

REDCLIFFE INVESTMENTS LIMITED  
NON-CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 1996

FC15424



*Price Waterhouse*



## **AUDITORS' REPORT TO THE SHAREHOLDERS OF REDCLIFFE INVESTMENTS LIMITED**

We have audited the non-consolidated balance sheet of Redcliffe Investments Limited as at 31 December 1996 and the non-consolidated statements of profit, reserves/(deficit) and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted International Standards for Auditing. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the company as at 31 December 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in Bermuda, except that they are prepared on a non-consolidated basis, as explained in Note 2.

*Price Waterhouse*

Chartered Accountants  
and Registered Auditors

7 April 1997

# REDCLIFFE INVESTMENTS LIMITED

## NON-CONSOLIDATED STATEMENT OF PROFIT FOR THE YEAR ENDED 31 DECEMBER 1996 (expressed in Pounds Sterling)

	<u>Note</u>	<u>1996</u> £million	<u>1995</u> £million
<b>INCOME</b>			
Interest on bank deposits		11.3	11.3
Other investment income		18.1	22.4
Surplus on disposal of investments in subsidiaries	4	-	25.7
Profit on the sale of properties		<u>0.3</u>	<u>-</u>
		29.7	59.4
<b>EXPENSES</b>			
Deficit / (surplus) on liquidation of subsidiaries	4	0.2	(1.2)
Deficit / (surplus) on disposal of other investments	5	4.1	(1.1)
Interest on bank loans	6	13.8	20.3
General and administrative expenses		3.1	2.7
Exchange losses / (gains)		16.8	(0.8)
Movement in provision against unrealised exchange losses		<u>(16.2)</u>	<u>0.5</u>
		<u>21.8</u>	<u>20.4</u>
<b>NET PROFIT FOR THE YEAR</b>		7.9	39.0
Taxation		-	-
		<u>-</u>	<u>-</u>
<b>NET PROFIT AFTER TAXATION</b>		7.9	39.0
Dividends	8	(16.0)	-
		<u>-</u>	<u>-</u>
<b>NET (DEFICIT)/PROFIT AFTER TAXATION AND DIVIDENDS TRANSFERRED TO RESERVES</b>		<u>(8.1)</u>	<u>39.0</u>
<b>NON-CONSOLIDATED STATEMENT OF RESERVES/(DEFICIT)</b> (expressed in Pounds Sterling)			
Deficit at the beginning of the year		(21.8)	(60.8)
Net (deficit)/profit for the year transferred to reserves		<u>(8.1)</u>	<u>39.0</u>
Deficit at the end of the year		<u>(29.9)</u>	<u>(21.8)</u>

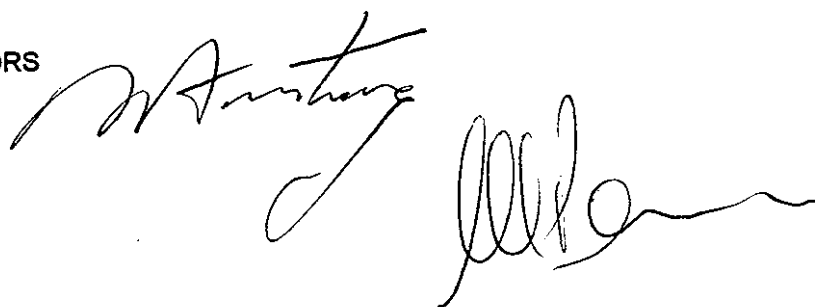
# REDCLIFFE INVESTMENTS LIMITED

## NON-CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1996 (expressed in Pounds Sterling)

	<u>Note</u>	<u>1996</u> £million	<u>1995</u> £million
<b>ASSETS</b>			
Tangible fixed assets awaiting disposal	3	0.2	0.4
Investment in subsidiaries	4	6.9	6.9
Other investments	5	154.9	185.7
<b>CURRENT ASSETS</b>			
Cash, including short-term deposits		210.1	187.5
Interest receivable and other assets		<u>6.8</u>	<u>8.0</u>
Total current assets		<u>216.9</u>	<u>195.5</u>
		<u>378.9</u>	<u>388.5</u>
<b>LIABILITIES</b>			
Bank loans	6	175.3	175.3
Accrued interest		8.0	7.8
Other accrued liabilities		0.9	1.8
Owing to Subsidiary Companies		61.8	62.4
Provision against unrealised exchange losses	7	45.8	62.0
Proposed dividend	8	<u>16.0</u>	<u>-</u>
		<u>307.8</u>	<u>309.3</u>
		71.1	79.2
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	9	101.0	101.0
Deficit		<u>(29.9)</u>	<u>(21.8)</u>
		<u>71.1</u>	<u>79.2</u>

APPROVED BY THE BOARD  
ON 7 April 1997

DIRECTORS



7 April 1997

# REDCLIFFE INVESTMENTS LIMITED

## NON-CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 1996 (expressed in Pounds Sterling)

	<u>1996</u>		<u>1995</u>	
	£million	£million	£million	£million
<b>Cashflows from operating activities:</b>				
Net profit		7.9		39.0
<b>Adjustments required to reconcile net profit to cash flow from operating activities:</b>				
Deficit/(surplus) on liquidation of subsidiaries	0.2		(1.2)	
Surplus on other disposal of investments in subsidiaries	-		(25.7)	
Deficit/(surplus) on disposals of other investments	4.1		(1.1)	
Profit on the sale of properties	(0.3)		-	
Movement in provision against unrealised exchange losses	<u>(16.2)</u>		<u>0.5</u>	
		(12.2)		(27.5)
<b>Change in assets and liabilities:</b>				
Decrease in interest receivable and other assets	1.2		37.0	
Increase/(decrease) in accrued interest payable	0.2		(26.4)	
Decrease in other accrued liabilities	(0.9)		(0.7)	
Decrease in amounts owing to subsidiary companies	<u>(0.6)</u>		<u>(2.0)</u>	
		(0.1)		7.9
<b>Net cash generated by operating activities</b>		(4.4)		19.4
<b>Cashflows from investing activities:</b>				
Distributions by liquidator of subsidiaries	(0.2)		1.2	
Proceeds of other disposals of investments in subsidiaries	-		31.6	
Proceeds of disposals of other investments	26.7		35.5	
Sale proceeds of properties	<u>0.5</u>		<u>-</u>	
		27.0		68.3
		22.6		87.7
<b>Cashflows from financing activities:</b>				
Bank borrowings		-		(126.7)
Net increase/(decrease) in cash		22.6		(39.0)
Cash at beginning of the year		<u>187.5</u>		<u>226.5</u>
Cash at end of the year		210.1		187.5

## **REDCLIFFE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996**

#### **NOTE 1: ORGANISATION**

Redcliffe Investments Limited was incorporated under the laws of Bermuda on 18 July 1988. The Company is an investment holding company.

#### **NOTE 2: ACCOUNTING POLICIES**

##### General

Except for the valuation of investments and the treatment of foreign exchange gains and losses on long term investments referred to below and in Notes 4 and 7 respectively the accompanying financial statements were prepared using accounting policies generally accepted in Bermuda which are the same as those used in Canada and, as such, use the accrual basis of accounting and are in conformity with International Accounting Standards.

##### Investments

These financial statements have not been prepared on a consolidated basis and the investments in subsidiaries have not been accounted for either on a consolidated basis or on the equity basis as the shareholders have access to all pertinent information concerning the Company and its subsidiaries. As these financial statements have not been prepared for general purposes, some users may require further information.

##### Other long term investments

Investments classified as long term are carried at cost and are written down by a charge to income to recognise any impairment in value that is other than temporary.

##### Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at year end exchange rates. Income and expense items are translated at the rate of exchange prevailing at the time of the transaction. Total net exchange gains and losses are included in income.

Provision is made against potential losses incurred in respect of contracts for the settlement of currencies at a future date and the translation of US dollar denominated loan stocks after the amortisation of the premium or discount on the acquisition of those US dollar denominated loan stocks.

##### Dividends

Dividends received are recorded net of applicable withholding taxes and are included in dividend income.

# REDCLIFFE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

### NOTE 3: TANGIBLE FIXED ASSETS

This comprises various land and buildings transferred from subsidiaries and currently awaiting disposal. These assets are held at cost.

### NOTE 4: INVESTMENTS IN SUBSIDIARIES

The Company's investment in its subsidiaries at 31 December 1996 can be analysed as:

	<u>1996</u> £million	<u>1995</u> £million
<u>Investment at cost or book value</u>		
Cost or book value at 1 January	6.9	12.8
Disposals	-	(5.9)
Subsidiaries placed in liquidation	—	—
Cost or book value at 31 December	<u>6.9</u>	<u>6.9</u>

The surplus of net proceeds over book value on disposal of businesses is as follows:

Disposal proceeds	-	31.6
Book value of disposals	<u>-</u>	<u>(5.9)</u>
Surplus on disposals	<u>-</u>	<u>25.7</u>

The Company has given indemnities and warranties in connection with the sale of certain subsidiaries. At the date of these accounts the directors are not aware of any liabilities in connection with these indemnities and warranties.

The (deficit) / surplus on liquidation of subsidiaries is as follows:

Distributions by liquidator	<u>(0.2)</u>	<u>1.2</u>
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## REDCLIFFE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

#### NOTE 5: OTHER INVESTMENTS

Other investments comprise a long term holding of high yielding US dollar denominated loan stocks and similar instruments, the significant majority of which have maturity terms in excess of five years.

	<u>1996</u> £million	<u>1995</u> £million
Book value at 1 January	185.7	220.1
Book value of disposals	<u>(30.8)</u>	<u>(34.4)</u>
Book value at 31 December	<u>154.9</u>	<u>185.7</u>

The (deficit)/surplus of net proceeds over book value on disposal of loan stocks and similar instruments is as follows:

	<u>1996</u> £million	<u>1995</u> £million
Disposal proceeds	26.7	35.5
Book value of disposals	<u>(30.8)</u>	<u>(34.4)</u>
(Deficit) / surplus	<u>(4.1)</u>	<u>1.1</u>

All investments are valued at cost. The market value of these investments at 31 December 1996 was £156.2 million (1995: £198.8 million).

#### NOTE 6: BANK LOANS

The Company had available the following loan facility to enable the Company to finance the acquisition of its investment portfolio and to finance any short-term working capital requirements.

	<u>1996</u> £million	<u>1995</u> £million
Term loan	<u>175.3</u>	<u>175.3</u>

The facility noted above has been secured by a Debenture under which the assets of the Company have been pledged in favour of the bank making the loan.



# REDCLIFFE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

### NOTE 6: BANK LOANS (continued)

The amount drawn down under the Sterling term loan facility bears interest at a rate of 1¾% per annum over LIBOR.

As at 31 December 1996 the facility was drawn down in the following amounts.

	<u>1996</u> £million	<u>1995</u> £million
Term loan	175.3	175.3
	=====	=====

Interest charged on bank loans during the year was as follows:

Interest paid and accrued:

Term loan	13.8	20.3
	=====	=====

### NOTE 7: PROVISION AGAINST UNREALISED EXCHANGE LOSSES

	<u>Translated at</u>		<u>1996</u>	<u>1995</u>
	<u>Transaction</u> <u>rate</u> £million	<u>Year end</u> <u>rate</u> £million	<u>Provision</u> £million	<u>Provision</u> £million
US dollar denominated loan stocks after amortisation of premium or discount on acquisition	154.9	151.0	(3.9)	11.2
Contracts for settlement of currency transactions after the year end	<u>(265.3)</u>	<u>(307.2)</u>	<u>(41.9)</u>	<u>(73.2)</u>
Provision against unrealised foreign exchange losses			<u>(45.8)</u>	<u>(62.0)</u>

### NOTE 8: DIVIDENDS

	<u>1996</u> £million	<u>1995</u> £million
Proposed dividend on ordinary shares	16.0	-
	=====	=====

**REDCLIFFE INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)**

**NOTE 9: CAPITAL STOCK**

Capital stock comprises:

	<u>Number</u>	<u>Issued</u> <u>Aggregate</u> <u>Par value</u> <u>£ million</u>	<u>Total cash paid</u> <u>in as capital</u> <u>£ million</u>
At 31 December 1996 and 31 December 1995			
Ordinary shares of £1 each	101,000,000	101.0	101.0