

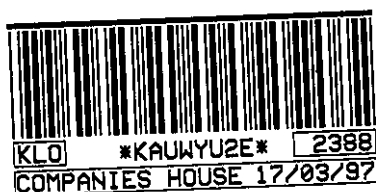
SALOMON INTERNATIONAL LIMITED

Company No. FC017421

Branch No. BR001079

FINANCIAL STATEMENTS

for the year ended 31 December 1995



PROFIT & LOSS ACCOUNT (Unaudited)
for the year ended 31 December 1995

| | Notes | 1995 £ | 1994 £ |
|--|-------|--------------|---------------|
| Interest income | 3 | 6,990,500 | 6,990,500 |
| Interest expense | 3 | (6,888,000) | (6,888,000) |
| GROSS PROFIT | | 102,500 | 102,500 |
| Net operating income/(expense) | | 261,957 | (47,748) |
| OPERATING PROFIT | | 364,457 | 54,752 |
| Income from shares in subsidiary undertakings | | 62,786,464 | 242,369,784 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 63,150,921 | 242,424,536 |
| Tax on profit on ordinary activities | | (15,503,437) | (37,232,429) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 9 | 47,647,484 | 205,192,107 |
| Dividends paid | 9 | (61,557,309) | (241,018,953) |
| RETAINED LOSS FOR THE PERIOD | | (13,909,825) | (35,826,846) |

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)

as at 31 December 1995

| | Notes | 1995 £ | 1995 £ | 1994 £ | 1994 £ |
|--|-------|----------------------|---------------------|---------------------|---------------------|
| FIXED ASSETS | | | | | |
| Investments in subsidiary undertakings | 5 | | 430,765,611 | | 420,365,611 |
| CURRENT ASSETS | | | | | |
| Debtors - due within one year | 6 | 101,165,306 | | 39,207,705 | |
| Debtors - due after one year | 6 | 0 | | 82,000,000 | |
| Cash at bank and in hand | | 4,188,553 | | 26,385 | |
| | | <u>105,353,859</u> | | <u>121,234,090</u> | |
| CREDITORS : Amounts falling due within one year | 7 | <u>(116,209,168)</u> | | <u>(35,812,574)</u> | |
| Net Current Liabilities/Assets | | | <u>(10,855,309)</u> | | <u>85,421,516</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>419,910,302</u> | | <u>505,787,127</u> |
| CREDITORS: Amounts falling due after more than one year | 7 | | <u>0</u> | | <u>(82,000,000)</u> |
| | | | <u>419,910,302</u> | | <u>423,787,127</u> |
| SHAREHOLDER'S FUNDS | | | | | |
| Called-up share capital | 8 | | 338,364,546 | | 423,731,546 |
| Capital reserve | 9 | | 131,205,007 | | 35,805,007 |
| Profit and loss account | 9 | | (49,659,251) | | (35,749,426) |
| EQUITY SHAREHOLDER'S FUNDS | 10 | | <u>419,910,302</u> | | <u>423,787,127</u> |

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

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
for the year ended 31 December 1995

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.

(e) Financial Reporting Standard No 1

The Company has elected for the early adoption of the revised Financial Reporting Standard No 1 and accordingly has not prepared a cash flow statement. The Company's results are consolidated in the financial statements of its ultimate parent company, Salomon Inc, which are made available to the public annually.

3. Interest Income and Expense

Interest income is derived solely from interest on the loan to Salomon Brothers Tosca Inc (see note 6). Interest expense is derived solely from interest on the loan from Salomon Inc (see note 7).

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - Continued
for the year ended 31 December 1995

4. Directors' Emoluments

The Directors received no emoluments in respect of their services to the Company as directors or otherwise and £1,047,091 (1994: £1,211,383) in respect of their services for subsidiary undertakings during the period.

5. 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.

During December 1995, Salomon Brothers Holding Company Inc contributed as additional paid-in share capital in respect of the Class A Stock 10,000,000 ordinary £1 shares in The Mortgage Corporation Group Limited ("TMCG") to the Company. The Company then sold these TMCG shares to SBEL in consideration for 10,400,000 new redeemable preference £1 shares issued at par by SBEL.

6. Debtors

The following amounts are included in debtors:

| | 1995 £ | 1994 £ |
|---|--------------------|--------------------|
| Amounts falling due within one year: | | |
| Due from parent company | 16,125,818 | 35,805,007 |
| Due from other group undertakings | 84,993,984 | 3,382,754 |
| Other debtors | 45,504 | 19,944 |
| | <u>101,165,306</u> | <u>39,207,705</u> |
| Amounts falling due after more than one year: | | |
| Due from other group undertakings | 0 | 82,000,000 |
| | <u>101,165,306</u> | <u>121,207,705</u> |

Included within due from other group undertakings 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 was wholly repayable on 28 September 2003, but was repaid on 4 April 1996. Interest on the advance was 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 1995

7. Creditors

The following amounts are included in creditors:

| | 1995 £ | 1994 £ |
|---|-------------|-------------|
| Amounts falling due within one year: | | |
| Due to parent company | 88,800,643 | 1,168 |
| Due to other group undertakings | 16,130,064 | 0 |
| Due to subsidiary undertakings | 61,823 | 0 |
| Corporation tax payable | 50,621 | 18,068 |
| Advance corporation tax payable | 11,166,017 | 35,793,338 |
| | <hr/> | <hr/> |
| | 116,209,168 | 35,812,574 |
| | <hr/> | <hr/> |
| Amounts falling due after more than one year: | | |
| Due to ultimate parent company | 0 | 82,000,000 |
| | <hr/> | <hr/> |
| | 116,209,168 | 117,914,855 |
| | <hr/> | <hr/> |

Included within due to ultimate parent company, Salomon Inc, is an unsecured loan which was wholly repayable on 28 September 2003, but which was repaid on 4 April 1996. Interest on the loan was at a fixed rate of 8.4% per annum paid annually in arrears on 30 December.

8. Called-Up Share Capital

The Company's share capital comprises:

| | 1995 Number | 1994 Number |
|--|----------------|----------------|
| Authorised: | | |
| 1,000,000 Class A stock, without par value | 1,000,000 | 1,000,000 |
| 25,000 Class B stock, without par value | 25,000 | 25,000 |
| 31,327 Class C stock, without par value | 31,327 | 0 |
| | <hr/> | <hr/> |
| | 1,056,327 | 1,025,000 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)- Continued
for the year ended 31 December 1995

8. Called-Up Share Capital - Continued

| | 1995 | 1994 |
|--|-------------|-------------|
| | £ | £ |
| Allotted and issued: | | |
| 1,000,000 Class A Stock, without par value | 335,424,546 | 420,424,546 |
| 3,307 Class B Stock, without par value | 0 | 3,307,000 |
| 2,940 Class C Stock, without par value | 2,940,000 | 0 |
| | <hr/> | <hr/> |
| | 338,364,546 | 423,731,546 |
| | <hr/> | <hr/> |

During the year called-up share capital was reduced by £85,000,000 by the transfer of £85,000,000 of the capital related to the Class A Stock to surplus thus creating a distributable reserve.

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 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - Continued
for the year ended 31 December 1995

9. Reserves

| | Capital Reserve £ | Profit and Loss Account £ | Total £ |
|---|-------------------------|---------------------------------|--------------|
| Balances at 1 January 1995 | 35,805,007 | (35,749,426) | 55,581 |
| Profit for the period | 0 | 47,647,484 | 47,647,484 |
| Class A dividends | 0 | (61,370,443) | (61,370,443) |
| Class B dividends | 0 | (79,873) | (79,873) |
| Class C dividends | 0 | (106,993) | (106,993) |
| Additional paid-in capital surplus | 10,400,000 | 0 | 10,400,000 |
| Surplus as a result of reduction of capital related to Class A Stock | 85,000,000 | 0 | 85,000,000 |
| | <hr/> | <hr/> | <hr/> |
| Balances at 31 December 1995 | 131,205,007 | (49,659,251) | 81,545,756 |

10. Reconciliation of Movements in Shareholder's Funds

| | 1995 £ | 1994 £ |
|--|--------------|---------------|
| Profit on ordinary activities after taxation | 47,647,484 | 205,192,107 |
| Dividends | (61,557,309) | (241,018,953) |
| Other movements: | | |
| Issue of common shares | 31,327,000 | 20,448,000 |
| Redemption of common shares | (31,694,000) | (25,686,622) |
| Capital contribution | - | 35,805,007 |
| Additional paid-in capital surplus | 10,400,000 | - |
| | <hr/> | <hr/> |
| Total movements during the year | (3,876,825) | (5,260,461) |
| Shareholder's funds at 1 January 1995 | 423,787,127 | 429,047,588 |
| | <hr/> | <hr/> |
| Shareholder's funds at 31 December 1995 | 419,910,302 | 423,787,127 |

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - Continued
for the year ended 31 December 1995

11. Subsequent Events

On 1 January 1996 the Company sold at net book value its investment in its wholly owned subsidiary Phibro Holdings Limited to a subsidiary of Salomon Inc.

On 15 February 1996, the Company declared and paid a dividend of \$21,854,762 (£14,186,798) to the holder of the Class A Stock, Salomon Brothers Holding Company Inc.

On 29 March 1996, the Company redeemed 1,461 shares of Class C Stock for a consideration of £1,461,000. On the same day, the Company declared and paid a dividend of £39,837 to the holders of the Class C Stock.

On 28 June 1996, the Company declared a £16,951,889 dividend to the holder of the Class A Stock, Salomon Brothers Holding Company Inc, which was paid on 1 July 1996. On the same day, the Company declared and paid a dividend of £19,338 to the holders of the Class C Stock.

On 29 June 1996, the Company redeemed 809 shares of Class C Stock for a consideration of £809,000.

On 2 September 1996, the Company authorised the issuance of 170 shares of Class C Stock. On the same day, the Company issued without par value 170 shares of Class C Stock, to the Salomon Brothers International Limited Employee Trust for a consideration of £170,000.

On 30 September 1996, the Company redeemed 434 shares of Class C Stock for a consideration of £434,000. On the same day, the Company declared and paid a dividend of £9,299 to the holders of the Class C Stock.

On 22 November 1996, the Company declared and paid a dividend of £51,000,000 to the holder of the Class A Stock, Salomon Brothers Holding Company Inc.

On 3 December 1996, the Company authorised the issuance of 20,402 shares without par value, to be designated as "Class D Stock". On the same day, the Company issued without par value 20,402 shares of Class D Stock, to the Salomon Brothers International Limited Employee Trust for a consideration of £20,402,000.

On 30 December 1996, the Company was allotted 11,884,954 redeemable preference shares, issued by its partly owned subsidiary, Salomon Brothers Europe Limited, for a consideration of £118,849,540.

On 31 December 1996, the Company redeemed the remaining 406 shares of Class C Stock for a consideration of £406,000. On the same day, the Company declared and paid a dividend of £5,166 to the holders of the Class C Stock.

On 31 December 1996, the Company redeemed 19,570 shares of Class D Stock for a consideration of £19,570,000. On the same day, the Company declared and paid a dividend of £79,976 to the holders of the Class D Stock.

12. 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.