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CATER ALLEN LIMITED

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DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 30th April, 1990.

Results and dividends

The results for the year and the state of the company's affairs are as set out in the attached accounts.

The profit and loss account on page 4 shows a profit of £4,572,000 after making provision for rebate and taxation. Interim dividends on the ordinary shares have already been paid. The directors do not recommend the payment of a final dividend.

Principal activity

The main activity of the company is as a Discount House in London. Profits fluctuate with market conditions and the company will continue to be active in its traditional markets.

Directors and their interests

The directors who served during the year were:

J.C.Barclay	Chairman & Managing
C.J.W.Frost	Managing
J.E.Illsley	Managing
D.J.White	Managing
S.R.B.Wood	Managing
P.G.Cairns	
E.R.R.Jewson	
M.D.Lee	
I.T.Liss	

In accordance with the Articles of Association the directors are not subject to retirement by rotation.

The interests of the directors who were not also directors of the holding company in the ordinary shares of £1 each of Cater Allen Holdings PLC, all of which were beneficially held, were as follows:

	At 30th April, 1990	At 30th April, 1989
P.G.Cairns	10,517	9,379
E.R.R.Jewson	1,275	-
M.D.Lee	8,961	7,686
I.T.Liss	9,415	6,270



DIRECTORS' REPORT
(continued)**Directors and their interests**
(continued)

The undermentioned directors, who are not also directors of the holding company, held at the year end the following options in ordinary shares of Cater Allen Holdings PLC, granted under the Approved Share Option Scheme:

	At 30th April, 1990	At 30th April, 1989
P.G.Cairns	18,320	19,320
E.R.R.Jewson	5,000	5,000
M.D.Lee	16,820	24,320
I.T.Liss	7,160	12,160

None of the directors had an interest in the shares of any of the subsidiary companies of Cater Allen Holdings PLC.


Political and charitable contributions

During the year the company made charitable contributions totalling £18,093.

Auditors

Arthur Young merged their practice with Ernst & Whinney on 1st September, 1989 and now practise in the name of Ernst & Young. Accordingly they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD


J.A. POUND

Secretary

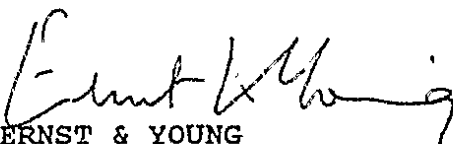
20 Birchin Lane,
London EC3V 9DJ

13th June, 1990

REPORT OF THE AUDITORS TO THE MEMBERS OF
CATER ALLEN LIMITED

We have audited the accounts on pages 4 to 10 in accordance with Auditing Standards.

In our opinion the accounts have been properly prepared in accordance with the Companies Act 1985 applicable to banking companies.



ERNST & YOUNG
CHARTERED ACCOUNTANTS

LONDON
13TH JUNE, 1990

CATER ALLEN LIMITED

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH APRIL, 1990

	<u>Notes</u>	<u>1990</u> £'000	<u>1989</u> £'000
Profit for the year after making provision for rebate and taxation	2	3,940	2,258
Extraordinary profit, being compensation on vacation of premises less taxation		632	0
		-----	-----
		4,572	2,258
Dividends paid:			
On ordinary shares - interims		4,022	256
		-----	-----
Retained profit for the year	4	550	2,002
		=====	=====

The notes on pages 6 to 10 form part of these accounts

CATER ALLEN LIMITED

BALANCE SHEET AT 30th APRIL, 1990

	<u>Notes</u>	<u>1990</u> £'000	<u>1989</u> £'000
CAPITAL AND RESERVES:			
Share capital	3	3,077	3,077
Reserves	4	20,508	19,958
		-----	-----
		23,585	23,035

SUBORDINATED LOAN			
	5	6,000	6,000

CURRENT LIABILITIES:			
Loans secured on group assets	2,113,455		1,569,675
Sundry Creditors, deposits, deferred tax and reserve for contingencies	351,757		250,345
Securities sold but not purchased	13,885		11,504
	-----		-----
		2,479,097	1,831,524

J.C. BARCLAY

C.J.W. FROST

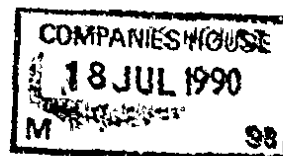
13th June, 1990

)
) DIRECTORS
)
C. J. W. Frost

2,508,632
=====

1,860,559
=====

The notes on pages 6 to 10 form part of these accounts



	<u>Notes</u>	£'000	<u>1990</u> £'000	<u>1989</u> £'000
CURRENT ASSETS:				
Cash with bankers and in hand		78		160
Cheques in the course of collection		846		807
		---		---
			924	967

Bills discounted:				
Treasury		859		51,169
Commercial		552,593		523,045
		-----		-----
			553,452	574,214

Negotiable certificates of deposit				
Banks		1,135,909		945,713
Building societies		456,255		31,271
		-----		-----
			1,592,164	976,984

Listed securities:				
British Government			20,070	5,984
Floating rate notes and local authority mortgages			22,196	18,301
Advances, sundry debtors, tax recoverable and other assets	6		63,089	46,432
FIXED ASSETS			2,010	192
GROUP COMPANIES:				
Subsidiary companies	7	217,981		223,233
Other group companies	8	36,796		14,252
		-----		-----
			254,777	237,485
			-----	-----
			2,508,682	1,860,559
			=====	=====

NOTES TO THE ACCOUNTS AT 30th APRIL, 1990

1. Principal accounting policies

(a) The financial statements have been prepared in compliance with the provisions of Section 258 of and Schedule 9 to the Companies Act 1985 applicable to banking companies.

(b) Bills discounted are stated less rebate, being at or under market value.

(c) Listed investments, certificates of deposit, floating rate notes and local authority mortgages are stated at or under market value.

(d) Fixed assets, consisting of motor vehicles, equipment and leasehold premises are stated in the balance sheet at cost less depreciation.

(e) Corporation tax is provided at the current rate on the profit for the year. Taxation deferred by timing differences is provided in full at rates at which it is expected to become payable.

(f) Foreign currency balances have been translated at the rates of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

(g) Pension costs are charged in the profit and loss account on a systematic basis to spread the cost in accordance with the advice of a qualified actuary.

(h) Additional information that may be required under Statements of Standard Accounting Practice is not given as this would require disclosure of information which the company is exempted from disclosing under the provisions of the Companies Act 1985.

CATER ALLEN LIMITED

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NOTES TO THE ACCOUNTS AT 30TH APRIL, 1990 (continued)

2. Profit for the year is stated after charging:

(a) Directors' and higher paid employees' remuneration

	<u>1990</u> £	<u>1989</u> £
Directors:		
Emoluments (including pension scheme contributions)	902,937 =====	890,126 =====

The emoluments (excluding pensions contributions) of directors were as follows:

Chairman and highest paid director	155,810 =====	166,860 =====
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Other directors:

	<u>No.</u>	<u>No.</u>
£ 0 - £ 5,000	2	2
£ 25,001 - £ 30,000	-	1
£ 55,001 - £ 60,000	1	1
£ 80,001 - £ 85,000	1	1
£ 90,001 - £ 95,000	1	-
£125,001 - £130,000	1	-
£130,001 - £135,000	1	-
£135,001 - £140,000	-	1
£140,001 - £145,000	-	1
£145,001 - £150,000	1	-
£150,001 - £155,000	-	1

Employees: The emoluments (excluding pension contributions) of employees earning more than £30,000 were as follows:

£30,001 - £35,000	3	2
£35,001 - £40,000	2	3
£40,001 - £45,000	2	2
£45,001 - £50,000	5	5
£50,001 - £55,000	1	1
£55,001 - £60,000	3	1
£65,001 - £70,000	2	1
£70,001 - £75,000	-	1

CATER ALLEN LIMITED

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NOTES TO THE ACCOUNTS AT 30TH APRIL, 1990
(continued)2. Profit for the year is stated after charging:
(continued)

	<u>1990</u> £'000	<u>1989</u> £'000
(b) Auditors' remuneration	30 ===	24 ===

3. Share capital

	<u>Authorised</u> £'000	<u>1990</u> <u>Issued</u> £'000	<u>Authorised</u> £'000	<u>1989</u> <u>Issued</u> £'000
Unclassified	250	-	250	-
Ordinary shares of £1 each: Fully paid	3,400	3,077 ----- 3,077 =====	3,400	3,077 ----- 3,077 =====

4. Reserves

	<u>Share premium account</u> £'000	<u>Capital redemption reserve</u> £'000	<u>Profit and loss account</u> £'000	<u>Total</u> £'000
Balance at 30th April, 1989	235	250	19,473	19,958
Retained profit for year	- ----- 235 =====	- ----- 250 =====	550 ----- 20,023 =====	550 ----- 20,508 =====

5. Subordinated loan

In the event of a winding up of the company this loan from the holding company is subordinated to the claims of all other creditors and is repayable by instalments commencing 2001.

6. Sundry debtors

Included in this figure are loans of £90,195 to four directors of Cater Allen Limited and/or the holding company (1989 three directors - £66,380).

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NOTES TO THE ACCOUNTS AT 30TH APRIL, 1990

(continued)

7. Subsidiary companies

	<u>1990</u> £'000	<u>1989</u> £'000
Shares at cost	13	13
Owing from subsidiary companies	217,968	223,220
	<u>217,981</u>	<u>223,233</u>
	=====	=====

Consolidated financial statements have not been prepared as the company is itself a wholly owned subsidiary of another company registered in England. In the opinion of the directors the aggregate value of the investments and debts due by subsidiary companies is not less than £217,981,000.

The company's subsidiaries, all of which are wholly owned and registered in England are:

Cater Allen Nominees Limited
Cater Allen Investment Management Limited
Roger Cunliffe Investments Limited
Ryders Discount Company Limited
Proudworth Limited

8. Other group companies

	<u>1990</u> £'000	<u>1989</u> £'000
Owing from group companies	37,428	14,890
Owing to group companies	(631)	(638)
	<u>36,797</u>	<u>14,252</u>
	=====	=====

9. Contingent liabilities

	<u>1990</u> £'000	<u>1989</u> £'000
(a) In respect of commercial bills re-discounted (including bills sold to the Bank of England under repurchase agreements)	3,488,951	3,131,186
	<u>3,488,951</u>	<u>3,131,186</u>
	=====	=====

(b) The company has contingent liabilities in respect of guarantees entered into in the normal course of business. No loss is expected to arise therefrom.

NOTES TO THE ACCOUNTS AT 30TH APRIL, 1990
(continued)

10. Outstanding commitments

There were outstanding commitments in respect of current assets arising in the normal course of business.

11. Pension commitments

The company participates in a group scheme which is operated for the employees of Cater Allen Holdings PLC and certain of its subsidiaries. The scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company and group. The contributions are determined by a qualified actuary on the basis of triennial valuations. The most recent valuation was as at 1st May, 1989 and the details of this actuarial valuation are disclosed in the accounts of Cater Allen Holdings PLC. The pension charge for the year was £325,329, which also equals the total contributions paid to the scheme and represents 15.8% of pensionable salaries.

12. Ultimate holding company

The company's ultimate holding company is Cater Allen Holdings PLC, which is registered in England.