943	361,773

The results of operations of IBH include the following income (expenses) from these Joint Venture companies:

	Years ended September 30,		
	2001	2000	1999
	(Thousands of U.S. dollars)		
Equity participation in losses of affiliates, net	(59,390)	(25,458)	(6,721)
Interest income from loans granted, net (Note 4)	3,048	9,986	8,306
	(56,342)	(15,472)	1,585

In order to finance the construction of the Orinoco Iron plant, Orinoco Iron borrowed up some US$613 million (senior debt) pursuant to several credit facilities. The credit facilities contemplate financial covenants that restrict Orinoco Iron's ability to distribute dividends to shareholders if certain ratios of indebtedness and cash flows are not met.

Lenders will share a common security package consisting of: (1) a pledge in substantially all of the assets of Orinoco Iron (as borrower) and RDI (as guarantor); (2) a pledge on sale contracts, construction contracts, supply contracts and insurance policies of Orinoco Iron and RDI; (3) a pledge by IBH of its shares ownership in Orinoco Iron, RDI, SVS International Steel Holdings and Venezolana de Prerreducidos Caroní "Venprecar", C.A.; (4) a pledge by SVS of its shares ownership in Siderúrgica del Caroní "Sidecar", S.A.; (5) a pledge by Sidecar of its shares ownership in Venprecar; (6) a real estate mortgage over the land and civil works owned by Venprecar; (7) a mortgage over the commercial establishment of Venprecar; (8) escrow agreements over two bank accounts of Venprecar and; (9) an unconditional guarantee by RDI.

Pursuant to support agreements, IBH and BHP agreed to: (1) provide their respective capital and financing contributions prior to completion of the Orinoco Iron plant; (2) guarantee that future cash flows from RDI, previous to completion of the Orinoco Iron plant, will be available for the Project; (3) commit to provide, if necessary, their respective share of a credit facility up to US$90 million and; (4) guarantee payment of their share of senior debt, if necessary before completion of the plant.

During 2001 Orinoco Iron has been unable to meet payment terms conditions and certain covenants set out in this loan agreement. In May 2001 BHP paid creditor banks of Orinoco Iron US$314 million in respect of its percentage (50%) of the secured debt. Orinoco Iron and IBH are currently negotiating with creditor banks to restructure the outstanding loan balance, which amounts to US$329 million at September 30, 2001, and relates to the portion guaranteed by IBH and Venprecar.

In August 2000 the Orinoco Iron plant partially started commercial operations; however, certain equipment failures have delayed start-up and the build-up of production and increased capital expenditures. As a result of increased costs, lower-than-planned production rates and depressed

prices in the international markets, actual revenues and cash flows have been substantially below amounts originally planned. Additional funding will be required in order for Orinoco Iron to continue operations, place the remaining production units into operation, settle accounts payable to suppliers and increase working capital. The amounts required will depend in part on the commercial and business strategy to be followed by Orinoco Iron in the future, but are estimated by IBH at over US$100 million. No commitments currently exist to provide this funding from IBH, BHP or others.

On March 29, 2001, BHP issued a press release announcing that it would write off its equity investment in the Orinoco Iron project and cease any further investment in this project. The BHP press release stated that BHP's decision was based on a review which concluded that, in the context of changed operating and market conditions, BHP does not expect the Orinoco Iron project to meet BHP's operational and financial performance targets necessary to justify any further investment in the project, nor would it satisfy bank completion requirements initially established in project financing. IBH is currently meeting with BHP to reach agreements as to the obligations and preexisting agreements in respect of this Association. IBH and BHP are also evaluating options for potential incorporation of a new Orinoco Iron shareholder and also are negotiating to obtain an important reduction of the Orinoco Iron's debt.

RDI (50% owned-affiliate of IBH) has incurred operating losses during 2001, 2000 and 1999. In March 2001 Operaciones RDI began a temporary shutdown of its plant due to maintenance requirements and unfavorable market conditions for the plant's production. No decision has been made as to how long this plant will be closed. RDI's results indicate that continuity of its operations depends on an increase in its profitability. Operaciones RDI's management is considering alternatives to address this situation. Below is a summary of the individual financial information of Operaciones RDI:

	Years ended September 30,	
	2001	2000
	(Thousands of U.S. dollars)	
Balance sheet data at the end of the year:		
Current assets	4,686	15,551
Current liabilities	14,700	18,831
Property, plant and equipment, net	11,451	15,873
Total assets	17,609	34,264
Total liabilities	14,700	20,831
Shareholders' equity	2,909	13,433
Statement of income data:		
Net sales	15,500	32,422
Gross loss	(9,767)	(13,315)
Operating loss	(10,894)	(17,168)
Net loss	(10,528)	(25,202)

NOTE 8 - EXCHANGE OFFER:

On November 19, 1997, IBH (wholly owned subsidiary of Fior at that date) undertook a public exchange offer to exchange one ordinary share of IBH for each three outstanding GDS of Venezolana de Prerreducidos Caroní "Venprecar", C.A. (a 71.9%-owned subsidiary of Sivensa at this date). Upon completion of the exchange offer, Venprecar became a 98.4%-owned subsidiary of IBH. As result of the exchange offer, Sivensa owns 49.7% of IBH's capital stock, and Fior (a 60%-owned subsidiary of Sivensa) owns 32.9% of IBH's capital stock. As part of this transaction IBH exchanged 13,349,847 of its common shares (see Note 10).

In November 1997 Sivensa, which beneficially owned 71.9% of the outstanding Venprecar ordinary shares and Class "B" shares of Venprecar through its wholly owned subsidiary, Siderúrgica del Caroní "Sidecar", S.A. contributed its Venprecar shares to IBH in exchange for: (i) the number of new IBH shares that it would have received had it tendered such securities pursuant to the exchange offer, plus (ii) an additional amount of new IBH shares as compensation for certain costs and expenses incurred by Sivensa in connection with the exchange offer and the establishment of the Joint Venture with BHP to construct the Orinoco Iron plant. Such share contributions were accomplished by Sivensa's contribution to IBH of all of the outstanding shares of SVS International Steel Holdings, a Cayman Islands company (SVS International). Sidecar is a wholly owned subsidiary of SVS International. Through its ownership of SVS International and its direct ownership of Venprecar ordinary shares formerly owned by GDS holders, IBH is the majority shareholder of Venprecar.

The transaction in which most of the minority shareholders of Venprecar exchanged their Venprecar shares (26.5% of the total shares) for new shares of IBH was accounted for separately and treated under US GAAP as a purchase transaction. The amount in excess of the purchase price over the book value of net assets acquired which is allocable to the minority interest was US$9.9 million, which includes US$2.7 million of related acquisition costs. This amount was allocated to property, plant and equipment (based on an independent appraisal) and will be amortized over the estimated useful lives of Venprecar's plant and equipment.

NOTE 9 - TAXES:

The estimated tax (expense) benefit comprises the following:

	Years ended September 30,		
	2001	2000	1999
	(Thousands of U.S. dollars)		
Business assets tax	(174)	(692)	(320)
Deferred income tax	6	8	10
Total tax expense	(168)	(684)	(310)

Income tax -

For the Venezuelan subsidiaries differences between the amount of income taxes computed at the statutory regular tax rate of 34% and the effective income tax rates result from inflation-adjustments for Venezuelan tax purposes described below, dividends from subsidiaries, intercompany transactions, income from foreign sources and the requirements that Venezuelan income taxes be based on the underlying bolivar accounts of each Venezuelan company on an individual basis as follows:

	Years ended September 30,		
	2001	2000	1999
	%	%	%
Statutory income tax rate (%)	34.0	34.0	34.0
Increase (decrease) in tax rate resulting from:			
Remeasurement into U.S. dollars for accounting purposes and effect of taxes assessed in bolivars	(9.00)	(21.2)	(23.4)
Inflation adjustment for tax purposes	10.14	68.9	66.6
Equity in losses of affiliates	(27.18)	(47.5)	(15.5)
Change in valuation allowance	(0.63)	(35.5)	(69.1)
Other, net	(7.56)	(2.3)	5.2
Effective income tax rate (%)	(0.23)	(3.6)	(2.2)

For the Venezuelan subsidiaries, beginning in fiscal 1993, an annual inflation adjustment is required which may result in an increase or decrease in taxable income. The Venezuelan Tax Law provided that the new values resulting from inflation adjustments are to be depreciated over the remaining useful lives of the fixed assets. In accordance with SFAS No. 109, no deferred tax asset was recorded for the future benefits of the inflation adjustments.

The Cayman Islands levy no taxes on income, dividends or capital gains.

The Venezuelan Income Tax Law provides for tax losses and tax credits from new investments to be carried forward over the following three years, to reduce income taxes payable. At September 30, 2001, IBH and its subsidiaries have tax loss carryforwards amounting to Bs 47,337 million (equivalent to US$64 million), of which Bs 19,008 million is available to offset taxable income until the end of fiscal 2004, Bs 7,690 million until the end of fiscal 2003 and Bs 20,639 million until the end of fiscal 2002. IBH's subsidiaries also have investment tax credits amounting to Bs 1,325 million (equivalent to US$2 million) at September 30, 2001, of which Bs 2 million may be applied against income tax liabilities until the end of fiscal 2004, Bs 10 million until the end of fiscal 2003 and Bs 1,313 million until the end of fiscal 2002. Utilization of these tax loss carryforwards and investment tax credits is dependent on realizing future taxable income in the appropriate company. Deferred tax assets relating to these tax loss carryforwards and investment tax credit have been reduced by a valuation allowance representing the portion of those assets that are likely not to be realized. Annual changes in the

valuation allowance were due to a change in the amount of deferred tax assets to which it relates.

The components of deferred income tax assets (liabilities) are as follows:

	September 30,	
	2001	2000
	(Thousands of U.S. dollars)	
Investment tax credits	1,783	1,920
Tax loss carry-forwards	21,661	18,510
Business assets tax	1.154	2,234
Uncollected income from draw backs	(365)	(635)
Allowances and provisions not deductible until paid	971	737
Other, net	(605)	144
	24,599	22,910
Valuation allowance	(24,588)	(22,908)
Deferred income tax assets, included in other assets	11	2

Business assets tax -
The Venezuelan business assets tax was enacted as a supplementary tax to the Venezuelan income tax and is calculated on the simple average of the taxpayer's tangible and intangible assets in Venezuela involved in the production of income from commercial and industrial activities. The tax rate applicable to the asset base is 1% a year, reduced by the percentage of export sales to total sales. This tax is calculated together with income tax and the greater of the two is the tax liability. A business asset tax expense of US$174,000 (US$ 692,000 in 2000) was recorded during the year ended September 30, 2001. The payment of this tax may be applied as a tax credit against any income tax liability incurred over the next three fiscal years.

Value added tax and wholesale and luxury tax -
In 1994 the Wholesale and Luxury Tax (ICSVM) Decree-Law was enacted. This tax is based on a tax credit system and applies to the different stages of production and sales. It is payable based on the value added at each stage. This system incorporated additional tax rates of 10% and 20% over goods and services considered as luxury items. The ICSVM tax rate was set annually in the Budget Law, and was 16.5% until May 1999. The Law provides for a special tax rate (0%) for exporters, granting them the right to recover tax credits from the purchase or import of goods and services based on the ratio of export sales to total sales.

In May 1999 the Venezuelan Government, through a Decree-Law, repealed and substituted the ICSVM tax for the value added tax (VAT). The VAT tax kept the same ICSVM structure, but certain changes were made, namely: 1) the applicable tax rate, which was set at 14.5% for 2000

and 2001 (15.5% in 1999); 2) the elimination of additional tax rates and; 3) modification of the system for the recovery of credits by exporters, including the possibility of offsetting or transferring tax credits when the tax administration does not provide a decision within the term established; the special tax rate (0%) for exporters is still applied.

At September 30, 2001, accounts receivable include tax credits of some US$1,772,000 (US$1,473,000 in 2000) from the value added tax and wholesale and luxury tax (see Note 3), of which US$1,049,000 (US$557,000 in 2000) correspond to recoverable credits from export operations.

Bank debit tax -

In May 1999 the Venezuelan Government, through a Decree-Law, introduced the bank debit tax, which was mainly applied to debits or withdrawals made on current and savings accounts, custody deposits, or on any other type of demand deposit. Bank debit tax was also applied to liquid assets funds, trust funds and other financial market funds or financial instruments transacted by individuals or corporations with Venezuelan banks and financial institutions. The bank debit tax amounted to 0.5% and was in effect until May 2000. In the year ended September 30, 2000, IBH incurred expenses for Bs 114 million, equivalent to US$175,000 (Bs 67 million in 1999, equivalent to US$109,000) in this connection.

NOTE 10 - SHAREHOLDERS' EQUITY:

Authorized capital stock consists of 20,115,000 common shares, with a par value of US$0.01 each. Before the exchange of shares indicated in Note 8, there were 6,547,620 subscribed and fully paid shares; after the exchange there are 19,897,467 subscribed and fully paid shares.

Under IBH's bylaws, dividends may be paid from profits or subject to certain legal restrictions from the share premium account (additional paid-in capital). However, as a result of the Joint Venture with BHP (see Note 7), IBH will pay dividends limited to a maximum of 50% of its net income. As a holding company, IBH will mainly rely on dividends from its subsidiaries and affiliates for the payments of dividends to its shareholders. The loan agreement referred to in Note 4 sets out certain restrictions for the declaration and payment of dividends.

The Company is regulated by the Venezuelan Securities and Exchange Commission (CNV), and therefore should present its financial statements in bolivars (Bs) in conformity with accounting principles generally accepted in Venezuela, and distribute dividends accordingly. According to the Capital Markets Law, companies whose shares are traded on the stock market are required to distribute to their shareholders at least 50% of their net income (in bolivars) after income tax and transfers to legal reserves. At least 25% of this amount must be paid in cash. Under CNV rules, the basis for distribution of dividends and statutory equity does not include equity in the results of subsidiaries.

In February 1999 IBH declared cash dividends of US$3.9 million.

NOTE 11 - ROYALTIES:

Fior (predecessor of IBH) and VAI entered into an agreement for the marketing of the Finmet process (iron-ore direct reduction process), establishing the countries where Fior and VAI will have exclusive promotion and marketing rights with respect to the Finmet process and its improvements. In accordance with the provisions of this agreement, Fior (now Brifer) has the right to receive from VAI a minimum amount of US$6 per metric ton on the nominal design capacity of any new Finmet plant built in VAI's jurisdiction; 50% of this royalty will be paid to Fior, or a subsidiary of Fior, when the electromechanical installations begin to be assembled and the remaining 50% shall be paid on the date of the provisional acceptance of the plant. In May 1997 Fior assigned certain of its rights and obligations under this agreement to Brifer (see Note 1); the Finmet process patents and rights are jointly owned by Brifer and VAI.

In 1996 the Australian company BHP began the assembly of the electromechanical installations of a plant in Port Hedland, Australia, with a design annual capacity of 2,000,000 metric tons, which represents a total potential royalty of US$12,000,000 for Fior. Brifer (a wholly owned subsidiary of Fior at that date) recognized in fiscal 1996 income of US$6,000,000 from royalties on this process. In 1999 the capacity of this plant was determined to be higher than originally estimated; therefore, Brifer recognized US$1,000,000 as income during 1999 as a complement to the royalty. The remaining US$6,000,000 will be payable to Brifer (50% owned by IBH), and recognized as income, when provisional acceptance of this plant has been obtained. This payment is also being negotiated between IBH and BHP (see Note 7).

Under the Joint Venture agreement with BHP, 50% of Brifer shares were sold to BHP in September 1997 (see Note 7).

NOTE 12 - FOREIGN EXCHANGE:

In July 1994 the Venezuelan Government established an exchange system, which included a single exchange rate. In April 1996 the free convertibility of the bolivar was reestablished in Venezuela and, subsequently, all controls and restrictions on exchange operations were lifted.

In July 1996 the Venezuelan Government announced the establishment of a trading range for the bolivar. For 1997 the Venezuelan Government established an initial central parity of Bs 472/US$1, effective January 2, 1997, and a crawling band of 7.5% above and below the central parity. Between July 8, 1996 and August 4, 1997, the central parity increased by 1.32% per month. Between August 4, 1997 and January 13, 1998, the central parity increased by 1.16% per month. On January 13, 1998, the Banco Central de Venezuela modified the increase of the central parity to 1.28% per month.

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

Venprecar, Operaciones RDI and Orinoco Iron are subject to environmental laws and regulations in force in Venezuela. These companies have not received any claims from Venezuelan environmental and health regulatory authorities relating to environmental matters

and are not aware of any claims or conditions that would be expected to result in claims related to environmental violations that would, in the opinion of management, have a material adverse effect on IBH's consolidated financial position or IBH's consolidated results of operations.

NOTE 14 - RECENTLY ISSUED ACCOUNTING STANDARDS:

In June 1998 the Financial Accounting Standards Board (FASB) issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and requires an entity to recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. In June 1999 the FASB issued SFAS No. 137 postponing the adoption date of SFAS No. 133. In June 2000 the FASB issued SFAS No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of SFAS No. 133." As such, the Company is not required to adopt the statement until the beginning of its fiscal year on April 1, 2000. The Company does not currently utilize derivative instruments and, consequently, this statement has not had an impact on the results of its operations or financial position.

In September 2000 the FASB issued SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement replaces SFAS No. 125 and it is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The Company considers that this statement has not had an impact on the results of its operations or financial position.

In June 2001 the FASB issued SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No. 141 supersedes Accounting Principles Board Opinion No. 16 (APB 16) "Business Combinations." The most significant changes made by SFAS No. 141 are (1) requiring that the purchase method of accounting be used for all business combinations initiated after June 30, 2001; (2) establishing specific criteria for the recognition of intangible assets separately from goodwill and; (3) requiring unallocated negative goodwill to be written off immediately as an extraordinary gain instead of being deferred and amortized. The Company considers that this statement is not expected to have an impact on the results of its operations or financial position.

SFAS No. 142 supersedes APB No. 17, "Intangible Assets." SFAS No. 142 primarily addresses accounting for goodwill and intangible assets subsequent to their acquisition and its provisions will be effective for fiscal years beginning after December 15, 2001. The most significant changes made by SFAS No. 142 are that: (1) goodwill and indefinite-lived intangible assets will no longer be amortized; (2) goodwill will be tested for impairment at least annually at the reporting unit level; (3) intangible assets deemed to have an indefinite lives will be tested for impairment at least annually and; (4) the amortization period of intangible assets with finite lives will no longer be limited to 40 years. The Company considers that this statement will not have an impact on its results of operations or its financial position.

In August 2001 the FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. It supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of," but retains the fundamental provisions of that statement for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company considers that this statement is not expected to have an impact on the results of its operations or financial position.