

Company Registration No. 2327314

AIRSTREAM INTERNATIONAL GROUP LIMITED

Report and Financial Statements

31 December 1997



REPORT AND FINANCIAL STATEMENTS 1997

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AIRSTREAM INTERNATIONAL GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P J Crutchfield
P P Graham
S A Jack
R W McComb
C P T O'Haire
R G Summerland
A J White

JOINT SECRETARIES

A Morrison
H A Smith

REGISTERED OFFICE

20 Fenchurch Street
London EC3P 3DB

BANKERS

Barclays Bank PLC
Kleinwort Benson (Jersey) Limited

SOLICITORS

Watson, Farley and Williams

AUDITORS

PricewaterhouseCoopers
Chartered Accountants
9 Greyfriars Road
Reading
Berkshire RG1 1JG

AIRSTREAM INTERNATIONAL GROUP LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activities of the Company are the management and administration of aircraft lease portfolios and the provision of marketing, financing and consultancy services in the aviation industry.

The directors are satisfied with the Company's progress and will continue to seek additional opportunities in the Company's principal areas of activity.

RESULTS AND DIVIDEND

The results of the Company for the year are set out in detail on page 5.

The directors do not recommend the payment of a final dividend for the year (1996 - £nil).

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the year were as follows:

J A N Cameron (resigned 22 April 1998)
P J Crutchfield
P P Graham
S A Jack
R W McComb
R G Summerland
A J White

C P T O'Haire was appointed as a director on 22 April 1998.

P J Crutchfield and P P Graham each held 1,000 'A' ordinary shares in the Company throughout the whole year. No other director had any interest in the share capital of the Company at any time during the year.

The following directors had a disclosable interest in the Loan Notes of £1 each in Dresdner Investments (UK) plc during the year.

	31 December 1997	31 December 1996
S A Jack	2,612	20,612
R W McComb	6,851	6,851

None of the other directors had any disclosable interest in the shares or debentures of any group company. The directors are exempt from disclosing their interests in the shares or debentures of the ultimate parent company, Dresdner Bank AG, as it is incorporated outside the UK

DIRECTORS' REPORT (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors to the Company will be proposed at the annual general meeting.

Approved by the Board of Directors
and signed on behalf of the Board



A Morrison
Secretary

22 October 1998

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 16, which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of 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 the 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 as at 31 December 1997 and of its profit and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

22 October 1998

AIRSTREAM INTERNATIONAL GROUP LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1997

	Note	1997 £	1996 £
TURNOVER		1,731,547	1,606,806
Administrative expenses	2	<u>(1,563,436)</u>	<u>(1,475,567)</u>
OPERATING PROFIT		168,111	131,239
Income from associate companies		33,570	174,913
Interest receivable		38,315	47,287
Amounts written off in investments in associate companies	7	(6,270)	(437)
Interest payable	3	<u>(250)</u>	<u>(1,670)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		233,476	351,332
Tax on profit on ordinary activities	5	<u>(86,809)</u>	<u>(133,104)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>146,667</u>	<u>218,228</u>
RETAINED PROFIT FOR THE YEAR		<u>146,667</u>	<u>218,228</u>
Reserves brought forward		644,008	425,780
Retained profit for the year		<u>146,667</u>	<u>218,228</u>
RESERVES CARRIED FORWARD		<u>790,675</u>	<u>644,008</u>

Turnover and operating profit are derived from continuing operations.

There were no recognised gains or losses for the current financial year and preceding financial year other than as stated in the profit and loss account.

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

AIRSTREAM INTERNATIONAL GROUP LIMITED

BALANCE SHEET

31 December 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible fixed assets	6	85,689	62,938
Investments in associated companies	7	<u>147</u>	<u>6,481</u>
		<u>85,836</u>	<u>69,419</u>
CURRENT ASSETS			
Amounts receivable from associated companies		40,056	60,799
Amounts receivable from group undertakings		7,688	17,023
Prepayments and other debtors		85,780	84,409
ACT recoverable	8	-	25,000
Dividends due from associated companies		-	27,547
Cash at bank and in hand		<u>874,836</u>	<u>782,024</u>
		1,008,360	996,802
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(293,521)</u>	<u>(412,213)</u>
NET CURRENT ASSETS		<u>714,839</u>	<u>584,589</u>
NET ASSETS		<u>800,675</u>	<u>654,008</u>
CAPITAL AND RESERVES			
Called up share capital	10	10,000	10,000
Profit and loss account		<u>790,675</u>	<u>644,008</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u>800,675</u>	<u>654,008</u>

These financial statements were approved by the Board of Directors and signed on its behalf by:

 Director

22 October 1998

CASH FLOW STATEMENT**For the year ended 31 December 1997**

	Note	1997 £	1996 £
Net cash inflow from operating activities	I	151,991	136,534
Returns on investments and servicing of finance			
Interest received		38,462	47,179
Interest element of hire purchase contracts		(250)	(1,670)
Dividends received from associated companies		61,117	191,311
Net cash inflow from returns on investments and servicing of finance		<u>99,329</u>	<u>236,820</u>
Taxation			
UK corporation tax paid		(113,084)	(187,252)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(73,150)	(18,011)
Sale of tangible fixed assets		43,575	-
Sale of investment		133	-
Net cash outflow from capital expenditure and financial investment		<u>(29,442)</u>	<u>(18,011)</u>
Equity dividends paid		-	(500,000)
Net cash inflow/(outflow) before use of liquid resources and financing		<u>108,794</u>	<u>(331,909)</u>
Financing			
Capital element of hire purchase contracts		(15,982)	(3,628)
Net cash outflow from financing		<u>(15,982)</u>	<u>(3,628)</u>
Increase/(decrease) in cash		<u>92,812</u>	<u>(335,537)</u>

RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

	£	£
Increase/(decrease) in cash in the period	92,812	(335,537)
Cash outflow from decrease in finance lease	8,652	3,628
Change in net funds resulting from cashflows	<u>101,464</u>	<u>(331,909)</u>
Opening net funds	772,141	1,104,050
Closing net funds	<u>873,605</u>	<u>772,141</u>

NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 December 1997

I. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1997 £	1996 £
Operating profit	168,111	131,239
Depreciation	21,787	15,977
Profit on sale of tangible fixed assets	(7,633)	-
Net profit on sale of investments in associate companies	(69)	-
Decrease/(increase) in debtors	28,560	(3,445)
(Decrease) in creditors	(58,765)	(7,237)
Net cash inflow from operating activities	<u>151,991</u>	<u>136,534</u>

II. ANALYSIS OF CHANGES IN NET FUNDS

	As At 1 January 1997 £	Cash Flows 1997 £	As at 31 December 1997 £
Cash in hand, at bank	782,024	92,812	874,836
Debt due within 1 year	(9,883)	8,652	(1,231)
	<u>772,141</u>	<u>101,464</u>	<u>873,605</u>

NOTES TO THE ACCOUNTS

31 December 1997

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention. A summary of the more important accounting policies which have been applied consistently is set out below.

Basis of preparation

As consolidated accounts are not required, information concerning associated companies under the equity method of accounting is not included in the Company's balance sheet and profit and loss account but is incorporated in supplementary form in note 7 on page 12.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets in order to write off the original cost of the asset over its estimated useful economic life. The annual rates of depreciation, are:

Motor vehicles	25% reducing balance
Office fixtures, fittings and furniture	25% reducing balance

Fixed asset investments

Investments in associated companies are stated at cost less any permanent diminution in value.

Turnover

Turnover, which consists entirely of sales made in the United Kingdom, comprises commission and consultancy income net of VAT, arising from the arrangement of finance, remarketing of aircraft and provision of lease management and advisory services to the aircraft industry.

Pension costs

The Company contributes to the Airstream International Group Limited Staff Pension Scheme defined contribution funded scheme.

Contributions are charged to the profit and loss account when they fall due for payment.

Leases

Assets held under hire purchase contracts are capitalised at their fair value at the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Foreign Currencies

Transactions in overseas currencies are translated at the rate then ruling. Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year.

Change in presentation of financial information

The disclosure requirements for directors emoluments and other benefits under schedule 6 of the Companies Act has been changed by SI 1997/570. Accordingly these disclosures have been presented under the new format.

NOTES TO THE ACCOUNTS

31 December 1997

2. ADMINISTRATIVE EXPENSES

	1997	1996
	£	£
Staff costs for the year (including directors' remuneration)		
Wages and salaries	896,738	790,682
Social security costs	92,030	76,558
Other pension costs	61,771	60,280
	<u>1,050,539</u>	<u>927,520</u>
 Auditors' remuneration	6,750	6,500
Depreciation - assets held under hire purchase agreements	2,804	2,919
Depreciation - owned assets	18,983	13,058
Operating lease rentals - land and buildings	102,672	133,442
Other operating expenses	381,688	392,128
	<u>1,563,436</u>	<u>1,475,567</u>

The average monthly number of persons (including executive directors) employed by the Company during the year was 21 (1996 - 17).

3. INTEREST PAYABLE

	1997	1996
	£	£
Finance leases	<u>250</u>	<u>1,670</u>

4. INFORMATION REGARDING DIRECTORS

	1997	1996
	£	£
Aggregate emoluments	374,680	405,166
Company contributions to money purchase schemes	<u>26,216</u>	<u>28,480</u>
 Highest paid director		
Aggregate emoluments	141,199	155,525
Company contributions to money purchase schemes	<u>9,812</u>	<u>10,854</u>

Retirement benefits are accruing to three directors (1996 - three directors) under the company's money purchase scheme. Four of the company's directors were paid by other group companies. These emoluments are excluded from the above analysis as it is not practicable to allocate their emoluments between their services as executives to various group companies.

NOTES TO THE ACCOUNTS

31 December 1997

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
Taxation charge is based on the profit for the year and comprises:		
United Kingdom corporation tax at 31.5% (1996 - 33%)	73,982	138,084
Less: Double tax relief	(11,823)	(4,598)
	<u>62,159</u>	<u>133,486</u>
Overseas tax suffered	11,823	4,598
Adjustment in respect of previous years	<u>12,827</u>	<u>(4,980)</u>
	<u><u>86,809</u></u>	<u><u>133,104</u></u>

6. TANGIBLE FIXED ASSETS

	Fixtures, fittings and motor vehicles £
Cost	
1 January 1997	114,517
Additions	80,480
Disposals	<u>(90,559)</u>
31 December 1997	<u><u>104,438</u></u>
Depreciation	
1 January 1997	51,579
Charge for the year	21,787
Disposals	<u>(54,617)</u>
31 December 1997	<u><u>18,749</u></u>
Net book value	
31 December 1997	<u><u>85,689</u></u>
31 December 1996	<u><u>62,938</u></u>

Included in the above are motor vehicles held under hire purchase contracts with a net book value of £5,803 (1996 - £8,755) on which depreciation of £2,804 (1996 - £2,919) was charged in the year.

NOTES TO THE ACCOUNTS

31 December 1997

7. INVESTMENTS IN ASSOCIATED COMPANIES

Cost	£
1 January 1997	6,481
Sale of investments	(64)
Permanent diminution in value taken to profit and loss account	(6,270)
31 December 1997	147

Company	Country of Incorporation	Activity	Holding	Effective holding
Trident Aviation Leasing Services (Jersey) Limited	Jersey	Aircraft leasing and trading	'A' ordinary shares 'B' ordinary shares	0%) 49%) 100%)
Trident Aviation (Holdings) Limited	Jersey	Aircraft leasing and trading	'A' ordinary shares 'B' ordinary shares	0%) 49%) 100%)
Trinity (Jersey) Holdings Limited	Jersey	Equipment leasing and trading	Ordinary	30%

The company disposed of its interests in Hunting Aviation Finance Limited and Ibis Capital Limited on 4 March 1997 and 18 March 1997 respectively.

Under the equity method of accounting the attributable results for the year ended 31 December 1997 and net assets at the balance sheet date of associated companies (which amounts are not included in the Company's profit and loss account and balance sheet) were as follows:

	1997 £	1996 £
Share of undistributed profit before tax	148,263	70,763
Share of tax	97,959	80,080
Share of undistributed profit after tax	50,303	(9,317)
Share of net assets	56,313	59,040

NOTES TO THE ACCOUNTS

31 December 1997

8. ACT RECOVERABLE

	1997	1996
	£	£
Amounts recoverable within one year	-	25,000

9. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997	1996
	£	£
Trade creditors	16,844	24,226
Obligations under finance leases	1,231	-
Corporation tax	86,809	138,084
Other creditors including taxation and social security	23,254	20,611
Accruals	165,383	219,409
Amount owed to group undertaking	-	9,883
	<u>293,521</u>	<u>412,213</u>

The amount owed to group undertaking was in respect of hire purchase contracts.

10. CALLED UP SHARE CAPITAL

	1997	1996
	£	£
Authorised		
20,000 'A' ordinary shares of £1 each	20,000	20,000
60,000 'B' ordinary shares of £1 each	60,000	60,000
20,000 'C' ordinary shares of £1 each	20,000	20,000
	<u>100,000</u>	<u>100,000</u>
Allocated and fully paid		
2,000 'A' ordinary shares of £1 each	2,000	2,000
6,000 'B' ordinary shares of £1 each	6,000	6,000
2,000 'C' ordinary shares of £1 each	2,000	2,000
	<u>10,000</u>	<u>10,000</u>

The A, B and C class shares have equal voting rights and rank pari passu in respect of entitlement to dividends and on a winding up.

NOTES TO THE ACCOUNTS

31 December 1997

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the financial year	<u>146,667</u>	<u>218,228</u>
Net addition to shareholders' funds	146,667	218,228
Opening shareholders' funds at 31 December	<u>654,008</u>	<u>435,780</u>
Closing shareholders' funds at 31 December	<u>800,675</u>	<u>654,008</u>

12. RELATED PARTY TRANSACTIONS

The following companies are considered by the Directors to be related parties for the purposes of Financial Reporting Standard 8.

Company	Reason
Dresdner Kleinwort Benson (North America)	By virtue of being a fellow subsidiary company of the Dresdner Bank AG Group.
Kleinwort Benson (Jersey) Limited	By virtue of being a fellow subsidiary company of the Dresdner Bank AG Group.
Trident Aviation Leasing Services (Jersey) Limited and subsidiary companies	By virtue of Airstream International Group Limited's 49% shareholding in the company.
Trident Aviation (Holdings) Limited and subsidiary companies	By virtue of Airstream International Group Limited's 49% shareholding in the company.
Trinity (Holdings) Limited and subsidiary companies	By virtue of Airstream International Group Limited's 30% shareholding in the company.

NOTES TO THE ACCOUNTS

31 December 1997

12. RELATED PARTY TRANSACTIONS / Cont...

Details of transactions with related parties during the year are as follows:

Company	Transaction	(Income)/expense	
		1997 £	1996 £
Dresdner Kleinwort Benson (North America)	Provision of advisory services and expenses	(90,206)	(25,339)
Kleinwort Benson (Jersey) Limited	Interest income on cash deposits	(28,926)	(32,392)
Trident Aviation Leasing Services (Jersey) Limited and subsidiary companies	Provision of accounting, administration fees and expenses	(800,821)	(852,387)
	Dividend received	(17,640)	(22,149)
Trident Aviation (Holdings) Limited and subsidiary companies	Provision of accounting, administration fees and expenses	(601,765)	(603,954)
	Dividend received	(37,795)	(18,975)
Trinity (Holdings) Limited and subsidiary companies	Provision of accounting, administration fees and expenses	(13,934)	(13,512)
	Dividend received	-	(145,886)

The balances payable to/(receivable from) related parties at the balance sheet date were as follows:

Company	1997 £	1996 £
Dresdner Kleinwort Benson (North America)	(7,688)	(18,994)
Kleinwort Benson (Jersey) Limited Cash at bank and in hand	(587,682)	(591,425)
Trident Aviation Leasing Services (Jersey) Limited and subsidiary companies	(10,649) *	(17,692)
Trident Aviation (Holdings) Limited and subsidiary companies	(21,719) *	(41,486)
Trinity (Holdings) Limited and subsidiary companies	- *	-

* These balances are net of bad debt provision of £1,924, £407 and £17,434 respectively.

NOTES TO THE ACCOUNTS

31 December 1997

13. COMMITMENTS

The Company entered into a five year property lease agreement on 18 August 1996. Property rentals are charged quarterly in advance at £28,000 subsequent to an initial three month rent free period.

14. ULTIMATE PARENT COMPANY & ULTIMATE CONTROLLING PARTY

The immediate parent undertaking of which the Company is a member and for which Group Accounts are prepared is Kleinwort Benson PLC, a company incorporated in Great Britain. The ultimate parent undertaking and controlling party is Dresdner Bank AG, a company incorporated in Germany. Copies of the Financial Statements of both parents are available from Companies House.