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Liberty EurAsia Limited

Annual Report for the year ended 31 December 1996

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Liberty EurAsia Limited

Annual Report

for the year ended 31 December 1996

Company secretary and registered office

C J 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
21 Lombard Street
London
EC3N 3AR

Liberty EurAsia Limited

Directors report for the year ended 31 December 1996

The directors present their report and the audited financial statements for the year ended 31 December 1996.

Principal Activities

The company, which is wholly owned by Liberty Brokerage Limited, acts as a broker of government securities and other financial instruments.

Business Review

The company has continued to expand its operations in the year ended 31 December 1996 and is confident of achieving further growth in income and a significant improvement in profitability in 1997. The year end financial position was satisfactory.

Dividends and Transfers to Reserves

The directors do not propose to pay a dividend for the year. The profit for the financial year of £331,000 will be transferred to reserves.

Fixed Assets

The changes to fixed assets are shown in note 7 to the financial statements.

Directors and their interests

The following directors held office during the year.

	Appointed	Resigned
C D Avis	08.06.92	28.02.96
J M Macchia	19.02.92	
J Mahoney	13.09.96	
E F Payne	28.02.96	
T M Wendel	19.02.92	07.02.96
D G Clarke	23.08.95	19.03.96
L Scotto	23.08.95	
A Sigillito	13.09.96	

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

Liberty EurAsia Limited

Directors report for the year ended 31 December 1996 (continued)

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:

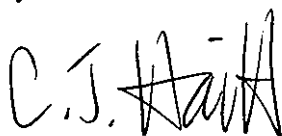
- + select suitable accounting policies and apply them consistently
- + make judgements and estimates that are reasonable and prudent
- + state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- + prepare 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
4th February 1997

Liberty EurAsia Limited

Report of the auditors to the members of Liberty EurAsia 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.

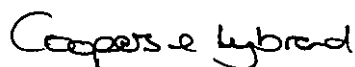
Basis of opinion

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 1996 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

4th February 1997

Liberty EurAsia Limited

Profit and loss account for the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
Turnover	1	25,560	15,578
Operating expenses		(24,029)	(16,667)
Operating profit / (loss)		1,531	(1,089)
Interest receivable and similar income	4	397	298
Interest payable and similar expenses	4	(561)	(289)
Profit / (loss) on ordinary activities before taxation		1,367	(1,080)
Tax on profit / (loss) on ordinary activities	6	(1,036)	(39)
Retained profit / (loss) for the year	11	331	(1,119)

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.

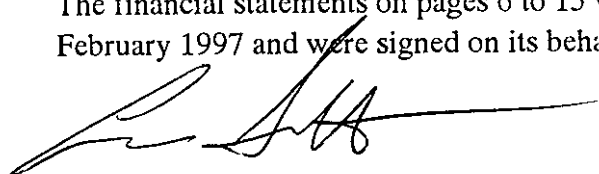
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Liberty EurAsia Limited

Balance sheet as at 31 December 1996

	Notes	1996 £'000	1995 £'000
Fixed Assets			
Tangible assets	7	567	527
		<u>567</u>	<u>527</u>
Current assets			
Debtors	8	3,107	2,736
Cash at bank and in hand		6,161	6,880
		<u>9,268</u>	<u>9,616</u>
Creditors : Amounts falling due within one year	9	(3,638)	(8,727)
		<u>5,630</u>	<u>889</u>
Net Current Assets		<u>6,197</u>	<u>1,416</u>
Total assets less current liabilities		<u>6,197</u>	<u>1,416</u>
Creditors : Amounts falling due after more than one year			
Subordinated loan	9	4,200	-
Capital and Reserves			
Called up share capital	10	1,251	1,001
Share premium	10	1,249	1,249
Profit and loss account	11	(503)	(834)
Equity shareholders funds	12	<u>1,997</u>	<u>1,416</u>
Total subordinated loan & equity shareholders' funds		<u>6,197</u>	<u>1,416</u>

The financial statements on pages 6 to 15 were approved by the board of directors on the 4th February 1997 and were signed on its behalf by:



Louis Scotto
Director

Liberty EurAsia Limited

Notes to the financial statements for the year ended 31 December 1996

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.

New start incentives

New start incentives are amortised over the lesser of the life of the employee's fixed term employment contract or 12 months. A proportion of the new start incentive, which is deemed to accrue over the remaining life of the fixed term contract, is repayable if an employee terminates employment with the company before the expiry of the fixed term contract.

This policy has been adjusted from that used last year, which spread the incentive over the life of the fixed term contract. The change is not considered to be significant.

Fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs at acquisition. Fixed assets are stated at cost less accumulated depreciation. The cost is written off in equal annual instalments based on the estimated useful lives which are :

Leasehold improvements	Primary lease term
Furniture, fixtures and fittings	4 years
Equipment (including computer hardware and software)	3 years

Turnover

Turnover represents the invoiced value of brokerage services, including miscellaneous other commissions and excludes value added tax and trade discounts.

Deferred taxation

Deferred taxation is provided on all material timing differences to the extent that it is probable that a liability or asset will crystallize.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Liberty EurAsia Limited

Notes to the financial statements for the year ended 31 December 1996 (continued)

1 Principal accounting policies (continued)

Foreign currency transactions

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling on the balance sheet date. Transactions denominated in foreign currencies are translated into sterling at the average rate of exchange ruling during the month in which the transaction occurred. Exchange gains and losses arising in respect of trading are accounted for through the profit and loss account.

Cash flow statements

The company is a wholly owned subsidiary of a Liberty Brokerage Limited a company which is registered in England and Wales and which includes a consolidated cashflow statement in its financial statements. As a consequence it is exempt under the terms of the Financial Reporting Standard No.1 from publishing a cashflow statement.

Related party transactions

The company is a wholly owned subsidiary of Liberty Brokerage Limited, a company registered in England and Wales and which makes its financial statements available to the general public.

As such, the company is exempt from disclosing certain inter group transactions under FRS 8 as related parties.

2 Directors emoluments

	1996	1995
	£'000	£'000
Salary payments (including benefits in kind)	540	405
Pensions	2	5
	<u>542</u>	<u>410</u>

Fees and other emoluments (including pensions) to the chairman and highest paid director were:

	1996	1995
	£'000	£'000
Chairman	-	-
Highest paid director	495	167
	<u>495</u>	<u>167</u>

Liberty EurAsia Limited

Notes to the financial statements for the year ended 31 December 1996 (continued)

2 Directors emoluments (continued)

The number of directors (including the highest paid director) who received emoluments (excluding pensions) in the following ranges were

	1996	1995
Nil to £5,000	5	3
£15,001 to £20,000	1	-
£25,001 to £30,000	1	-
£30,001 to 35,000	-	1
£80,001 to £85,000	-	1
£115,001 to £120,000	-	1
£165,001 to £170,000	-	1
£495,001 to £500,000	1	-

Certain directors perform duties for fellow group subsidiary undertakings as well as the company. The emoluments shown above only reflect the amounts attributable to the duties performed for Liberty EurAsia Limited.

3 Employee information

The average number of persons (including executive directors) employed by the company during the year is analysed below:

	1996 Number	1995 Number
By activity	117	104
- Brokers	24	24
- Administrative staff	141	128
	1996	1995
	£'000	£'000
Staff costs (for the above persons)	15,103	9,377
- Wages and Salaries	1,013	685
- Social security costs	16,116	10,062

Liberty EurAsia Limited

Notes to the financial statements for the year ended 31 December 1996 (continued)

4 Interest

	1996 £'000	1995 £'000
Interest receivable on short term bank deposits	397	298
	<u>397</u>	<u>298</u>
	1996 £'000	1995 £'000
Interest payable on loan from parent company	274	240
Interest payable on bank overdraft	287	49
	<u>561</u>	<u>289</u>

5 Profit / (loss) on ordinary activities before taxation

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

	1996 £'000	1995 £'000
Auditors' remuneration for audit	(19)	(26)
Depreciation	(334)	(371)
Hire of other assets - operating leases	(186)	(105)
Other brokerage income	279	-
Additional write off of new start incentives	(307)	-

Remuneration of the company's auditors for the provision of non audit services to the company was £56,800 (1995 : £15,000).

6 Tax on profit / (loss) on ordinary activities

	1996 £'000	1995 £'000
UK corporation tax at 33% (1995 : 33%)		
Current	1,036	79
Prior year over provision	-	(7)
Deferred taxation	-	(33)
	<u>1,036</u>	<u>39</u>

The effective tax charge rate is higher than expected because of the level of expenditure not deductible for corporation tax purposes.

Liberty EurAsia Limited

Notes to the financial statements for the year ended 31 December 1996 (continued)

7 Tangible fixed assets

	Leasehold improvements	Computer & telecoms equipment	Furniture fittings & software	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 1996	267	985	165	1,417
Additions	46	279	49	374
Disposals	-	(2)	-	(2)
At 31 December 1996	313	1,262	214	1,789
Depreciation				
At 1 January 1996	102	709	79	890
Charge for period	73	214	47	334
Disposals	-	(2)	-	(2)
At 31 December 1996	175	921	126	1,222
Net book value				
At 31 December 1996	138	341	88	567
Net book value				
At 31 December 1995	165	276	86	527

8 Debtors

	1996	1995
	£'000	£'000
Amounts falling due within 1 year		
Trade debtors	1,431	967
Amounts owed by group undertakings	103	4
Other debtors	1,142	1,273
Prepayments and accrued income	431	492
	3,107	2,736

Liberty EurAsia Limited

Notes to the financial statements for the year ended 31 December 1996 (continued)

9 Creditors : amounts falling due within one year

	1996 £'000	1995 £'000
Trade creditors	116	331
Subordinated loan from the immediate parent undertaking	-	4,450
Bank overdraft	173	862
Amounts owed to group undertakings	32	43
Other creditors including taxation and social security		
- Other creditors	493	581
- Taxation and social security	397	347
Corporation tax	1,064	64
Accruals	1,363	2,049
	<u>3,638</u>	<u>8,727</u>

Creditors : amounts falling due after more than one year

	1996 £'000	1995 £'000
Subordinated loan from the immediate parent undertaking	4,200	-
	<u>4,200</u>	<u>-</u>

The company had a subordinated loan from Liberty Brokerage Limited of £4,450,000, which was repayable with 3 months notice, with the interest being charged at the National Westminster Bank Plc base rate. During the year, the company issued, as part repayment of the loan, £250,000 share capital and entered into a further subordinated agreement for £4,200,000.

The loan is repayable at a date not less than five years from the lender giving notice in writing to the company and the Securities and Futures Authority. Interest is being charged at the National Westminster Bank Plc base rate plus 1%.

10 Called up share capital

	1996 £'000	1995 £'000
Authorised		
2,000,000 ordinary shares of £1 each	2,000	2,000
	<u>2,000</u>	<u>2,000</u>
	£	£
Allotted, called up and fully paid		
1,251,250 ordinary shares of £1 each	1,251,250	1,001,250
Share premium	1,248,750	1,248,750
	<u>2,500,000</u>	<u>2,250,000</u>

Liberty EurAsia Limited

Notes to the financial statements for the year ended 31 December 1996 (continued)

10 Called up share capital (continued)

On 29th February 1996 the company issued 250,000 shares with a nominal value of £1, to provide further capital for regulatory purposes.

11 Profit and loss account

	£'000
At 1 January 1996	(834)
Retained profit for year	331
At 31 December 1996	<u>(503)</u>

12 Reconciliation of movements in equity shareholders' funds

	1996 £'000	1995 £'000
Profit for the financial year	331	(1,119)
Issue of share capital	250	1,000
Net movement in equity shareholders' funds	<u>581</u>	<u>(119)</u>
Equity shareholders' funds at 1 January	1,416	1,535
Equity shareholders' funds at 31 December	<u>1,997</u>	<u>1,416</u>

13 Commitments and contingent liabilities

The group is involved as principal in the purchase and simultaneous sale of securities between third parties. The gross amount of purchase and sale commitments in respect of such transactions at 31 December 1996 was £164,321,100 (1995 : £97,473,000).

The company is involved in disputes in a number of employment related matters. The directors do not consider that any material loss to the company will result which requires a provision at this time.

14 Financial commitments

At 31 December 1996 the company had annual commitments under non - cancellable operating leases as follows:

	1996 £'000	1995 £'000
Expiring between 2 and 5 years inclusive	<u>190</u>	<u>172</u>

Liberty EurAsia Limited

Notes to the financial statements for the year ended 31 December 1996 (continued)

15 Immediate parent company

The company's immediate parent company is Liberty Brokerage Limited. Copies of Liberty Brokerage Limited's consolidated financial statements may be obtained from the Company Secretary, 51 - 55 Gresham Street, London EC2V 7HQ.

16 Ultimate parent company

The directors regard Liberty Brokerage Investment Corp., a company incorporated under the laws of Delaware, as the ultimate parent company. Copies of the ultimate parent company's consolidated financial statements are not available as this is a privately owned company registered in the United States of America.