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SALOMON INTERNATIONAL LIMITED

Company No. FC017421

Branch No. BR001079

FINANCIAL STATEMENTS

for the year ended 31 December 1997



PROFIT & LOSS ACCOUNT (Unaudited)
for the year ended 31 December 1997

	Notes	1997 £	1996 £
Interest income	3	541,421	2,652,553
Interest expense	3	(63,342)	(1,929,878)
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GROSS PROFIT		478,079	722,675
Other income		284,346	595,969
Net operating expenses		(278,620)	370,505
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OPERATING PROFIT		483,805	1,689,149
Profit on sale of subsidiary undertaking	5	0	307,365
Income from shares in subsidiary undertakings		0	82,134,084
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PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		483,805	84,130,598
Tax on profit on ordinary activities		(60,344)	(19,321,200)
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PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	9	423,461	64,809,398
Dividends paid	9	(11,294)	(82,287,700)
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RETAINED PROFIT/(LOSS) FOR THE YEAR		412,167	(17,478,302)
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There are no recognised gains or losses other than the profit for the year and all items are derived from continuing operations. The accompanying notes on pages 3 to 7 form an integral part of this profit and loss account.

BALANCE SHEET (Unaudited)
as at 31 December 1997

	Notes	1997 £	1997 £	1996 £	1996 £
FIXED ASSETS					
Investments in subsidiary undertakings	5		533,586,639		533,586,639
CURRENT ASSETS					
Debtors - due within one year	6	8,750,674		9,076,330	
Cash at bank and in hand		61,121		47,958	
		<u>8,811,795</u>		<u>9,124,288</u>	
CREDITORS : Amounts falling due within one year	7	<u>(142,494,267)</u>		<u>(142,386,927)</u>	
Net Current Liabilities			(133,682,472)		(133,262,639)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>399,904,167</u>		<u>400,324,000</u>
SHAREHOLDER'S FUNDS					
Called-up share capital	8		335,424,546		336,256,546
Capital reserve	9		131,205,007		131,205,007
Profit and loss account	9		(66,725,386)		(67,137,553)
EQUITY SHAREHOLDER'S FUNDS	10		<u>399,904,167</u>		<u>400,324,000</u>

The accompanying notes on pages 3 to 7 form an integral part of this balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

for the year ended 31 December 1997

1. Principal Activity

Salomon International Limited ("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 year, 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) Fixed asset investments

Fixed asset investments are stated at cost.

(c) Taxation

Corporation tax is recognised on taxable profits/(losses) at the current rate. Deferred taxation, calculated on the liability method at the rate at which the liability is likely to be paid, is provided to take account of timing differences arising from the different treatment of certain items for taxation purposes and for financial statement purposes. No deferred taxation is provided on those differences where, in the opinion of the directors, it is probable that they will not reverse. The tax benefits arising from group relief are recognised in the financial statements of the surrendering and recipient companies.

Advance corporation tax payable on dividends paid or provided for in the year is written off except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

(d) 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 year end. Transactions in foreign currencies are translated into sterling at rates of exchange approximating those at the transaction date. Net operating expenses include a foreign exchange gain of £6,755 (1996: foreign exchange gain £362,198).

(e) 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.

(f) Non-consolidation

Consolidated accounts have not been prepared. The consolidated accounts for Salomon Brothers Europe Limited are appended to these Company only accounts. The results of the Company and its subsidiary undertakings are included in the consolidated financial statements of Salomon Brothers Holding Company Inc and Travelers Group Inc.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - Continued
for the year ended 31 December 1997

(g) Cash flow statement

In accordance with the revised Financial Reporting Standard No 1 the Company has not prepared a cash flow statement. The Company's results for the year ended 31 December 1997 are consolidated in the 1997 year end financial statements of Travelers Group Inc. (then its ultimate parent company), which are made available to the public annually (see note 12).

(h) Related party disclosures

Under the subsidiary undertakings exemption of Financial Reporting Standard No 8, the Company is not required to disclose all transactions with other group companies and investees of the group qualifying as related parties.

3. Interest Income and Expense

The Company has changed its accounting presentation in respect of interest income and expense such that interest income comprises interest on cash assets and on loans to other group undertakings and interest expense comprises interest on borrowings from other group undertakings. In 1996 a proportion of interest income and interest expense was included in net operating expenses. The 1996 comparative figures for interest income, interest expense and net operating expenses have been restated to conform with the Company's change in accounting presentation. There has been no effect on operating profit as a result of this change.

4. Directors' Emoluments

The Directors received no emoluments in respect of their services to the Company as directors or otherwise and £1,979,882 (1996: £2,214,426) in respect of their services for subsidiary undertakings during the year.

5. Investments in Subsidiary Undertakings

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. In addition, during December 1995, the Company was allotted at par, 10,400,000 3rd tranche new redeemable preference shares of £1 each in the capital of SBEL, and on 30 December 1996, the Company was allotted at par, 11,884,954 4th tranche new redeemable preference shares of £10 each in the capital of SBEL.

On 1 January 1996, the Company sold its wholly owned subsidiary Phibro Holdings Limited to Phibro Inc, a fellow subsidiary undertaking of Salomon Inc. Net assets disposed of and the related sales proceeds were as follows:

	£
Sales proceeds	16,335,877
Net assets on acquisition, at historical cost, disposed of	(16,028,512)
Profit on sale	<u>307,365</u>

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - Continued
for the year ended 31 December 1997

6. Debtors

The following amounts are included in debtors:

	1997 £	1996 £
Amounts falling due within one year:		
Due from other group undertakings	8,718,446	9,018,477
Other debtors	32,228	57,853
	<u>8,750,674</u>	<u>9,076,330</u>

7. Creditors

The following amounts are included in creditors:

	1997 £	1996 £
Amounts falling due within one year:		
Due to other group undertakings	142,462,367	133,121,890
Corporation tax payable	31,900	0
Advance corporation tax payable	0	9,265,037
	<u>142,494,267</u>	<u>142,386,927</u>

Due to other group undertakings includes amounts due in respect of group relief of £685,285 (1996: £685,285).

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - Continued
for the year ended 31 December 1997

8. Called-Up Share Capital

The Company's share capital comprises:

	1997 Number	1996 Number
Authorised:		
Class A Stock, without par value	1,000,000	1,000,000
Class B Stock, without par value	25,000	25,000
Class C Stock, without par value	31,327	31,327
Class D Stock, without par value	20,402	20,402
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	1,076,729	1,076,729
	<hr/>	<hr/>
	1997 £	1996 £
Allotted and issued:		
980,140 Class A Stock, without par value	335,424,546	335,424,546
(1996: 980,140 Class A Stock, without par value)		
Nil Class D Stock, without par value	0	832,000
(1996: 832 Class D Stock, without par value)		
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	336,256,546	336,256,546
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On 31 March 1997, the Company redeemed 832 shares of Class D Stock for a consideration of £832,000.

9. Reserves

	Capital Reserve £	Profit and Loss Account £	Total £
Balances at 1 January 1997	131,205,007	(67,137,553)	64,067,454
Profit for the period	0	423,461	423,461
Class D dividends	0	(11,294)	(11,294)
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Balances at 31 December 1997	131,205,007	(67,725,386)	64,479,621
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NOTES TO THE FINANCIAL STATEMENTS (Unaudited) - Continued
for the year ended 31 December 1997

10. Reconciliation of Movements in Shareholder's Funds

	1997 £	1996 £
Profit on ordinary activities after taxation	423,461	64,809,398
Dividends paid	(11,294)	(82,287,700)
Other movements:		
Issue of common shares	0	20,572,000
Redemption of common shares	(832,000)	(22,680,000)
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Total movements during the year	(419,833)	(19,586,302)
Shareholder's funds at 1 January	400,324,000	419,910,302
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Shareholder's funds at 31 December	399,904,167	400,324,000
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11. Subsequent Events

On 24 September 1998 Salomon Brothers Europe Limited exchanged 10,400,000 third tranche new redeemable preference shares of £1 each allotted to the Company, for a new issue at par of 10,400,000 fifth tranche 6.855% fixed non cumulative preference shares (24 September 2003) of £1 each.

On 8 October 1998 Citicorp Inc. merged with and into a newly formed, wholly owned subsidiary of Travelers Group Inc. (the "Citicorp Merger"). Following the Citicorp Merger, Travelers changed its name to Citigroup Inc. ("Citigroup").

On 14 October 1998 the Company was allotted at par 176,470,589 "A" ordinary shares of £1 each, issued by its partly owned subsidiary, Salomon Brothers Europe Limited.

12. Group Structure

The Company's immediate parent company is Salomon Brothers Holdings Company Inc, incorporated in the State of Delaware, United States of America. In 1996 (and in 1997 until 28 November 1997 when Travelers Group Inc. became the ultimate parent company of the Company), the Company's ultimate parent company was Salomon Inc. Salomon Inc (now named Salomon Smith Barney Holdings Inc.) is incorporated in the State of Delaware, United States of America. The ultimate parent company of the Company changed on 28 November 1997 to Travelers Group Inc., incorporated in the State of Delaware, United States of America. As described in the subsequent events note above, the ultimate parent company of the Company is now Citigroup Inc.

The audited consolidated financial statements of Travelers Group Inc. are made available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained from Investor Relations, 388 Greenwich Street, New York, NY 10013.