

FC 17421

N-West 014556 236 x 2

SALOMON INTERNATIONAL LIMITED

Company No. FC017421

Branch No. BR001079

FINANCIAL STATEMENTS

for the year ended 31 December 1994



PROFIT & LOSS ACCOUNT (Unaudited)
 for the year ended 31 December 1994

| | Notes | 1994 £ | 1993 £ |
|---|-------|---------------|-------------|
| Interest income | 3 | 6,990,500 | 1,688,301 |
| Interest expense | 3 | (6,888,000) | (1,730,761) |
| | | <hr/> | <hr/> |
| GROSS PROFIT/(LOSS) | | 102,500 | (42,460) |
| Net operating (expenses)/income | | (47,748) | 24,437 |
| | | <hr/> | <hr/> |
| OPERATING PROFIT/(LOSS) | | 54,752 | (18,023) |
| Income from shares in subsidiary undertakings | | 242,369,784 | 0 |
| Provision for permanent diminution of investment in subsidiary undertaking | 4 | 0 | (1,999,869) |
| | | <hr/> | <hr/> |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | 242,424,536 | (2,017,892) |
| Tax on profit/(loss) on ordinary activities | | (37,232,429) | 0 |
| | | <hr/> | <hr/> |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION | 10 | 205,192,107 | (2,017,892) |
| Dividends paid | 10 | (241,018,953) | 0 |
| | | <hr/> | <hr/> |
| RETAINED LOSS FOR THE PERIOD | | (35,826,846) | (2,017,892) |
| | | <hr/> <hr/> | <hr/> <hr/> |

The comparative figures for 1993 are for the period from the date of incorporation (26 April 1993) to 31 December 1993.

There are no recognised gains or losses other than the profit for the period and all items are derived from continuing operations. The accompanying notes form an integral part of this profit and loss account.

BALANCE SHEET (Unaudited)
for the year ended 31 December 1994

| | Notes | 1994 £ | 1994 £ | 1993 £ | 1993 £ |
|--|-------|--------------|--------------|------------|--------------|
| FIXED ASSETS | | | | | |
| Investments in subsidiary undertakings | 6 | | 420,365,611 | | 429,065,611 |
| CURRENT ASSETS | | | | | |
| Debtors - due within one year | 7 | 39,207,705 | | 595 | |
| Debtors - due after one year | 7 | 82,000,000 | | 82,000,000 | |
| Cash at bank and in hand | | 26,385 | | 775,772 | |
| | | | | | |
| | | 121,234,090 | | 82,776,367 | |
| CREDITORS: Amounts falling due within one year | | | | | |
| | 8 | (35,812,574) | | (794,390) | |
| NET CURRENT ASSETS | | | | | |
| | | | 85,421,516 | | 81,981,977 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | | | |
| | | | 505,787,127 | | 511,047,588 |
| CREDITORS: Amounts falling due after more than one year | | | | | |
| | 8 | | (82,000,000) | | (82,000,000) |
| | | | 423,787,127 | | 429,047,588 |
| SHAREHOLDERS FUNDS | | | | | |
| Called-up share capital | 9 | | 423,731,546 | | 431,065,480 |
| Capital reserve | 10 | | 35,805,007 | | 0 |
| Profit and loss account | 10 | | (35,749,426) | | (2,017,892) |
| EQUITY SHAREHOLDERS FUNDS | | | | | |
| | 11 | | 423,787,127 | | 429,047,588 |

The accompanying notes form an integral part of this balance sheet.

CASH FLOW STATEMENT (Unaudited)
 for the year ended 31 December 1994

| | Notes | 1994 £ | 1994 £ | 1993 £ | 1993 £ |
|--|-------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES | 12 | | (4,140,573) | | 775,772 |
| Returns on investments and servicing of finance | | | | | |
| Dividends received | | 240,948,761 | | 0 | |
| Dividends paid | | (241,018,953) | | 0 | |
| | | <u> </u> | | <u> </u> | |
| Cash outflow from returns on investments and servicing of finance | | | (70,192) | | 0 |
| Tax Paid | | | 0 | | 0 |
| Investing activities | | | | | |
| Purchases of investments in subsidiary undertakings | | 0 | (431,065,480) | | |
| Sale of subsidiary undertaking | | 8,700,000 | | 0 | |
| | | <u> </u> | | <u> </u> | |
| Cash inflow/(outflow) from investing activities | | | 8,700,000 | | (431,065,480) |
| | | | <u> </u> | | <u> </u> |
| Net cash inflow/(outflow) before financing | | | 4,489,235 | | (430,289,708) |
| Financing | | | | | |
| Issue of Class A shares | | 0 | 431,065,480 | | |
| Redemption of Class A shares | | (8,545,622) | | 0 | |
| Issue of Class B shares | | 20,448,000 | | 0 | |
| Redemption of Class B shares | | (17,141,000) | | 0 | |
| | | <u> </u> | | <u> </u> | |
| Cash (outflow)/inflow from financing | | | (5,238,622) | | 431,065,480 |
| | | | <u> </u> | | <u> </u> |
| (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | 13 | | (749,387) | | 775,772 |
| | | | <u> </u> | | <u> </u> |

The accompanying notes form an integral part of this cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
for the year ended 31 December 1994

1. Principal Activity

The Company was incorporated on 26 April 1993 in the State of Delaware, United States of America, and established a registered branch in England under Schedule 21A to the Companies Act 1985. Its principal activity is to act as an intermediate holding company.

2. Principal Accounting Policies

The principal accounting policies, all of which have been applied consistently throughout the period, are set out below:

(a) Basis of accounting

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

(b) Foreign Currency

Monetary assets and liabilities denominated in currencies other than sterling have been translated into sterling at the rate of exchange prevailing at the period end.

Transactions in foreign currencies are translated into sterling at rates of exchange approximating those at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit and loss account.

(c) The Overseas Companies (Accounts) (Modifications and Exemptions) Order 1990

The Company has adopted the provisions of Statutory Instrument 1990/440 which exempts it from certain disclosure requirements of the Companies Act 1985.

(d) Non-consolidation

Consolidated accounts have not been prepared as the Directors are of the opinion that the activities of the subsidiary groups are so different that to combine their results would be misleading. The consolidated accounts for each subsidiary group are appended to these company only accounts.

3. Interest Income and Expense

Interest income is derived solely from interest on the loan to Salomon Brothers Tosca Inc (see note 7). Interest expense is derived solely from interest on the loan from Salomon Inc (see note 8).

4. Provision for permanent diminution of investment in Subsidiary Undertaking

The provision for permanent diminution of investment in subsidiary undertaking of £nil (1993:£1,999,869) relates to a charge in 1993 to write down the cost of investment in Philipp Brothers Limited to its realisable amount of £8,700,000.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - Continued
for the year ended 31 December 1994

5. Directors' Emoluments

The Directors received no emoluments in respect of their services to the Company as directors or otherwise and £1,211,383 (1993:£819,830) in respect of their services for subsidiary undertakings during the period.

6. Investments in Subsidiary Undertakings

The Company owns 100% of the ordinary share capital of Phibro Holdings Limited ("PHL"). PHL is a holding company and is not consolidated in these financial statements. PHL is accounted for at historical cost representing its net assets on acquisition of £16,028,512.

The Company owns 75% of the ordinary share capital of Salomon Brothers Europe Limited ("SBEL"). The remaining 25% is owned by Salomon (International) Finance AG, which is a fellow subsidiary undertaking of Salomon Brothers Holding Company Inc. SBEL is a holding company and is not consolidated in these financial statements. SBEL is accounted for at historical cost, representing its net assets on acquisition of £404,337,099.

On 31 March 1994, the Company's entire investment in Philipp Brothers Limited was realised by Philipp Brothers Limited repurchasing its own shares for £8,700,000. This explains the movement in investments in subsidiary undertakings in 1994.

7. Debtors

The following amounts are included in debtors:

| | 1994 £ | 1993 £ |
|---|--------------------|-------------------|
| Amounts falling due within one year: | | |
| Due from parent company | 35,805,007 | 0 |
| Due from other group undertakings | 3,382,754 | 0 |
| Other debtors | 19,944 | 595 |
| | <u>39,207,705</u> | <u>595</u> |
| Amounts falling due after more than one year: | | |
| Due from other group undertaking | 82,000,000 | 82,000,000 |
| | <u>121,207,705</u> | <u>82,000,595</u> |

The amount included within due from other group undertaking is an advance made by the Company to Salomon Brothers Tosca Inc secured by way of legal mortgage over certain property which is occupied by other group undertakings. The advance is wholly repayable on 28 September 2003. Interest on the advance is at a fixed rate of 8.525% per annum paid annually in arrears on 30 December.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - Continued
for the year ended 31 December 1994

8. Creditors

The following amounts are included in creditors:

| | 1994 £ | 1993 £ |
|---|--------------------|-------------------|
| Amounts falling due within one year: | | |
| Due to parent company | 1,168 | 0 |
| Due to other group undertaking | 0 | 783,774 |
| Other creditors and accruals | 0 | 10,616 |
| Corporation tax payable | 18,068 | 0 |
| Advance corporation tax payable | 35,793,338 | 0 |
| | <u>35,812,574</u> | <u>794,390</u> |
| Amounts falling due after more than one year: | | |
| Due to ultimate parent company | 82,000,000 | 82,000,000 |
| | <u>117,914,855</u> | <u>82,794,390</u> |

The amount included within due to ultimate parent company, Salomon Inc, is an unsecured loan wholly repayable on 28 September 2003. Interest on the loan is at a fixed rate of 8.4% per annum paid annually in arrears on 30 December.

9. Called-Up Share Capital

The Company's share capital comprises:

| | 1994 Number | 1993 Number |
|--|------------------|----------------|
| Authorised: | | |
| 1,000,000 Class A stock, without par value | 1,000,000 | 1,000 |
| 25,000 Class B stock, without par value | 25,000 | 0 |
| | <u>1,025,000</u> | <u>1,000</u> |

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)- Continued
for the year ended 31 December 1994

9. Called-Up Share Capital - Continued

| | 1994 £ | 1993 £ |
|--|--------------------|--------------------|
| Allotted and issued: | | |
| 1,000,000 Class A stock, without par value | 420,424,546 | 431,065,480 |
| 3,307 Class B stock, without par value | 3,307,000 | 0 |
| | <u>423,731,546</u> | <u>431,065,480</u> |

On 11 July 1994, the existing common stock of 1,000 shares was subdivided into 100,000 common shares without par value by means of a stock split, and the Company issued 99 additional fully-paid shares for each share of common stock held. Immediately following the stock split, the Company redeemed 1,986 fully-paid shares held by Salomon Brothers Holding Company Inc for a consideration of \$12,903,891 (£8,545,622).

On 6 December 1994, the existing common stock of 100,000 shares were subdivided into 1,000,000 common shares without par value by means of a stock split, and re-designated as "Class A Stock", and the Company issued 9 additional fully-paid shares for each share of Class A Stock held.

On 30 September 1994, the Company transferred £2,095,312 of the outstanding Class A Stock to the profit and loss account.

On 6 December 1994, the Company authorised the issuance of 25,000 shares without par value, to be designated as "Class B Stock". On the same day, the Company issued without par value 20,448 shares of Class B Stock, to the Salomon Brothers International Limited Employee Trust for a consideration of £20,448,000.

On 30 December 1994, the Company redeemed 17,141 shares of Class B Stock for a consideration of £17,141,000.

10. Reserves

| | Capital Reserve £ | Profit Loss Account £ | Total £ |
|------------------------------|-------------------------|-----------------------------|---------------|
| Balances at 1 January 1994 | 0 | (2,017,892) | (2,017,892) |
| Profit for the period | 0 | 205,192,107 | 205,192,107 |
| Class A dividends | 0 | (240,948,761) | (240,948,761) |
| Class B dividends | 0 | (70,192) | (70,192) |
| Capital contribution | 35,805,007 | 0 | 35,805,007 |
| Transfer from capital | 0 | 2,095,312 | 2,095,312 |
| | <u>35,805,007</u> | <u>(35,749,426)</u> | <u>55,581</u> |
| Balances at 31 December 1994 | 35,805,007 | (35,749,426) | 55,581 |

On 31 December 1994 the immediate parent company made a capital contribution of £35,805,007 in connection with group financing activities.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - Continued
for the year ended 31 December 1994

11. Reconciliation of Movements in Shareholders' Funds

| | 1994 £ | 1993 £ |
|---|---------------|-------------|
| Profit/(loss) on ordinary activities after taxation | 205,192,107 | (2,017,892) |
| Dividends | (241,018,953) | 0 |
| Other movements: | | |
| Issue of common shares | 20,448,000 | 431,065,480 |
| Redemption of common shares | (25,686,622) | 0 |
| Capital contribution | 35,805,007 | 0 |
| | <hr/> | <hr/> |
| Total movements during the year | (5,260,461) | 429,047,588 |
| Shareholders' funds at beginning of period | 429,047,588 | 0 |
| | <hr/> | <hr/> |
| Shareholders' funds at end of period | 423,787,127 | 429,047,588 |
| | <hr/> | <hr/> |

12. Reconciliation of Operating Profit (Loss) to Net Cash (Outflow)/Inflow from Operating Activities

| | 1994 £ | 1993 £ |
|---|-------------|--------------|
| Operating profit/(loss) | 54,752 | (18,023) |
| Increase in debtors | (3,402,103) | (82,000,595) |
| (Decrease)/increase in creditors | (793,222) | 82,794,390 |
| | <hr/> | <hr/> |
| Net cash (outflow)/inflow from operating activities | (4,140,573) | 775,772 |
| | <hr/> | <hr/> |

13. Analysis of Changes in Cash and Cash Equivalents during the period

| | 1994 £ | 1993 £ | Change in the year £ |
|---------------------|-----------|-----------|----------------------------|
| Balances with banks | 26,385 | 775,772 | (749,387) |
| | <hr/> | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - Continued
for the year ended 31 December 1994

14. Subsequent Events

On 31 March 1995, the Company redeemed 2,364 shares of Class B Stock for a consideration of £2,364,000. On the same day, the Company declared and paid a dividend of £47,331 to the holders of the Class B Stock.

On 30 June 1995, the Company redeemed 106 shares of Class B Stock for a consideration of £106,000. On the same day, the Company declared and paid a dividend of £13,674 to the holders of the Class B Stock.

On 29 September 1995, the Company declared a \$54,603,964 (£34,561,658) dividend to the holder of the Class A Stock, Salomon Brothers Holding Company Inc, which was paid on 2 October 1995.

On 29 September 1995, the Company redeemed 409 shares of Class B Stock for a consideration of £409,000. On the same day, the Company declared and paid a dividend of £12,595 to the holders of the Class B Stock.

On 5 December 1995, the Company authorised the issuance of 31,327 shares without par value, to be designated as "Class C Stock". On the same day, the Company issued without par value 31,327 shares of Class C Stock, to the Salomon Brothers International Limited Employee Trust for a consideration of £31,327,000.

On 29 December 1995, the Company declared and paid a \$41,500,000 (£26,808,785) dividend to the holder of the Class A Stock, Salomon Brothers Holding Company Inc.

On 29 December 1995, the Company redeemed the remaining 428 shares of Class B Stock for a consideration of £428,000. On the same day, the Company declared and paid a dividend of £6,273 to the holders of the Class B Stock.

On 29 December 1995, the Company redeemed 28,387 shares of Class C Stock for a consideration of £28,387,000. On the same day, the Company declared and paid a dividend of £106,993 to the holders of the Class C Stock.

On 29 December 1995 the directors transferred £85,000,000 from the Capital Account to the Capital Reserve Account.

On 29 December 1995 the directors agreed to sell the Company's investment in its wholly owned subsidiary Phibro Holdings Limited to a fellow subsidiary of Salomon Inc. This sale was at net book value as at 31 December 1995 and effective on 1 January 1996.

15. Group Structure

The Company's immediate and ultimate parent companies are Salomon Brothers Holding Company Inc and Salomon Inc respectively, both of which are incorporated in the State of Delaware, United States of America. The consolidated accounts of Salomon Inc are available to the public and may be obtained from Corporate Communications, 7 World Trade Centre, New York, New York 10448.