

**Annual Report
for the year ended 31 December 1997**

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Liberty Brokerage Services (UK) Limited

Annual Report for the year ended 31 December 1997

Company Secretary and Registered Office

CJ Howitt
51-55 Gresham Street
London
EC2V 7HQ

Registered Auditors

Coopers & Lybrand
1 Embankment Place
London
WC2N 6NN

Solicitors

Magrath & Co.
52-54 Maddox Street
London
W1R 9PA

Bankers

National Westminster Bank Plc
City of London Office Corporate Business Centre
P.O. Box 12264
3rd Floor
1 Princes Street
London
EC2R 8PB

Liberty Brokerage Services (UK) Limited

Directors report for the year ended 31 December 1997

The directors present their report and the audited financial statements for the year ended 31 December 1997.

Principal Activities and Business Review

The principal activities of the company during the year were the provision of administrative services to other group companies and this is likely to continue for the foreseeable future. The year end position was satisfactory.

The results for the year are set out in the profit and loss account on page 6.

Dividends and Transfers to Reserves

The directors do not recommend payment of a dividend. The profit for the financial year of £30,416 will be transferred to reserves.

Directors and their interests

The following directors held office during the year.

	Appointed
J M Macchia	11/3/93
E F Payne	28/2/96
S G Warshavsky	11/3/93
L J Scotto	28/2/96

None of the above directors had any interest in the shares and debentures of the company at any time during the year.

Fixed Assets

The movements in fixed assets during the year are set out in note 7 to the financial statements.

Liberty Brokerage Services (UK) Limited

Directors report for the year ended 31 December 1997

Directors Responsibilities

The directors are required to provide financial statements for each financial year which give a true and fair view of the state of affairs, and of the profit and loss of the company, for that period. In preparing those financial statements the directors are required to:

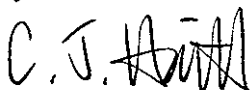
- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable precautions to prevent and detect fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



C J Howitt
Company Secretary
30th January 1998

Liberty Brokerage Services (UK) Limited

Report of the auditors to the members of Liberty Brokerage Services (UK) Limited

We have audited the financial statements on pages 6 to 15.

Respective responsibilities of directors and the auditors

As described on the page 4, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

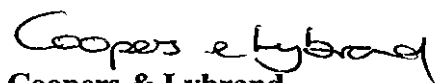
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors

London

30th January 1998

Liberty Brokerage Services (UK) Limited

Profit and loss account for the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover	2	354,759	411,807
Operating expenses		(311,343)	(383,756)
Profit on ordinary activities before taxation	5	43,416	28,051
Tax on profit on ordinary activities	6	(13,000)	(7,000)
Retained profit for the year		<u>30,416</u>	<u>21,051</u>

Turnover and operating expenses arise wholly from continuing operations.

The company has no recognised gains and losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented.

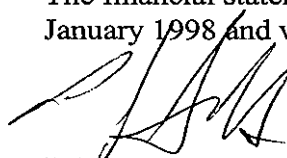
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Liberty Brokerage Services (UK) Limited

Balance sheet as at 31 December 1997

	Notes	1997 £	1996 £
Fixed Assets			
Tangible assets	7	282,075	588,591
		<u>282,075</u>	<u>588,591</u>
Current assets			
Other debtors		7,101	2,098
Cash at bank and in hand		-	18,103
		<u>7,101</u>	<u>20,201</u>
Creditors: Amounts falling due within one year	8	<u>(73,537)</u>	<u>(328,436)</u>
Net Current Assets		<u>(66,436)</u>	<u>(308,235)</u>
Total assets less current liabilities		<u>215,639</u>	<u>280,356</u>
Creditors: Amounts falling due after more than one year	9	<u>(160,430)</u>	<u>(255,563)</u>
		<u>55,209</u>	<u>24,793</u>
Capital and Reserves			
Called up share capital	11	2	2
Profit and loss account	12	55,207	24,791
Equity shareholders funds	13	<u>55,209</u>	<u>24,793</u>

The financial statements on pages 6 to 15 were approved by the board of directors on the 30th January 1998 and were signed on its behalf by:



L J Scotto
Director

Liberty Brokerage Services (UK) Limited

Cash flow statement for the year ended 31 December 1997

	Notes	1997 £	1996 £
Net cash inflow from operating activities	13	306,384	413,550
Returns on investments and servicing of finance			
Interest element of finance lease rental payments		(47,676)	(56,305)
Net cash outflow from returns on investments and servicing of finance		(47,676)	(56,305)
Taxation		(7,000)	-
Capital expenditure			
Purchase of tangible fixed assets		-	(216,258)
Receipts from sales of tangible fixed assets		58,273	74,855
Net cash inflow for capital expenditure and financial investments		58,273	(141,403)
Financing			
Decrease in debt	14	(332,837)	(198,594)
(Decrease)/increase in cash in the period		(22,856)	17,248

Liberty Brokerage Services (UK) Limited

Reconciliation of net cash flow to movement in net debt (note 14)

	£	£
Decrease in cash in the period	(22,856)	
Cash outflow from decrease in debt and lease financing	<u>332,837</u>	
Movement in net debt in the period		309,981
Net debt at 1/1/97		<u>(366,551)</u>
Net debt at 31/12/97		<u><u>56,570</u></u>

Liberty Brokerage Services (UK) Limited

Notes to the financial statements for the year ended 31 December 1997

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using straight line method. Depreciation on the relevant assets is charged to operating profit over the term of lease as follows:

Equipment	3 years
Motor vehicles	3 years

Leasehold premises

Leasehold premises are stated at cost. It is the opinion of the directors that the residual value of the leasehold premises will be at least equal to their cost of acquisition.

Having regard to this, depreciation on any such property as required by the Companies Act 1985 and accounting standards would not be material and is not provided for.

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost on a straight line basis over the expected useful economic lives of the assets concerned as follows:

Furniture, fixtures and fittings	5 years
Computer hardware and software	3 years

Liberty Brokerage Services (UK) Limited

Notes to the financial statements for the year ended 31 December 1997 (continued)

2 Turnover

Turnover, which excludes value added tax, consists of administrative services to other group companies and is entirely in the United Kingdom.

3 Directors emoluments

No directors received any emoluments during the period.

4 Employee information

The average number of persons (including executive directors) employed by the company during the year was 4 (1996:4), none of whom received any emoluments in respect of their services to the company.

5 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after crediting /(charging) the following:

	1997 £	1996 £
Operating lease rental income	365,217	412,944
Loss on disposal of fixed assets	(28,844)	1,108
Depreciation of assets held under finance leases	(219,398)	(281,871)
Finance charges payable	(47,676)	(56,305)
Auditors' remuneration for audit	(3,600)	(2,062)

6 Tax on profit on ordinary activities

	1997 £	1996 £
UK corporation tax	13,000	7,000
	<u>13,000</u>	<u>7,000</u>

The corporation tax rate in the UK was reduced from 33% to 31% from 31 March 1997. After taking account of marginal rate relief the corporation tax charge for the period is based on an average rate for the year of 25.4% (1996: 24.25%).

Liberty Brokerage Services (UK) Limited

Notes to the financial statements for the year ended 31 December 1997 (continued)

7 Tangible fixed assets

	Equipment	Motor Vehicles	Furniture & fittings & Computer software	Leasehold premises	Total
	£	£	£	£	£
Cost					
At 1 January 1997	723,114	192,563	57,908	206,258	1,179,843
Disposals	-	(116,351)	-	-	(116,351)
At 31 December 1997	<u>723,114</u>	<u>76,212</u>	<u>57,908</u>	<u>206,258</u>	<u>1,063,492</u>
Depreciation					
At 1 January 1997	534,876	36,884	19,492	-	591,252
Charge for period	188,237	18,312	12,849	-	219,398
Disposals	-	(29,233)	-	-	(29,233)
At 31 December 1997	<u>723,113</u>	<u>25,963</u>	<u>32,341</u>	<u>-</u>	<u>781,417</u>
Net book value					
At 31 December 1997	<u>1</u>	<u>50,249</u>	<u>25,567</u>	<u>206,258</u>	<u>282,075</u>
Net book value					
At 31 December 1996	<u>188,238</u>	<u>155,679</u>	<u>38,416</u>	<u>206,258</u>	<u>588,591</u>

Included in the above are fixed assets with a net book value of £50,250 (1995:£343,917) held under finance leases.

Liberty Brokerage Services (UK) Limited

Notes to the financial statements for the year ended 31 December 1997 (continued)

8 Creditors: Amounts falling due within one year

	1997 £	1996 £
Bank overdraft	4,753	-
Intercompany loan	-	50,000
Trade creditors	4,254	472
Obligation under finance leases	24,388	226,791
Corporation tax	13,000	7,000
Accruals and deferred income	27,142	44,173
	<u>73,537</u>	<u>328,436</u>

9 Creditors: Amounts falling due after more than one year

	1997 £	1996 £
Accruals and deferred income	-	14,700
Obligations under finance leases	27,430	107,863
Secured loan	133,000	133,000
	<u>160,430</u>	<u>255,563</u>

The secured loan represents fixed rate loan secured by a fixed charge over leasehold premises and is repayable on 18 October 2001. Interest is being charged at 9.375%.

10 Finance leases

The net finance lease obligations to which the company is committed are:

	1997 £	1996 £
In one year or less	24,388	226,791
Between one and two years	27,430	50,506
Between two and five years	-	57,357
	<u>51,818</u>	<u>334,654</u>

Liberty Brokerage Services (UK) Limited

Notes to the financial statements for the year ended 31 December 1997 (continued)

11 Called up share capital

	1997 £	1996 £
Authorised		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
	£	£
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

12 Profit and loss account

	1997 £
At 1 January 1997	24,791
Retained profit for year	30,416
At 31 December 1997	<u>55,207</u>

13 Reconciliation of movements in equity shareholders' funds

	1997 £	1996 £
Profit for the financial year	30,416	21,051
Net movement in equity shareholders' funds	<u>30,416</u>	<u>21,051</u>
Opening equity shareholders' funds	24,793	3,742
Closing equity shareholders' funds	<u>55,209</u>	<u>24,793</u>

Liberty Brokerage Services (UK) Limited

Notes to the financial statements for the year ended 31 December 1997 (continued)

13 Net cash flow from operating activities

	1997 £	1996 £
Operating profit	43,416	28,051
Depreciation on tangible fixed assets	219,398	281,871
Loss/(profit) on disposal of fixed assets	28,844	(1,108)
Interest on finance leases	47,676	56,305
(Decrease) in deferred income	(34,373)	(11,367)
(Increase)/decrease in other debtors	(5,003)	21,350
Increase in creditors	3,783	38,444
Increase in Accruals	2,643	4
Net cash inflow from operating activities	306,384	413,550

14 Analysis of net debt

	1 Jan 1997	Cashflow	31 Dec 1997
Cash:			
Cash at bank and in hand	18,103	(22,856)	(4,753)
Debt:			
Debt due within 1 year	(50,000)	50,000	-
Finance leases	(334,654)	282,837	(51,817)
	(384,654)	332,837	(51,817)
Total	(366,551)	309,981	(56,570)

15 Related party transaction

Equipment, cars and accommodation rental services of £365,217 (1996: £412,900) have been provided to Liberty EurAsia Limited, which has the same ultimate parent company as Liberty Brokerage Services (UK) Limited.

16 Immediate and ultimate parent company

The directors regard Liberty Brokerage Investment Corp., a company incorporated under the laws of Delaware, as the ultimate parent company. Liberty Brokerage Investment Corp., is a privately owned company and as such under the laws of Delaware, USA does not need to publish its financial statements.