

Company registration number: 875947

SINGER & FRIEDLANDER LIMITED
DIRECTORS' REPORT AND ACCOUNTS
31ST DECEMBER 1999



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SINGER & FRIEDLANDER LIMITED

Chairman
J. Hodson

Directors

V.M. Segal
B.N. Gorst
C.H. Mavor
R. Fiddemont
I.R. Dighe

S.C. Melling
B.J. Russell
J.M. Spence
B.G. Ovenden
C.B. Price

G.R.M. Elliott
M.E.S. Gibbins
G.V. Aldridge

Directors (Non-Executive)

N.C. England
P.A. Glazier

Secretary
R. Fiddemont

Registered Office
21 New Street, Bishopsgate, London, EC2M 4HR.

Assistant Directors

A.J. Hickox
G. Simkins
K.W. Chalk
D.M. Penston
C.S.L. Fergusson-Wood
P.C. Ashton
A.H. Borrell
J.W. Truscott

C.A. Edwards
C. Clarke
A. Gent
D.A. Griffiths
R.A. Pyman
M. Lewis
J.G. Cannon
S.W. Robson

D.W. Stevens
W.C. Desmond
S.P. Doherty
K.D.M. Edwards
R.T.H. Morton
R.S.G. Oliver
A.P. Scawthorn
D.C. Smith

R.J. Starsmeare
D.W. White
P. W. Morrell
B.J. Whiter
A.C. Corfield
I.R. Kelly
S. Peacock
B.J. Matthews



Report of the Directors

The directors submit their annual report, together with the audited accounts of the Company and its subsidiaries for the year ended 31st December 1999.

PRINCIPAL ACTIVITIES

The Company is an authorised institution for the purposes of the Banking Act 1987 and is engaged in the business of merchant banking and related activities. The Company's subsidiaries are engaged in some or all of the above activities or stockbroking or property investment and trading.

There has been no significant change in the activities of Singer & Friedlander Limited and its subsidiaries during the year.

ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Singer & Friedlander Holdings Limited whose ultimate holding company is Singer & Friedlander Group PLC.

DIRECTORS' AND OFFICERS' INSURANCE

The ultimate holding company maintained an insurance policy for the directors and officers against liabilities incurred in the conduct of their duties throughout the year.

RESULTS AND DIVIDENDS

The profit before exceptional items and taxation of the company and its subsidiaries for the year was £36,531,000 (1998: £25,076,000).

The directors have recommended no interim dividends in respect of the year ended 31st December 1999 (1998: £15,250,000). The directors do not recommend the payment of a final dividend in respect of the year ended 31st December 1999 (1998: nil).

SHARE CAPITAL

There has been no change in the authorised or issued share capital of the Company during the year.

DIRECTORS

The names of the directors of the Company as at the date of this report appear on page 1. The directors have served throughout the year.

Mr D.L. Keys served as a director of the Company until his resignation from the Board on 30th July 1999.

Mr A.N. Solomons served as Chairman and director of the Company until his resignation from the Board on 31st December 1999. Mr J. Hodson was appointed as Chairman of the Company with effect from 1st January 2000.

Mr P.R. Barber served as a director of the Company until his resignation from the Board on 18th January 2000.

DIRECTORS' INTERESTS

The following directors have been granted options to acquire ordinary shares in the capital of Singer & Friedlander Group PLC as follows:-

	Ordinary Shares of 10 pence each		Options to acquire shares under the terms of the Executive Share Option Scheme		Options to acquire shares under the terms of the Sharesave Scheme	
	<u>31.12.99</u>	<u>31.12.98</u>	<u>31.12.99</u>	<u>31.12.98</u>	<u>31.12.99</u>	<u>31.12.98</u>
C. H. Mavor	12,362	-	-	-	20,139	32,501
R. Fiddemont	-	-	-	-	24,852	34,457
I.R. Dighe	-	-	50,000	50,000	-	-
S.C. Melling	10,400	10,400	75,000	75,000	16,717	16,717
P.R. Barber	-	-	50,000	50,000	18,588	18,588
J.M. Spence	14,766	12,306	50,000	50,000	24,709	33,763
B.J. Russell	-	-	50,000	50,000	-	-
B.G. Ovenden	33,498	21,136	25,000	25,000	28,015	34,863
G. Elliott	-	-	-	-	-	18,588

Mr B.G. Ovenden held £527 nominal of loan stock in Singer & Friedlander Group PLC as at 31st December 1999 (1998: £527).

Messrs. C.H. Mavor, R. Fiddemont, I.R. Dighe, S.C. Melling, P.R. Barber, J.M. Spence, B.J. Russell, B.G. Ovenden and G. Elliott had no other interests, other than those shown above, in the share or loan capital of Singer & Friedlander Group PLC at 31st December 1999.

Mr. P.A. Glazier and Mr G.V. Aldridge had no interest in the share or loan capital of Singer & Friedlander Group PLC at 31st December 1999.

At 31st December 1999 the remaining directors of the Company were directors of Singer & Friedlander Holdings Limited. Accordingly their interests in the share and loan capital of Singer & Friedlander Group PLC and its subsidiary undertakings are not required to be recorded in this Company's register of directors' interests.

YEAR 2000

The Group has devoted substantial resources to minimising the potential for technical failures arising from the Year 2000 date change problem. The estimated costs of this project was some £1,500,000, most of which was incurred in 1998. The costs principally related to time spent by employees modifying and testing systems but also included external costs specifically related to the Year 2000 problem. The costs of systems enhancements where Year 2000 issues were only incidental are excluded.

Our programme for the identification of areas of material risk and the mitigation of such risk was completed well in advance of 1st January 2000. Given the scope and breadth of potential ongoing Year 2000 date change issues it is impossible to be certain that the problem has been totally eliminated, but the directors consider that the work undertaken reduces the ongoing risk to the greatest extent practicable.

Since 1st January 2000 no significant problems have been encountered by the Group relating to the Year 2000 date change.

FIXED ASSETS

The values of fixed assets held by various of the Company's property subsidiaries, and comprising industrial and office buildings held for long term investment purposes and properties occupied by the group, are stated at valuation as indicated in note 23 to the accounts. Details of all other fixed assets are also shown in note 23.

CHARITABLE AND OTHER DONATIONS

The Group donated the sum of £163,084 (1998: £166,030) for charitable purposes during the year. The Group made political donations of £12,500 to the 'Renaissance Forum' (£10,000) and the 'Front Bench Club' (£2,500) (1998: £0).

EMPLOYEES

The average number of persons, including directors, employed by the Group (excluding those working wholly or mainly outside the United Kingdom) during the year was 680 (1998: 656).

The Group endeavours to keep employees informed about the progress of the business and encourages them to make known their views. The text of public announcements is made available to employees simultaneously with its release to the press and shareholders. The interest of the staff in the Group's performance is achieved through profit sharing schemes, and the Sharesave Schemes in which staff at all levels participate.

It is the Group's policy not to discriminate against the disabled in recruitment, career development and promotion.

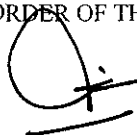
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and the Group and of the profit or loss 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and of the Group, and to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD



R. Fiddemont
Secretary
9th March, 2000



Report of the Auditors

To the members of Singer & Friedlander Limited

We have audited the financial statements on pages 6 to 34.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND THE AUDITORS

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 Group'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, 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 affairs of the Company and the Group as at 31st December 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Liame Andin Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
9th March 2000



Consolidated Profit and Loss Account

For the year ended 31st December 1999		1999	1998
NOTES	Prepared under Schedule 9 of the Companies Act 1985	£000	£000
Interest receivable:			
Interest receivable and similar income arising from debt securities		12,995	20,070
Other interest receivable and similar income		69,837	64,311
Less: interest payable		(48,057)	(58,181)
NET INTEREST INCOME		34,775	26,200
Dividend income from equity shares		132	342
Fees and commissions receivable		71,738	54,182
Less: Fees and commissions payable		(1,574)	(1,253)
3	Dealing profits	22,941	19,079
4	Other operating income	9,152	8,716
		102,389	81,066
OPERATING INCOME – CONTINUING OPERATIONS		137,164	107,266
5	Administrative expenses	(87,661)	(74,929)
Depreciation and amortisation		(8,487)	(5,189)
Other operating credits		-	726
18	Provisions for bad and doubtful debts	(3,364)	(1,811)
6	Amounts written off fixed asset investments – securities	(1,159)	(1,008)
7 GROUP OPERATING PROFIT – CONTINUING OPERATIONS		36,493	25,055
Share of profit from associated undertakings		38	21
PROFIT ON ORDINARY ACTIVITIES BEFORE NON-OPERATING EXCEPTIONAL ITEMS AND TAXATION		36,531	25,076
Continuing Operations- On-going activities		37,589	24,958
10	Continuing Operations- Terminated activities	(1,058)	118
10	Non – operating exceptional items	2,209	(283)
PROFIT ON ORDINARY ACTIVITIES AFTER EXCEPTIONAL ITEMS AND BEFORE TAXATION		38,740	24,793
11	Taxation on ordinary activities excluding non-operating exceptional items	(13,020)	(7,841)
Taxation on non-operating exceptional items		(210)	-
		(13,230)	(7,841)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		25,510	16,952
Minority interests – equity		(6,115)	(1,642)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO SHAREHOLDERS		19,395	15,310
13	Dividends	-	(15,250)
RETAINED PROFIT FOR THE YEAR		19,395	60

Movements in profit and loss account reserves are shown in note 32.

The notes on pages 10 to 34 form part of these accounts.



Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31st December 1999	1999 £000	1998 £000
Profit for the financial year attributable to shareholders	19,395	15,310
Exchange rate translation differences	35	1,724
Revaluation of properties	4,444	2,684
Total recognised gains and losses relating to the year	23,874	19,718

The detailed movement in the Capital and Reserves is set out in Note 32 to these accounts.



Consolidated Balance Sheet

NOTES	At 31st December 1999	1999 £000	1998 £000
	ASSETS		
	Cash and balances at central banks	796	134
	Cheques in course of collection	570	1,414
15	Treasury bills and other eligible bills	2,861	6,325
16	Loans and advances to banks	112,981	132,775
17	Loans and advances to customers	673,313	501,145
	Settlement balances	87,961	29,915
19	Debt securities	318,064	290,440
20	Equity shares	16,321	5,572
21	Other participating interests	966	3,947
23	Tangible fixed assets	101,512	100,156
24	Other assets	55,721	65,338
	Prepayments and accrued income	11,279	8,656
14	Total assets	1,382,345	1,145,817
	LIABILITIES		
25	Deposits by banks	110,777	137,816
26	Customer accounts	833,687	678,127
	Settlement balances	76,686	24,708
27	Debt securities in issue	82,454	80,802
29	Other liabilities	43,526	36,645
	Accruals and deferred income	34,107	17,762
	Provisions for liabilities and charges:		
30	Deferred taxation	4,065	2,985
	Equity minority interests	8,417	2,205
31	Called up share capital	50,000	50,000
	Other reserves	27,316	23,307
	Profit and loss account	111,310	91,460
32	Equity shareholders' funds	188,626	164,767
14	Total liabilities and shareholders' funds	1,382,345	1,145,817
	MEMORANDUM ITEMS		
	Contingent liabilities:		
36	Acceptances and endorsements	45,951	42,808
36	Guarantees	50,643	35,998
		96,564	78,806
36	Commitments	204,758	178,197

Approved by the Board of Directors on 9th March, 2000 and signed on its behalf by:


J. HODSON *Chairman*

The notes on pages 10 to 34 form part of these accounts.



Balance Sheet

NOTES	At 31st December 1999	1999 £000	1998 £000
ASSETS			
	Cash and balances at central banks	206	134
15	Treasury bills and other eligible bills	2,861	6,325
16	Loans and advances to banks	81,087	122,808
17	Loans and advances to customers	596,956	465,274
19	Debt securities	286,952	245,067
20	Equity shares	1,294	-
22	Shares in Group undertakings	65,018	63,643
23	Tangible fixed assets	5,078	7,773
24	Other assets	24,148	20,601
	Prepayments and accrued income	8,295	5,981
14	Total assets	1,071,895	937,606
LIABILITIES			
25	Deposits by banks	191,970	258,971
26	Customer accounts	697,739	513,245
27	Debt securities in issue	52,400	45,750
28	Subordinated loan stock	7,000	7,000
29	Other liabilities	6,535	2,986
	Accruals and deferred income	15,932	10,779
31	Called up share capital	50,000	50,000
	Other reserves	2,913	2,913
	Profit and loss account	47,406	45,962
32	Shareholders' funds	100,319	98,875
14	Total liabilities and shareholders' funds	1,071,895	937,606
MEMORANDUM ITEMS			
	Contingent liabilities:		
36	Acceptances and endorsements	45,951	42,808
36	Guarantees	42,226	35,998
		88,177	78,806
36	Commitments	195,819	178,197

Approved by the Board of Directors on 9th March, 2000 and signed on its behalf by:


J. HODSON *Chairman*

The notes on pages 10 to 34 form part of these accounts.



Notes to the Accounts

1 ACCOUNTING BASIS

Basis of preparation of accounts

The accounts are prepared under the historical cost convention as modified by the revaluation of properties (outlined in note 2 (h)). They are drawn up in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking Groups, and applicable accounting standards have been consistently applied.

The accounts are prepared on a going concern basis as the Directors are satisfied that the Group has sufficient resources to continue in business for the foreseeable future.

2 ACCOUNTING POLICIES

(a) *Consolidated accounts*

The consolidated profit and loss account and balance sheet include the accounts of the Company and all subsidiary undertakings. The consolidated profit and loss account also includes the Group's share of the results of associated undertakings. The Group's investment in these companies is shown in the consolidated balance sheet at the Group's appropriate share of net assets.

(b) *Interest receivable and payable*

Interest receivable and interest payable includes all income arising out of banking activities, namely lending and deposit taking business and interest on related hedging transactions. Internal interest flows arising from funding of trading activities are also included in interest receivable.

(c) *Fees and commissions*

Commissions are recognised on deal date and fees when due.

(d) *Dealing income*

Dealing income includes coupons or dividends and net profits or losses from principal securities trading and market making reported on a mark to market basis after deduction of related funding costs, agency, brokerage and other clearing charges.

(e) *Provision for bad and doubtful debts*

Specific provisions against bad and doubtful debts are made on the basis of regular reviews of exposures. General provisions are made in relation to losses which, although not specifically identified, may exist in the banking portfolio. Loans and advances are written down to estimated realisable value when there is no realistic prospect of recovery of the full amount outstanding. Provisions are charged directly to the profit and loss account. Interest of doubtful collectability is excluded from the profit and loss account and credited to a suspense account.

(f) *Debt securities and equity shares*

Debt securities and equity shares are held for both trading and investment purposes. Listed equity shares held for investment purposes are stated at cost less any provision for permanent diminution in value. Unlisted equity shares held for investment purposes are stated at the lower of cost and directors' valuation. Investment securities are intended for use on a continuing basis by the Group and have been identified as such. The cost of debt securities held for investment purposes is adjusted for the systematic amortisation of premiums or discounts over the period to maturity.

The amortisation of premiums or discounts is included in interest income in the profit and loss account. Debt and equity positions resulting from securities dealing and market making activities have been valued at market value and profits and losses arising from this valuation are taken to the profit and loss account.

(g) *Net investment in finance leases*

The net investments in finance leases represents the future lease rentals receivable less profit and costs allocated to future periods. The profit and costs are allocated to provide a constant rate of return on the net investment in each lease.

(h) *Tangible fixed assets*

Furniture, fixtures and equipment are depreciated on a straight line basis to estimated residual value over a period of four years. Depreciation is charged on group occupied buildings at 1% per annum on a straight line basis. No depreciation or amortisation is provided in respect of other freehold properties and leasehold investment properties with over 20 years to run. This treatment, as regards the Company's investment properties, departs from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

(i) *Rates of exchange*

Monetary assets and liabilities in foreign currencies and the balance sheets of overseas subsidiaries are expressed in sterling at exchange rates ruling at the balance sheet date. The results of overseas subsidiary undertakings are translated at average rates of exchange for the year.

Exchange differences resulting from the translation of opening net assets of overseas subsidiary undertakings and from the restatement of their results from average to year-end rates are taken to reserves. All other exchange differences are included in operating profit.



2. ACCOUNTING POLICIES (continued)

(j) *Taxation*

Taxation represents the current and deferred liabilities in respect of the profit for the year, adjusted for under or over provision in previous years. Full provision is made for deferred tax, at the appropriate rate of taxation for all timing differences except where, in the directors' opinion, these are likely to continue for the foreseeable future. No provision has been made for deferred tax on investment properties, as they are held for long term investment purposes, or for the additional UK or foreign taxation which might arise on the distribution of the retained earnings of certain overseas subsidiaries.

(k) *Goodwill*

Goodwill on acquisition of subsidiary and associated undertakings has been written off against reserves at the time of acquisition. Provision has been made in the accounts for future payments which are expected to arise under the terms of buy out agreements entered into in respect of undertakings in which the Group already has an interest.

(l) *Pension costs*

Contributions to Group pension schemes are charged to the profit and loss account so as to spread the cost of pensions over the average remaining service lives of employees. The contributions are assessed in accordance with the advice of a qualified actuary on the basis of valuations using the attained age method.

(m) *Leasing*

Assets acquired under a finance lease are recorded in the balance sheet as tangible fixed assets with corresponding obligations to pay future rentals.

The assets are valued at the present value of the minimum lease payments at the rate implicit in the lease.

Rentals payable are apportioned between a finance charge and a reduction of the outstanding obligation for future amounts payable. The total finance charge is allocated to accounting periods during the lease term so as to produce a constant periodic rate of charge on the outstanding obligation throughout the lease.

Payments under all other leases, known as operating leases, are charged to the Profit and Loss account in equal annual amounts over the period of the lease.

(n) *Cash Flow*

The company is a wholly owned subsidiary of a parent undertaking which prepares consolidated financial statements including a consolidated cash flow statement. It is therefore exempt under Financial Reporting Standard 1 from preparing its own cash flow statement.

(o) *Derivative Transactions*

Derivative transactions, entered into for the purpose of hedging, are accounted for in the same way as the items being hedged.

Derivative instruments traded on the Group's own account are valued at market prices and the resultant profits and losses are included in 'Dealing profits'. All other derivative transactions are entered into on behalf of clients or for corporate finance transactions and the resultant profits are included in 'Fees and commissions'.

(p) *Sale and repurchase transactions*

Securities which have been sold with an agreement to repurchase continue to be shown on the balance sheet and the sale proceeds are recorded as a deposit. Securities acquired in reverse sale and repurchase transactions are not recognised in the balance sheet and the purchase price is treated as a loan. The difference between the sale and repurchase price is accrued evenly over the life of the transaction and charged or credited to the profit and loss account as interest payable or receivable.

(q) *Property dealing activities*

Dealing properties and investments in jointly developed properties, all of which are held for realisation are included at the lower of cost and the Directors' estimate of realisable value. All costs incurred on properties in the course of development are capitalised. The costs include purchase price, materials, labour and an appropriate amount of overheads.

Loans relating to jointly developed properties are included in property when the legal charge over the property gives the company access to the risks and rewards associated with the legal ownership of the property.

Due to the nature of the property dealing agreements with third parties regarding the development of certain properties, the Group's share of profits on such properties cannot be determined until they are sold.

Except where the outcome of the jointly developed properties can reasonably be foreseen, rental income is not recognised until the sale of the respective property.

3 DEALING PROFITS

	1999 £000	1998 £000
Securities dealing	20,452	16,737
Foreign exchange profits	567	486
Property dealing	5,575	5,389
Funding costs	(3,653)	(3,533)
	22,941	19,079



Notes to the Accounts (continued)

4 OTHER OPERATING INCOME

	1999 £000	1998 £000
Rental income	4,021	4,069
Disposal of fixed assets and investment securities	3,630	3,348
Sundry income	1,501	1,299
	9,152	8,716

5 ADMINISTRATIVE EXPENSES

	1999 £000	1998 £000
Staff costs:		
Wages and salaries	53,196	47,566
Social security costs	4,004	3,597
Other pension costs (note 9)	3,017	2,766
Other administrative expenses	27,444	21,000
	87,661	74,929

6 AMOUNTS WRITTEN OFF FIXED ASSET INVESTMENTS

	1999 £000	1998 £000
Investment in debt securities (note 19)	1,051	303
Investment in equity shares (note 20)	108	705
	1,159	1,008

7 GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Is stated after:	1999 £000	1998 £000
<i>Income:</i>		
Aggregate rentals receivable, including capital repayments, under finance leases	19,345	13,086
Aggregate rentals receivable, including capital repayments, under hire purchase agreements	72,271	48,857
Operating lease income	4,272	-
Income from listed investments	6,633	8,130
Profit on disposal of investment securities	3,139	3,363
Profit/(Loss) on disposal of fixed assets	37	(14)
<i>Expenses:</i>	<u>GROUP</u> £000	<u>COMPANY</u> £000
<u>Audit work</u>		
Fees paid and payable to Auditors		
1999	386	108
1998	306	84
<u>Non-Audit work</u>		
Fees paid and payable to the Auditor and its associates		
1999	244	114
1998	338	281

8 EMOLUMENTS OF DIRECTORS

Emoluments paid to those persons who served as directors of the Company during the year (excluding pension contributions) and a payment for compensation for loss of office of £1,320 (1998: £37,005), amounted to £5,126,393 (1998: £4,474,769). The number of directors to whom retirement benefits are accruing under the Group's defined benefit pension schemes was 15 (1998:15).

The highest paid director who served during the year received £725,132 (1998:£575,755).

Two directors (1998: two), one of whom is also a director of the ultimate parent company, are employed under contracts of service which are of more than one year's duration.

Information relating to directors' options is given under the directors' share interests in the Directors' Report.

**9 PENSION COSTS**

The principal pension scheme operated by the Group is The Singer & Friedlander Limited Pensions & Assurance Scheme which is a funded defined benefit scheme. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are assessed in accordance with the advice of a qualified actuary on the basis of valuations using the attained age method. The most recent valuation was as at 30th September 1997.

The pension cost charged in respect of this scheme was £2,275,000 (1998: £2,205,000).

The most recent actuarial valuation showed the market value of the Scheme's assets to be £48,140,000 and that the actuarial value of those assets represented 105.4% of the benefits that had accrued to members, after allowing for salary increases of 7.5% per annum and pension increases of 5% per annum.

10 TERMINATED ACTIVITIES AND NON-OPERATING EXCEPTIONAL ITEMS

The composition of profit / (loss) from terminated activities included in the profit and loss account is as follows:

	1999 £000	1998 £000
Loss arising from International Banking department	(1,095)	-
Income arising in Inter\$Link Limited	37	376
Income arising in Structured Export Finance department	-	274
Loss arising from S&F Capital Markets Limited	-	(532)
	(1,058)	118

The composition of non-operating exceptional items included in the profit and loss account as profits and losses from continuing operations is set out below:

	1999 £000	1998 £000
Profit on sale of fixed asset	-	771
Profit on sale of investment properties	2,176	-
Profit on sale of investment in Rowan & Co Financial Services Ltd	33	-
Provision for loss on disposal of fixed asset	-	(1,054)
	2,209	(283)

11 TAX ON GROUP PROFIT ON ORDINARY ACTIVITIES

	1999 £000	1998 £000
United Kingdom corporation tax at 30.25% (1998: 31 %)	9,645	4,092
Adjustments in respect of prior years	519	(456)
Tax credit on franked investment income	6	334
Deferred taxation	482	1,257
Overseas taxes	2,350	2,563
	13,002	7,790
Share of associated undertakings' taxation	18	51
	13,020	7,841

Unprovided deferred tax in the year amounted to £ nil (1998: £260,000).

12 GROUP PROFIT DEALT WITH IN THE ACCOUNTS OF SINGER & FRIEDLANDER LIMITED

Group profit after taxation includes £1,444,000 (1998: £9,908,000) which is dealt with in the accounts of Singer & Friedlander Limited. A separate profit and loss account dealing with the results of the Company only has not been included, as permitted by section 230 of the Companies Act 1985.



Notes to the Accounts (continued)

13 DIVIDENDS

	1999 pence per share	1998 pence per share	1999 £000	1998 £000
Interim (paid)	-	30.5	-	15,250
Final (proposed)	-	-	-	-
	-	30.5	-	15,250

14 ASSETS & LIABILITIES

	1999 Group £000	1999 Company £000	1998 Group £000	1998 Company £000
Denominated in sterling	1,165,833	964,685	949,739	820,420
Denominated in currencies other than sterling	216,512	107,210	196,078	117,186
Total assets	1,382,345	1,071,895	1,145,817	937,606
Denominated in sterling	1,115,065	930,340	899,098	787,119
Denominated in currencies other than sterling	267,280	141,555	246,719	150,487
Total liabilities	1,382,345	1,071,895	1,145,817	937,606

15 TREASURY BILLS AND OTHER ELIGIBLE BILLS

<i>Group</i>	1999 Balance Sheet £000	1999 Market Value £000	1998 Balance Sheet £000	1998 Market Value £000
<i>Investment securities:</i>				
Other eligible bills	2,861	2,861	6,325	6,325
<i>Company</i>	1999 Balance Sheet £000	1999 Market Value £000	1998 Balance Sheet £000	1998 Market Value £000
<i>Investment securities:</i>				
Other eligible bills	2,861	2,861	6,325	6,325

16 LOANS AND ADVANCES TO BANKS

	1999 Group £000	1999 Company £000	1998 Group £000	1998 Company £000
Remaining maturity:				
Repayable on demand	39,687	7,793	91,874	81,907
<i>Other loans and advances</i>				
Remaining maturity:				
Three months or less but not repayable on demand	52,716	52,716	22,610	22,610
One year or less but over three months	16,033	16,033	15,475	15,475
Five years or less but over one year	4,545	4,545	2,816	2,816
	112,981	81,087	132,775	122,808



Notes to the Accounts (continued)

17 LOANS AND ADVANCES TO CUSTOMERS

	1999 Group £000	1999 Company £000	1998 Group £000	1998 Company £000
Remaining maturity:				
Repayable on demand	241,916	438,443	102,213	153,485
<i>Other loans and advances</i>				
Remaining maturity:				
Three months or less but not repayable on demand	67,595	5,848	126,180	158,133
One year or less but over three months	121,742	44,249	75,517	36,278
Five years or less but over one year	211,610	94,611	165,271	90,162
Over five years	41,049	26,625	40,003	37,858
General and specific bad and doubtful debt provisions (Note 18)	(10,599)	(12,820)	(8,039)	(10,642)
	673,313	596,956	501,145	465,274
Due from subsidiary undertakings: Unsubordinated		222,244		191,182
			1999 Group £000	1998 Group £000
<i>Assets leased to customers (included above)</i>				
Loans and advances to customers:				
Finance leases			45,253	26,915
Hire purchase agreements			157,257	92,019
Cost of assets acquired for letting under finance leases			22,987	16,730
Cost of assets acquired for letting under hire purchase agreements			141,130	93,059

18 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

<i>Group</i>	1999 Specific £000	1999 General £000	1999 Total £000
At 1 st January 1999	4,246	3,793	8,039
Charge against profits	3,088	276	3,364
Suspended Interest	141	-	141
Transfer to debt securities	(300)	-	(300)
Amounts written off	(382)	(263)	(645)
At 31 st December 1999	6,793	3,806	10,599

Loans and advances to customers at 31st December 1999 on which specific provisions have been made totalled £8,616,174

<i>Group</i>	1998 Specific £000	1998 General £000	1998 Total £000
At 1 st January 1998	3,592	2,990	6,582
Charge against profits	1,008	803	1,811
Suspended Interest	71	-	71
Amounts written off	(425)	-	(425)
At 31 st December 1998	4,246	3,793	8,039

Analysis of suspended interest is as follows:

	1999 £000	1998 £000
At 1 st January 1999	354	283
Suspended Interest	141	71
At 31 st December 1999	495	354

Loans and advances to customers at 31st December 1999 against which interest has been suspended is £4,397,765 and an amount of £3,319,204 has been provided against these.



18 PROVISIONS FOR BAD AND DOUBTFUL DEBTS (continued)

<i>Company</i>	1999 Specific £000	1999 General £000	1999 Total £000
At 1 st January 1999	7,892	2,750	10,642
Charge against profits	2,455	-	2,455
Suspended Interest	141	-	141
Transfer	(300)	-	(300)
Written off	(118)	-	(118)
At 31 st December 1999	10,070	2,750	12,820

Loans and advances to customers as at 31st December 1999 against which specific provisions have been made totalled £10,517,760.

<i>Company</i>	1998 Specific £000	1998 General £000	1998 Total £000
At 1 st January 1998	8,368	2,750	11,118
Charge against profits	(330)	-	(330)
Suspended Interest	71	-	71
Written off	(217)	-	(217)
At 31 st December 1998	7,892	2,750	10,642

Analysis of suspended interest

	1999 £000	1998 £000
At 1 st January 1999	629	558
Written off	(275)	-
Suspended Interest	141	71
At 31 st December 1999	495	629

Loans and advances to customers at 31st December 1999 against which interest has been suspended is £4,397,765 and an amount of £3,319,204 has been provided against these.

19 DEBT SECURITIES

<i>Group</i>	1999 Balance Sheet £000	1999 Market Value £000	1998 Balance Sheet £000	1998 Market value £000
<i>Issued by public bodies</i>				
Investment securities:				
Government securities	497	519	943	1,011
Other public sector securities	374	389	416	448
	871	908	1,359	1,459
<i>Issued by other issuers</i>				
Investment securities:				
Bank and building society certificates of deposit	229,999	229,999	213,507	213,507
Other debt securities	68,813	66,992	68,041	69,932
Other securities:				
Other debt securities	18,381	18,381	7,533	7,533
	317,193	315,372	289,081	290,972
Total debt securities	318,064	316,280	290,440	292,431
Due within one year	240,910		233,259	
Due one year and over	77,154		57,181	
Total debt securities	318,064		290,440	
Investment securities:				
Listed on a recognised UK exchange	38,664	37,737	46,980	48,198
Listed elsewhere	8,146	8,082	17,932	18,735
Unlisted	252,873	252,080	217,995	217,965
	299,683	297,899	282,907	284,898



19 DEBT SECURITIES(continued)

	1999 Balance Sheet £000	1999 Market Value £000	1998 Balance Sheet £000	1998 Market value £000
Other debt securities:				
Listed on a recognised UK exchange	4,188	4,188	1,388	1,388
Listed elsewhere	454	454	-	-
Unlisted	13,739	13,739	6,145	6,145
Sub total	18,381	18,381	7,533	7,533
Total debt securities	318,064	316,270	290,440	292,431
Of total debt securities £19,271,000 is subordinated.				
Group	Cost	Discounts and Premiums	Provisions	Carrying value
	£000	£000	£000	£000
Investment securities:				
At 1 st January 1999	285,911	(751)	(2,253)	282,907
Exchange adjustments	(1,578)	174	(22)	(1,426)
Acquisitions	63,217	(78)	-	63,139
Transfer from loans and advances to customers	-	-	(300)	(300)
Disposals	(45,902)	597	2,052	(43,253)
Provisions made	-	-	(1,051)	(1,051)
Amortisation of discounts and premiums	-	(333)	-	(333)
At 31st December 1999	301,648	(391)	(1,574)	299,683
Company	1999 Balance Sheet £000	1999 Market Value £000	1998 Balance Sheet £000	1998 Market Value £000
Investment securities:				
Bank and building society certificates of deposit	229,999	229,999	199,000	199,000
Other debt securities	39,357	38,320	38,534	39,777
Other securities:				
Other debt securities	17,596	17,596	7,533	7,533
Total debt securities	286,952	285,915	245,067	246,310
Due within one year	239,601	239,574	213,632	213,656
Due one year and over	47,351	46,341	31,435	32,654
Total debt securities	286,952	285,915	245,067	246,310
Investment securities:				
Listed on a recognised UK exchange	31,655	30,784	21,798	22,427
Listed elsewhere	6,764	6,639	15,590	16,234
Unlisted	230,937	230,886	200,146	200,116
	269,356	268,309	237,534	238,777
Other securities:				
Listed on a recognised UK exchange	3,528	3,528	1,388	1,388
Listed elsewhere	454	454	-	-
Unlisted	13,614	13,624	6,145	6,145
	17,596	17,606	7,533	7,533
Total	286,952	285,915	245,067	246,310



Notes to the Accounts (continued)

19 DEBT SECURITIES(continued)

<i>Company</i>	Cost	Discounts And Premiums	Provisions	Carrying Value
	£000	£000	£000	£000
Investment securities:				
At 1 st January 1999	239,189	(603)	(1,052)	237,534
Exchange differences	(443)	7	-	(436)
Acquisitions	49,981	(174)	-	49,807
Provisions made	-	-	(362)	(362)
Transfers	-	-	(300)	(300)
Disposals	(18,189)	425	1,052	(16,712)
Amortisation of discounts and premiums	-	(175)	-	(175)
At 31st December 1999	270,538	(520)	(662)	269,356

20 EQUITY SHARES

<i>Group</i>	1999 Balance Sheet £000	1999 Market Value £000	1998 Balance Sheet £000	1998 Market value £000
Investment securities:				
Listed on a recognised UK exchange	569	15,353	45	623
Listed elsewhere	623	1,489	783	1,774
Unlisted	1,677	1,677	1,081	1,359
	2,869	18,519	1,909	3,756
<i>Group</i>	1999 Balance Sheet £000	1999 Market Value £000	1998 Balance Sheet £000	1998 Market value £000
Other securities:				
Listed on a recognised UK exchange	12,199	12,199	3,552	3,553
Listed elsewhere	1,077	1,077	-	-
Unlisted	176	176	111	111
Total	13,452	13,452	3,663	3,664
Total equity shares	16,321	31,971	5,572	7,420
<i>Group</i>		Cost	Provisions	Carrying Value
		£000	£000	£000
Investment securities:				
At 1 st January 1999		4,426	(2,517)	1,909
Exchange adjustments		68	(46)	22
Acquisitions		1,455	-	1,455
Disposals		(538)	129	(409)
Provisions made		-	(108)	(108)
At 31st December 1999		5,411	(2,542)	2,869



20 EQUITY SHARES (continued)

<i>Company</i>	1999 Balance Sheet £000	1999 Market Value £000	1998 Balance Sheet £000	1998 Market value £000
Investment securities: Listed on a recognised UK exchange	69	14,128	-	-
	69	14,128	-	-
<i>Company</i>	1999 Balance Sheet £000	1999 Market Value £000	1998 Balance Sheet £000	1998 Market Value £000
Other securities: Listed on a recognised UK exchange	276	275	-	-
Listed elsewhere	949	949	-	-
Total	1,225	1,224	-	-
Total equity shares	1,294	15,352	-	-
<i>Company</i>	Cost £000	Provisions £000	Carrying Value £000	
Investment securities: At 1 st January 1999	-	-	-	
Acquisitions	85	-	85	
Disposals	(16)	-	(16)	
At 31st December 1999	69	-	69	



Notes to the Accounts (continued)

21 INTEREST IN ASSOCIATED UNDERTAKINGS

	Group £000	Company £000
At 1 st January 1999	3,947	-
Additional investment in associated undertakings	250	-
Disposals	(3,251)	-
Retained profits	20	-
At 31st December 1999	966	-

The principal associated undertaking is:

	NATURE OF BUSINESS	ISSUED SHARE CAPITAL AT 31/12/99		GROUP INTEREST %	PRINCIPLE AREA OF OPERATION AND COUNTRY OF INCORPORATION
Clarke London Limited	Property Investment	50,000	£1 Ordinary shares	50	England

	LOCATION OF REGISTERED OFFICE	ACCOUNTING REFERENCE DATE
Clarke London Limited	England and Wales	30 th November

The associated undertaking is held by a subsidiary undertaking of the Company.

22 SHARES IN GROUP UNDERTAKINGS

<i>Company</i>	£000
At 1 st January 1999	63,643
Additional investment in subsidiary undertakings	1,375
At 31st December 1999	65,018

On the historical cost basis, shares in Group undertakings would have been included as follows:

	1999 £000	1998 £000
Cost and net book value	65,018	63,643



22 SHARES IN GROUP UNDERTAKINGS (continued)

The following information is given in respect of the principal subsidiary undertakings of the Company.

Principal subsidiary undertakings	Country of incorporation, registration and principal area of operation	Proportion of ordinary share capital owned and effective interest of the Company %
<i>Banking companies</i>		
Singer & Friedlander Leasing Limited*	England	100
Singer & Friedlander Finance Limited*	England	100
Singer & Friedlander Insurance Finance Limited*	England	100
Singer & Friedlander Commercial Finance Limited*	England	100
Singer & Friedlander Factors Limited*	England	100
Collins Stewart Limited*	England	55
Collins Stewart (CI) Limited	Guernsey	48
Collins Stewart Asset Management Limited	Guernsey	48
Singer & Friedlander (Isle of Man) Limited*	Isle of Man	100
Singer & Friedlander Trust Company (IOM) Limited	Isle of Man	100
Singer & Friedlander AG*	Switzerland	100
Singer & Friedlander Investment Funds SA	Panama	100
Sinjul Investments Limited*	England	100
<i>Property companies</i>		
Singer & Friedlander Properties PLC	England	100
Singer & Friedlander Investment Properties Limited	England	100
Hillgrove Developments Limited	England	100
Quinarius Investments Limited	England	100
Peaston Emerson's Green Limited	England	100
Millwalk Limited	England	100
Peninsular Park Developments Limited	England	100
Straker Brothers Limited	England	100

(i) All the above subsidiary undertakings are included in the consolidated accounts

(ii) Apart from the Company, Singer & Friedlander (Isle of Man) Limited is the only other banking institution.

* Held directly by the Company.

23 TANGIBLE FIXED ASSETS

Group	Freehold Property £000	Long Leasehold Property £000	Short Leasehold Property £000	Plant and Machinery £000	Furniture & Fittings £000	Total £000
<i>Cost or valuation</i>						
1 st January 1999	62,289	18,525	-	28,222	4,994	114,030
Additions	99	252	59	18,633	430	19,473
Disposals	(13,233)	(1,054)	-	(1,238)	(886)	(16,411)
Transfer	-	-	-	14	-	14
Revaluation	2,878	1,461	-	-	-	4,339
31st December 1999	52,033	19,184	59	45,631	4,538	121,445
<i>Depreciation</i>						
1 st January 1999	2	1,342	-	9,361	3,169	13,874
Charge	149	193	4	6,805	1,336	8,487
Disposals	-	(1,054)	-	(680)	(708)	(2,442)
Transfer	-	-	-	14	-	14
31st December 1999	151	481	4	15,500	3,797	19,933
Net book value at:						
31 st December 1998	62,287	17,183	-	18,861	1,825	100,156
31st December 1999	51,882	18,703	55	30,131	741	101,512

Included in the accounts at their 31st December 1999 values are investment properties, which have a net book value of £40,434,000 (1998:£45,622,000).

The amounts at which the properties are stated are based on valuations as at 31st December 1999 provided by Mr B N Gorst, who is a director of Singer & Friedlander Holdings Limited, and is a fellow of the Royal Institution of Chartered Surveyors. The valuation was on the basis of Open Market Value for Existing Use in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Group occupied properties include 21 New Street which has been valued on the basis of Open Market Value for Existing Use being a 25 year lease to Singer & Friedlander Limited.

	1999 £000	1998 £000
On the historical cost basis, land and buildings would have been included as follows:		
Cost	39,827	50,727
Accumulated depreciation	(1,873)	(2,779)
	37,954	47,948

23 TANGIBLE FIXED ASSETS (continued)

There is no material difference between the depreciation charged in the Profit and Loss account and the charge based on the historical cost of the relevant assets.

Company	Long Leasehold Property £000	Plant and Machinery £000	Furniture & Fittings £000	Total £000
<i>Cost</i>				
1 st January 1999	651	12,379	3,487	16,517
Additions	178	1,244	105	1,527
Disposals	-	(627)	-	(627)
31st December 1999	829	12,996	3,592	17,417
<i>Depreciation</i>				
1 st January 1999	288	6,427	2,029	8,744
Charge	193	2,822	882	3,897
Disposals	-	(302)	-	(302)
31st December 1999	481	8,947	2,911	12,339
Net book value at: 31 st December 1998	363	5,952	1,458	7,773
31st December 1999	348	4,049	681	5,078

24 OTHER ASSETS

	1999 Group £000	1999 Company £000	1998 Group £000	1998 Company £000
Deferred tax assets – other timing differences	1,413	585	715	428
Taxation recoverable	2,517	2,984	3,086	2,988
Trade debtors	12,215	17,148	15,152	15,799
Dealing properties	33,068	-	34,993	-
Other	6,508	3,431	11,392	1,386
	55,721	24,148	65,338	20,601

25 DEPOSITS BY BANKS

	1999 Group £000	1999 Company £000	1998 Group £000	1998 Company £000
Repayable on demand	738	40,764	50,912	105,267
<i>Other deposits</i>				
Remaining maturity:				
Three months or less but not repayable on demand	97,967	134,986	80,482	141,561
One year or less but over three months	12,072	16,167	6,422	12,143
Five years or less but over one year	-	53	-	-
	110,777	191,970	137,816	258,971

Deposits by banks with the Company include £130,647,128 (1998: £159,955,656) from Singer & Friedlander (Isle of Man) Limited, a wholly owned subsidiary undertaking.



26 CUSTOMER ACCOUNTS

	1999 Group £000	1999 Company £000	1998 Group £000	1998 Company £000
Remaining maturity: Repayable on demand	263,885	228,550	277,542	189,780
<i>Other customer accounts</i>				
Remaining maturity:				
Three months or less but not repayable on demand	541,654	447,206	354,555	286,406
One year or less but over three months	20,811	14,879	29,888	22,691
Five years or less but over one year	7,337	7,104	16,142	14,368
	833,687	697,739	678,127	513,245
Amounts include:				
Due to subsidiary undertakings		98,308		215,905
Due to parent undertakings	1,963		5,791	

27 DEBT SECURITIES IN ISSUE

	1999 Group £000	1999 Company £000	1998 Group £000	1998 Company £000
Other debt securities in issue by remaining maturity:				
Three months or less but not repayable on demand	47,400	52,400	45,750	45,750
One year or less but over three months	5,093	-	5,093	-
Over five years	29,961	-	29,959	-
	82,454	52,400	80,802	45,750

In order to secure long-term funding for the property division £29.949 million was raised on 10th March 1994 by the issue of £30.0 million 8.8% debenture stock maturing 2019. Interest is due in equal half yearly instalments in arrears on 30th September and 31st March each year until redemption. The redemption date of the original stock is 31st March 2019 at par. If the stock is redeemed prior to this date the redemption price will be determined by reference to the Gross Redemption Yield on the Benchmark Gilt, being 8.75% Treasury Stock 2017.

The debenture is secured against investment properties held by the Group which have a net book value of £47.85m (1998: £51.17m).

28 SUBORDINATED LOAN STOCK

	1999 Company £000	1998 Company £000
Subordinated loan stock	7,000	7,000

On 30th December 1994, Singer & Friedlander Limited issued £5,000,000 of subordinated loan stock to Singer & Friedlander (Isle of Man) Limited. A further £2,000,000 subordinated loan stock on the same terms and maturity was issued on 30th December 1998. The loan is repayable in 2005 and carries an interest rate of LIBOR plus 1½ per cent.



Notes to the Accounts (continued)

29 OTHER LIABILITIES

	1999 Group £000	1999 Company £000	1998 Group £000	1998 Company £000
Trade creditors	7,033	163	6,058	467
Taxation	11,783	-	10,708	-
Short positions	3,020	-	681	-
Other liabilities	21,690	6,372	19,198	2,519
	43,526	6,535	36,645	2,986

30 DEFERRED TAXATION

	1999 Group £000	1999 Company £000	1998 Group £000	1998 Company £000
Provision for deferred taxation				
Capital allowances	2,891	-	1,111	-
Other timing differences	1,174	-	1,874	-
	4,065	-	2,985	-
At 1 st January 1999	2,985	-	3,532	-
Exchange adjustments	(101)	-	(208)	-
Charge/(Release) to Profit and Loss Account	1,181	-	(339)	-
	4,065	-	2,985	-

The provision for UK deferred taxation relating to capital allowances has been made at 30% (1998: 30%) being the rate of corporation tax at which the liability is expected to crystallise. Unprovided potential deferred taxation liabilities in respect of unrealised capital gains amount to £5,047,000 (1998: £4,230,000).

Provision has also been made for deferred UK income and foreign withholding taxes that will be triggered by the expected future remittance of earnings by overseas subsidiary undertakings. Provision has not been made for deferred UK income and foreign withholding taxes related to unremitted earnings where remittance of these earnings is not currently anticipated in the foreseeable future.

Provision is not made for any liability which might arise in the event of non investment properties being realised at balance sheet values. Most of these properties are occupied for the purposes of the Group's trade and any gains arising on disposal are normally rolled-over.

31 CALLED UP SHARE CAPITAL

	1999 Number of shares	1999 £000	1998 Number of shares	1998 £000
Authorised, issued and fully paid Ordinary shares of £1 each	50,000,000	50,000	50,000,000	50,000



32 COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

Group

	Issued Share Capital £000	Revaluation Reserve £000	Capital Reserve £000	Profit and Loss Account £000	Total 1999 £000	Total 1998 £000
1 st January 1999	50,000	10,878	12,429	91,460	164,767	160,300
Profit attributable to Shareholders	-	-	-	19,395	19,395	15,310
Dividends	-	-	-	-	-	(15,250)
Foreign exchange translation difference	-	-	-	35	35	1,723
Property revaluation	-	4,444	-	-	4,444	2,684
Realised revaluation surplus on disposal of property	-	(435)	-	435	-	-
Other movements	-	-	-	(15)	(15)	-
31st December 1999	50,000	14,887	12,429	111,310	188,626	164,767

Company	Issued Share Capital £000	Capital Reserve £000	Profit and Loss Account £000	Total 1999 £000	Total 1998 £000
1 st January 1999	50,000	2,913	45,962	98,875	104,217
Profit/(loss) attributable to shareholders after dividends	-	-	1,444	1,444	(5,342)
31st December 1999	50,000	2,913	47,406	100,319	98,875

33 SEGMENTAL INFORMATION

In the opinion of the Directors, the Group has four separately identifiable business segments, Merchant Banking, Stockbroking, Asset Management and Property, each of which is substantially conducted within the United Kingdom. The results of these segments and the Group's net assets may be analysed as follows:

	1999 Merchant banking £000	1999 Stockbroking £000	1999 Asset management £000	1999 Property £000	1999 Other £000	1999 Total £000
Operating income	58,470	54,328	17,708	6,658	-	137,164
Operating profit	10,206	19,100	-	7,194	31	36,531
Non-operating exceptional items before taxation and minority interests	-	33	-	2,176	-	2,209
Total assets	1,164,349	128,012	-	90,023	(39)	1,382,345
Net assets	102,263	10,799	-	75,564	-	188,626

	1998 Merchant banking £000	1998 Stockbroking £000	1998 Asset management £000	1998 Property £000	1998 Other £000	1998 Total £000
Operating income	42,923	40,589	16,958	6,796	-	107,266
Operating profit	6,133	11,897	(343)	7,013	376	25,076
Non-operating exceptional items before taxation and minority interests	(331)	-	-	(284)	332	(283)
Total assets	966,738	52,468	-	126,611	-	1,145,817
Net assets	94,666	4,352	-	65,749	-	164,767



34 RELATED PARTIES

Set out below are transactions with related parties as required by FRS8 'Related Party Disclosures'.

Subsidiary undertakings

Details of the principal subsidiary undertakings are shown in Note 22. In accordance with Financial Reporting Standard No. 8 "Related Party Disclosures", transactions or balances between Group entities that have been eliminated on consolidation are not reported.

Associated undertakings

Singer & Friedlander Properties PLC had a 50% shareholding in Bishopsgate Homes Limited. Hillgrove Developments Limited, a group undertaking, had provided funds to Bishopsgate Homes Limited to assist the Company with the construction and operation of the nursing home that it owns. The amount due to Hillgrove Developments Limited from Bishopsgate Homes Limited at 31st December 1999 was £nil (1998: £3,660,352).

Singer & Friedlander Properties PLC also owns 50% of the share capital of Clarke London Limited. At 31st December 1999 Clarke London Limited had funds on deposit with Singer & Friedlander Limited of £199,070 (1998: £42,302). The deposit is on normal commercial terms.

The Singer & Friedlander Pension and Assurance Scheme ("Scheme")

Singer & Friedlander Limited recharges the Scheme with the cost of administration services incurred by it and the total amount recharged in the year ended 31st December 1999 was £279,520.

Directors and Officers Loans

The aggregate amounts outstanding at 31st December 1999 under transactions, arrangements and agreements made by authorised institutions within the Group from those who were directors (including connected persons) or officers of Singer & Friedlander Limited during the year, and the number of persons concerned, were as follows:-

	Aggregate amount outstanding		Number of persons	
	1999 £000	1998 £000	1999 No.	1998 No.
Directors:				
Loans	9	257	1	2
Officers:				
Guarantees	-	90	-	1

All such loans are made on normal arms length commercial terms both as to security and interest.

35 EMPLOYEES

The average number of persons employed by the Group during the year was made up as follows:

	1999 Number	1998 Number
Managers	204	197
Clerical Staff	381	389
Others	103	79
	688	665

Analysis of employees by location is as follows:

	1999 Number	1998 Number
UK	680	663
South America	-	2
North America	8	-
	688	665



36 CONTINGENT LIABILITIES & COMMITMENTS

Group:	1999 Nominal Principal £000	1998 Nominal Principal £000
<i>Contingent Liabilities</i>		
Acceptances and endorsements	45,951	42,808
Guarantees and irrevocable letters of credit	50,643	35,998
	96,594	78,806
<i>Commitments</i>		
Documentary credits and short-term trade -related transactions	12,047	9,484
Undrawn formal standby facilities, credit lines and other commitments to lend:		
1 year and over	134,115	138,212
Less than 1 year	49,657	30,501
Other	8,939	-
	204,758	178,197
Company:	1999 Nominal Principal £000	1998 Nominal Principal £000
<i>Contingent Liabilities</i>		
Acceptances and endorsements	45,951	42,808
Guarantees and irrevocable letters of credit	42,226	35,998
	88,177	78,806
<i>Commitments</i>		
Documentary credits and short-term trade -related transactions	12,047	9,484
Undrawn formal standby facilities, credit lines and other commitments to lend:		
1 year and over	134,115	138,212
Less than 1 year	49,657	30,501
	195,819	178,197

37 DERIVATIVE TRANSACTIONS

In the normal course of business, the Group enters into a low volume of derivative transactions in the foreign exchange and interest rate markets largely for the purposes of hedging Group exposures. The counterparties in the Group's derivatives transactions are largely banks and other financial institutions.

Ultimate responsibility for the control of risk rests with Directors of the Group. However, the day to day operational management of risk is delegated to the operating entities within the Group, which operates within prescribed limits. The methodology of managing risk varies across the Group, reflecting the complexity of the relevant businesses.

The notional principal amount for non-trading derivatives as at 31st December 1999 was:

	Notional Principal £000
<i>Interest rate contracts:</i>	
Forward rate agreements	10,000
Future contracts	72,500
Interest rate swaps	127,448
Options	122,511
<i>Exchange rate contracts</i>	
Forward rate agreements	106,696



37 DERIVATIVE TRANSACTIONS (continued)

At 31st December 1999, the notional principal and replacement cost, by maturity, from over the counter (OTC) and non-margined exchange traded contracts was:

	Notional Principal £000	Replacement Cost £000
Remaining Maturity:		
Over five years	5,936	11
Between one and five years	210,081	801
Less than one year	150,638	2,677

The following table analyses the replacement cost of all over the counter and non-margined exchange traded contracts as at 31st December 1999 between financial and non-financial counterparties:

	Replacement Cost £000
Financial	2,896
Non-financial	593

38 OPERATING LEASE COMMITMENTS

<i>Group</i>	1999 Land and Buildings £000	1999 Other Assets £000	1998 Land and Buildings £000	1998 Other Assets £000
At 31 st December, annual commitments under non-cancellable operating leases expiring:				
Within one year	116	53	-	36
Between one and five years	216	50	323	22
In five years or more	929	-	331	-
	1,261	103	654	58
<i>Company</i>			1999 Land and Buildings	1998 Land and Buildings
At 31 st December, annual commitments under non-cancellable operating leases expiring:				
In five years or more			2,285	2,285
			2,285	2,285



39 RISK MANAGEMENT

The Group enters into contracts involving financial instruments during the normal course of its business. Such contracts may be entered into in order to facilitate customer requirements, to take trading positions on the Group's own book or to hedge exposures arising either as a result of customer business or proprietary positions. The Group primarily enters into financial instrument contracts involving deposits, loans, bonds, shares (including equity shares and preference shares), contingent liabilities and derivative financial instruments (including forward contracts, futures, swaps and options). In addition, certain financial instruments such as trade debtors and trade creditors arise directly from the Group's operations.

Derivative contracts are used primarily for non-trading purposes. However, the Group does occasionally enter into derivative transactions for trading purposes. The risk management disclosures made below apply to both the trading and non-trading elements of derivative contracts.

The use by business units of financial instruments (other than those which arise directly from the Group's operations) must be approved in advance by senior management. Approval will either be considered on a case by case basis or by the setting of limits within which financial instruments must be managed. These limits are split between financial instruments held for trading purposes and financial instruments held for non-trading purposes. The exposures which result from holding such financial instruments are managed in order that the cumulative interest rate mismatch and the maturity and currency profiles of the financial instruments are maintained within approved limits.

The Group's trading activities include providing financial instruments to clients, market-making, taking proprietary positions and their related hedges. The Group's non-trading activities include traditional lending and deposit-taking, asset/liability and liquidity management, investment activity and related hedges.

Risk exposures arising from financial instruments are monitored against the approved limits on at least a daily basis either by local management or by central risk management. Further, there is at least monthly review of the exposures by central risk management.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and market risk. The exposure to and management of these risks is summarised below.

The year-end figures reported in these financial statements for financial instruments are reflective of the position held throughout the year and are consistent with the objectives, policies and strategies approved by the Board. With the exception of the currency risk disclosures, the numerical disclosures provided in these notes for financial instruments have not included the effect of short-term debtors and creditors that relate to non-banking activities.

Credit risk

The Group manages credit risk by setting procedures for the establishment of new/renewed credit exposures as well as setting limits for credit risk, split between direct credit exposure, credit equivalent exposure and settlement exposure. Further, limits are set for the tenor, country and currency of exposure as well as for total exposures to certain categories of business.

The credit limits are monitored by local, independent management as well as by the Group's Risk Review Committee.

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings and deposits is primarily managed by using derivative instruments as described above. The limits for exposure to interest rate risk are set at local business unit level. The interest rate risk profile of the Group as at 31st December 1999 is summarised below.

Part of the Group's return on financial instruments is obtained from running a mis-match between the maturity or the next interest rate fixing date of assets compared to the maturity of liabilities. The table below summarises these repricing mismatches on the Group's non-trading book as at 31st December 1999. Items are allocated to time bands by reference to the earlier of the next interest rate repricing date and the maturity date.



39 RISK MANAGEMENT (continued)

Interest rate sensitivity gap analysis

	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Non interest bearing	Total	Held on the trading book	Total incl. in balance sheet
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Assets									
Cash and balances at central banks and cheques in course of collection	765	-	-	-	-	601	1,366	-	1,366
Treasury and other eligible bills	2,842	19	-	-	-	-	2,861	-	2,861
Loans and advances to banks	106,481	6,500	-	-	-	-	112,981	-	112,981
Loans and advances to customers	442,202	70,203	45,714	114,144	1,050	-	673,313	-	673,313
Settlement balances	-	-	-	-	-	-	-	87,961	87,961
Debt securities	215,871	2,036	6,577	53,878	21,321	-	299,683	18,381	318,064
Equity shares including interest in associated undertakings	-	-	-	-	-	3,835	3,835	13,452	17,287
Non financial assets	-	-	-	-	-	168,512	168,512	-	168,512
Total assets	768,161	78,758	52,291	168,022	22,371	172,948	1,262,551	119,794	1,382,345
Liabilities									
Deposits by banks	98,701	2,171	9,905	-	-	-	110,777	-	110,777
Customer accounts	805,539	13,741	7,070	7,337	-	-	833,687	-	833,687
Settlement balances	-	-	-	-	-	-	-	76,686	76,686
Debt securities in issue	47,400	2,093	3,000	-	29,961	-	82,454	-	82,454
Short positions	-	-	-	-	-	-	-	3,020	3,020
Minority interests	-	-	-	-	-	8,417	8,417	-	8,417
Shareholders' funds	-	-	-	-	-	188,626	188,626	-	188,626
Non financial liabilities	-	-	-	-	-	78,678	78,678	-	78,678
Total liabilities	951,640	18,005	19,975	7,337	29,961	275,721	1,302,639	79,706	1,382,345
Off balance sheet items	120,666	(1,555)	(15,993)	(97,182)	(5,936)	-	-	-	-
Interest rate sensitivity gap	(62,813)	59,198	16,323	63,503	(13,526)	(102,773)	(40,088)	40,088	-
Cumulative interest rate sensitivity gap	(62,813)	(3,615)	12,708	76,211	62,685	(40,088)	-	-	-

**39 RISK MANAGEMENT (continued)***Liquidity risk*

The Group's objective is to maintain funding which is both flexible and which has a range of maturities. Liquidity risk is primarily managed by the Group's central treasury operations with reference to liquidity limits set internally by senior management and by external regulators. The Group has reference to regular reports which summarise the current liquidity position, thus helping to ensure that the Group has sufficient liquid assets to be able to meet its future expected cash outflows.

Currency risk

The Group mainly operates in the UK, although it also has operations elsewhere in the world with net exposures to US Dollars only. The main operating currencies of its operations are therefore Sterling and US Dollars. As the currency in which the Group prepares its consolidated financial statement is Sterling the Group's consolidated balance sheet is therefore affected by movements in the exchange rate of US Dollars against Sterling. Translation gains/losses arising from these exposures and related hedges are reported in the statement of total recognised gains and losses.

The Group policy is not to run significant transactional currency exposures.

Functional currency of the operation involved	Net investments in overseas operations	Borrowings taken out in the functional currencies of the overseas operations in order to hedge the net investments in such operations	Remaining structural currency exposures
	£000	£000	£000
US Dollar	5,590	-	5,590

The table below shows the Group's non-trading currency exposures, being those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the operating unit involved. As at 31st December 1999, these exposures were as follows:

Net foreign currency monetary assets/(liabilities) in £000s

	Euro	US Dollar	Swiss Francs	Other	Total
Functional currency of Group operation					
Sterling	440	1,708	(765)	(452)	931

The amounts shown in the above table take into account the effect of any currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

**39 RISK MANAGEMENT (continued)***Fair values of financial assets and financial liabilities*

The table below sets out a comparison by category of book values and fair values of all the Group's financial assets and financial liabilities as at 31st December 1999.

	Net book value	Net fair value	Positive fair value (for trading items only)	Negative fair value (for trading items only)
	£000	£000	£000	£000
Held on the trading book				
Interest rate swaps	(12)	(12)	124	(136)
Interest rate caps, collars and floors	(5)	(5)	279	(284)
Forward foreign currency contracts	(2)	(2)	348	(350)
Debt securities	18,381	18,381	18,381	-
Equity shares	13,452	13,452	13,452	-
Other non-derivatives (short positions)	(3,020)	(3,020)	-	(3,020)
Non-trading book				
Interest rate swaps	(182)	796		
Interest rate caps, collars and floors	1,150	838		
Currency swaps	1,552	1,552		
Futures	(22)	(19)		
Treasury bills and other eligible bills	2,861	2,861		
Bank/Building Society certificates of deposit held	229,999	229,999		
Certificates of deposit issued	(47,400)	(47,400)		
Public sector debt securities	871	908		
Debenture issued	(35,054)	(48,583)		
Other actively tradeable debt securities	66,681	64,883		
Actively tradable equity shares	1,192	16,842		

Market values have, wherever possible, been used to determine the fair value of all swaps, forward foreign currency contracts, interest rate caps, collars and floors and all listed/publicly quoted securities. Where market values are not available values have been obtained by discounting cash flows at market rates. Certain other financial assets/liabilities have been valued at their carrying amount as this is not considered to be materially different to fair value.

Gains and losses on financial assets and financial liabilities held or issued for trading

The net gain from trading in financial assets and financial liabilities shown in the profit and loss account for the period to 31st December 1999 can be analysed as follows :

	£000s
Security dealing	20,452
Foreign exchange profits	567
Trading in non-financial assets	5,575
Funding costs	(3,653)
Total	22,941

The products used to generate the dealing profit include forward foreign currency contracts, debt securities, equity options and preference shares.



39 RISK MANAGEMENT (continued)

Hedging disclosures

As explained above, the Group's policy is to hedge the following exposures:

- Interest rate risk – using interest rate swaps, caps, floors and collars, currency swaps and forward foreign currency contracts;
- Operational and transactional currency exposures – using currency swaps and forward foreign currency contracts.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. As at 31st December 1999 the Group had a cumulative aggregate gain on derivative financial assets and liabilities for which hedge accounting had been used. This aggregate gain on derivative contracts may be analysed as approximately £981,000 of gains and £312,000 of losses. In addition carried forward at the balance sheet date pending recognition in the profit and loss account, are approximate realised gains on settled derivative contracts of approximately £204,000.

On the basis of the relevant yield curves at 31st December 1999, £607,000 of gains and £240,000 of losses are expected to be recognised in the profit and loss account for the year ended 31st December 2000 in respect of settled and outstanding derivative contracts. Again on the basis of relevant yield curves as at 31 December 1998, gains of about £222,000 and losses of about £239,000 have been recognised in the profit and loss account which arose in previous years but which had previously been unrecognised.

During the year to 31st December 1999 a gain of £340,000 was recognised due to financial assets or financial liabilities which were previously accounted for as hedges being reclassified such that they were no longer classified as hedges.

Exposure to market risk of trading book

The Group's exposure to market risk predominantly comprises interest rate risk and equity price risk exposures; whilst the Group has some currency risk exposures these are relatively small. Trading activity in debt securities, interest-rate derivatives and money market instruments is the primary source of interest rate risk in the Group's trading portfolios. The Group uses a range of techniques to manage the market price risk in its trading book the main one being through a process known as sensitivity analysis. This estimates the effect on profit before tax over various periods of a range of possible changes in interest rates and underlying equity prices.

The sensitivity analysis models used for this purpose make no assumptions about any interrelationships between such prices/rates or about the way in which such changes may affect the economies involved. The figures quoted below are based on end of day positions. The figures do not reflect any intra-day movements which could give rise to gains/losses greater than the end of day positions. As a consequence, figures derived from the Group's sensitivity analysis models should be used by the reader of the financial statements in conjunction with other information about the Group's risk profile.

The Group accepts a degree of interest rate risk and security price risk as long as the effects of various changes in rates and prices, as calculated using its sensitivity analysis models, remain within certain prescribed ranges. The figures disclosed below are well within those ranges.

The maximum, minimum and average effect of a rise/fall in equity prices of three percent, would be a rise/fall in profit before tax of £1 million, £0.2 million and £0.6 million respectively and as at 31st December 1999 would be an increase/decrease in profit before tax of £0.8 million.

The maximum, minimum and average effect of a rise/fall in equity prices of ten percent, would be a rise/fall in profit before tax of £3.4 million, £0.7 million and £1.9 million respectively and as at 31st December 1999 would be an increase in profit before tax of £2.8 million.

The Group's exposure to interest rate risk and currency risk is not material.

40 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is Singer & Friedlander Holdings Limited. The ultimate parent undertaking is Singer & Friedlander Group PLC which is incorporated in Great Britain and registered in England and Wales. Copies of their Group financial statements can be obtained from this Company's registered office.