

ANCOMASS LIMITED
AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT AND ACCOUNTS

31ST DECEMBER, 1987

PEAT MARWICK McLINTOCK,
1, Puddle Dock, Blackfriars, London, EC4V 3PD.



ANCOMASS LIMITED
AND SUBSIDIARY COMPANIES

Directors

A.N. Solomons - Chairman
B.H. Buckley
A.G.O. Walker
N.W. Wray

Secretary

R. Fiddemont

REPORT OF THE DIRECTORS

The directors submit their annual report, together with the statement of accounts of the company for the year ended 31st December, 1987.

PRINCIPAL ACTIVITY

The company is an investment holding company, which holds the whole of the issued share capital of Singer & Friedlander Holdings Limited.

At 31st December, 1987 Singer & Friedlander Holdings Limited had two direct subsidiary companies, Singer & Friedlander Limited which is an authorised institution for the purposes of the Banking Act 1987 and Singer & Friedlander Investment Management Limited, a company which provides investment management and advisory services to the customers of Singer & Friedlander Limited.

ULTIMATE HOLDING COMPANY

The company was a wholly owned subsidiary of Britannia Arrow Holdings PLC, until 22nd September, 1987.

On 22nd September, 1987 Singer & Friedlander Group PLC (formerly Gilbert House Investments Plc) acquired the whole of the issued share capital of the company.

SHARE CAPITAL

There has been no change in the authorised share capital of the company during the year.

The holders of options to subscribe for a total of 270 'D' ordinary shares in the company gave notice during the course of the year of their intention to exercise their options. Further details are set out in note 4 to the accounts.

ANCOMASS LIMITED
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REPORT OF THE DIRECTORS
(continued)

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 4.

The directors declared an interim dividend of £1,115,134 and propose a final dividend of £180,000 in respect of the year ended 31st December, 1987 (1986: £nil) for payment to the holders of the 'A' ordinary shares and the 'B' ordinary shares in the company on 30th April, 1988 (two dividends which totalled £2,180,011 were paid in respect of the year ended 31st December, 1986).

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 detailed in note 9 to the accounts.

DIRECTORS

The names of the directors of the company as at 3rd May, 1988 are shown at the head of this report. Messrs. A.N. Solomons, B.H. Buckley and A.G.O. Walker served throughout the year. Mr. N.W. Wray has served since his appointment on 16th October, 1987.

Lord Rippon and Mr. K.P. Ney also served until their resignations from the board of directors on 16th October, 1987.

In accordance with the provisions of the articles of association of the company, at the forthcoming annual general meeting Mr. N.W. Wray will retire and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS IN SHARES

Messrs. A.N. Solomons, A.G.O. Walker and N.W. Wray are directors of this company's holding company, Singer & Friedlander Group PLC. Accordingly their interests in the share and loan capital of Singer & Friedlander Group PLC and its subsidiaries are not required to be recorded in this company's register of directors' interests.

Mr. B.H. Buckley had a beneficial interest in £1,234,584 1 1/2% Convertible Unsecured Loan Stock 1992/2002 in the capital of Singer & Friedlander Group PLC at 22nd September, 1987 and 31st December, 1987. He had no other interest in the share or loan capital of Singer & Friedlander Group PLC at 22nd September, 1987 and 31st December, 1987.

ANCOMASS LIMITED
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REPORT OF THE DIRECTORS
(continued)

CHARITABLE AND OTHER DONATIONS

During the year the group gave £16,277 (1986: £19,489) for charitable purposes and a donation of £8,000 (1986: £3,000) was made to the Conservative Party. In addition the group contributed £1,000 (1986: £1,000) to the Economic League.

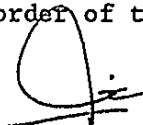
EMPLOYEES

The average number of persons, including directors, employed by the Singer & Friedlander group (excluding those working wholly or mainly outside the United Kingdom) during the year was 236 (1986: 215) and the aggregate remuneration paid to them in respect of their services for the year was £7,027,460 (1986: £5,304,400).

AUDITORS

A resolution for the re-appointment of Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



Secretary.

Registered Office:

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

- 3 MAY 1988.

ANCOMASS LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 1987

	<u>Note</u>	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
GROUP PROFIT BEFORE TAXATION out of which provision has been made for diminution in the value of assets	2	13,082,086	11,975,985
Taxation	1(vii)	<u>3,888,304</u>	<u>3,674,479</u>
GROUP PROFIT AFTER TAXATION	2	9,193,782	8,301,506
Dividends paid and payable from profit for the year		<u>1,295,134</u>	<u>2,180,011</u>
GROUP PROFIT AFTER TAXATION AND DIVIDENDS FROM PROFIT FOR THE YEAR		<u>7,898,648</u>	<u>6,121,495</u>

REPRESENTING:

Ancomass Limited		9,497	21,937
Subsidiary companies		<u>6,256,718</u>	<u>5,662,857</u>
	5	6,266,215	5,684,794
Companies not consolidated	9	<u>1,632,433</u>	<u>436,701</u>
		<u>7,898,648</u>	<u>6,121,495</u>

The notes on pages 7 to 14
form part of these accounts.

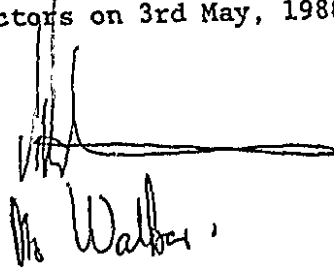
ANCOMASS LIMITED
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CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER, 1987

	Note	<u>1987</u> f	<u>1986</u> f	Note	<u>1987</u> f	<u>1986</u> f
Issued share capital of Ancomass Limited	4	11,754	11,700	Cash in hand, with bankers, and money at call and short notice	129,960,452	108,340,679
Reserves	5	65,455,508	59,284,598	Bank certificates of deposit and bills discounted	27,141,734	17,351,214
Unsecured loan stock	10	<u>6,700,000</u> 72,167,262	<u>6,700,000</u> 65,996,298	Other securities	116,338,400	87,716,346
Current, deposit and other accounts, including provision for taxation		413,205,452	377,615,714	Advances to customers and other accounts	213,318,124	207,143,143
Dividend payable		180,000	-	Amounts due from, less due to, group companies	-	12,346,409
Amounts due to, less due from, group companies	8	10,086,480	-	Net investment in finance leases	<u>4,715,120</u> 491,473,830	<u>6,548,857</u> 439,446,648
				Investments in subsidiary companies not consolidated	9	4,165,364
Acceptances for customers		<u>107,168,142</u> 602,807,336	<u>120,384,206</u> 563,996,218	Liabilities of customers for acceptances		<u>107,168,142</u> 602,807,336

The notes on pages 7 to 14 form part of these accounts.

ANCOMASS LIMITEDBALANCE SHEET AT 31ST DECEMBER, 1987

	Note	1987	1986
		£	£
FIXED ASSETS			
Investment in subsidiary companies	9	52,795,455	52,795,455
Listed security	6	<u>5,458</u>	<u>5,343</u>
		52,800,913	52,800,798
CURRENT ASSETS			
Income tax recoverable		159	168
Amount due from subsidiary company	8	<u>1,038,025</u>	<u>103,295</u>
		<u>1,038,184</u>	<u>103,463</u>
CREDITORS FALLING DUE WITHIN ONE YEAR			
Corporation tax		8,899	11,124
Other creditors		678	28,291
Dividend payable		<u>180,000</u>	<u>-</u>
		<u>189,577</u>	<u>39,415</u>
NET CURRENT ASSETS		<u>848,607</u>	<u>64,048</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>53,649,520</u>	<u>52,864,846</u>
CAPITAL AND RESERVES			
Called up share capital	4	11,754	11,700
Capital reserves	5	46,326,160	45,551,037
Revenue reserves	5	611,606	602,109
Unsecured loan stock	10	6,700,000	6,700,000
Approved by the board of directors on 3rd May, 1988.			
 Mr. Walker) Directors)	
		<u>53,649,520</u>	<u>52,864,846</u>

The notes on pages 7 to 14
form part of these accounts.

ANCOMASS LIMITED
AND SUBSIDIARY COMPANIES

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

(i) Banking company:

The accounts of the principal wholly-owned subsidiary company, Singer & Friedlander Limited, have been prepared under the historical cost convention on the basis applicable to banking companies under the Companies Act 1985, except that transfers to undisclosed reserves have not been made. As the statutory exemptions from disclosure apply to the major part of the group, Statements of Accounting Practice have not been complied with where this would require disclosure of such exempted information.

(ii) Consolidated accounts:

The balance sheets of all subsidiary companies have been consolidated with the exception of certain companies whose activities relate to property. The equity investment in these companies is shown in the balance sheet at its net asset value on the date of acquisition and their assets and liabilities are summarised in Note 9 to these accounts. The consolidated profit and loss account includes the results of all subsidiaries, including the property subsidiaries.

The reserves of the property companies are available to support the banking activities. However, in the opinion of the directors, the non-consolidation of these companies and the inclusion of their figures in a separate note, provides a clearer presentation of the banking group and property interests.

(iii) Investments:

In respect of the dealing portfolio, listed investments are shown at cost or lower market value and unlisted investments at cost or lower directors' valuation.

Premium and discounts on dated securities, bought in with the intention of holding them to maturity, are credited or amortised on a straight line basis. They are either redeemable or carry an option to surrender at a premium at fixed dates and are shown in the balance sheet at cost adjusted to give effect to the amortisation.

Investment income received has been grossed up for the income tax suffered and the applicable tax credit has been added to franked income.

(iv) Net investment in finance leases:

The net investment 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.

(v) Fixed assets:

Capital expenditure in the banking group has been written off and it is not practicable to ascertain the original cost and total amounts written off.

ANCOMASS LIMITED
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NOTES ON THE ACCOUNTS
(continued)

1. ACCOUNTING POLICIES (continued)

(vi) Rates of exchange:

Assets and liabilities in foreign currencies and the results of overseas subsidiaries are expressed in sterling at exchange rates ruling at the balance sheet date. Exchange differences resulting from the translation of the net assets of overseas subsidiaries at the year end are transferred to reserves.

(vii) Taxation:

Taxation represents the current and deferred liabilities in respect of the profits for the year, adjusted for under or over provisions in previous years, less amounts transferred to contingency reserve. Full provision is made, 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 taxation which might arise on the distribution of the retained earnings of certain overseas subsidiaries.

(viii) Comparative figures:

Certain comparative figures have been adjusted to conform with the presentation adopted in the current year. Specifically former transfers to undisclosed reserves, which are no longer maintained, have been reversed.

2. GROUP PROFIT

The group profit after taxation includes £1,304,631 (1986: £2,201,948) which is dealt with in the accounts of Ancomass Limited. The group profit before taxation includes £2,029,551 (1986: £532,872) relating to companies not consolidated.

3. ULTIMATE HOLDING COMPANY

The ultimate holding company of Ancomass Limited is Singer & Friedlander Group PLC (incorporated in Great Britain).

4. SHARE CAPITAL

	<u>Authorised</u>	<u>Issued and fully paid</u>
	£	£
'A' ordinary shares of 50p	300	300
'B' ordinary shares of 50p	3,700	3,700
'C' ordinary shares of 50p	1,000	-
'D' ordinary shares of 50p	200	54
Deferred shares of 50p	<u>7,700</u>	<u>7,700</u>
	12,900	11,754

On 23rd August, 1984 the company, in accordance with the terms of the Ancomass Executive Share Option Scheme, granted options to subscribe for 310 'D' ordinary shares of 50 pence each in the company at a subscription price of £7,250 per share.

ANCOMASS LIMITED
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NOTES ON THE ACCOUNTS
(continued)

4. SHARE CAPITAL (continued)

Under the scheme the directors of the company may determine that option holders be paid a sum equal to the 'cash equivalent' of the number of shares in respect of which options were exercised, in substitution for the option holders' right to be allotted shares. During the course of the year the holders of options for 270 'D' ordinary shares gave notice of their intention to exercise their options and 108 'D' ordinary shares (1986: none) were duly allotted. Holders of options to subscribe for 162 shares (1986: 40 shares) were paid a 'cash equivalent' sum in substitution by their employer, Singer & Friedlander Limited, by way of additional emoluments.

5. RESERVES

	<u>The Company</u> £
Share premium account:	
Balance at 1st January, 1987	23,248,825
Arising in year	<u>775,123</u>
Balance at 31st December, 1987	24,023,948
Capital reserves:	
Balance at 1st January and 31st December, 1987	<u>22,302,212</u>
	<u>46,326,160</u>
Revenue reserve:	
Balance at 1st January, 1987	602,109
Profit retained	<u>9,497</u>
Balance at 31st December, 1987	<u>611,606</u>
Total reserves at 31st December, 1987	<u>46,937,766</u>

The share premium arising in the company during the year results from the premium on the issue of 108 'D' ordinary shares of 50 pence each.

	<u>The Group</u> £
Share premium account:	
Balance at 1st January, 1987	23,248,825
Arising in year	<u>775,123</u>
Balance at 31st December, 1987	24,023,948
Capital reserve at 31st December, 1987 and 31st December, 1986	<u>3,816,844</u>
	<u>27,840,792</u>
Revenue reserve:	
Balance at 1st January, 1987 (restated)	32,218,929
Profit retained	6,266,215
Translation differences arising on consolidation of overseas subsidiaries	<u>(870,428)</u>
Balance at 31st December, 1987	<u>37,614,716</u>
Total reserves at 31st December, 1987	<u>65,455,508</u>

ANCOMASS LIMITED
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NOTES ON THE ACCOUNTS
(continued)

6. OTHER SECURITIES

The mid-market value of listed investments and directors' valuation of unlisted investments are as follows:

	<u>The Company</u>			
	<u>1987</u>		<u>1986</u>	
	<u>Book value</u>	<u>Valuation</u>	<u>Book value</u>	<u>Valuation</u>
U.K. Government Security	<u>£5,458</u>	<u>£6,360</u>	<u>£5,343</u>	<u>£5,977</u>

	<u>The Group</u>			
	<u>1987</u>		<u>1986</u>	
	<u>Book value</u>	<u>Valuation</u>	<u>Book value</u>	<u>Valuation</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
U.K. Government Securities	12,605,458	12,606,360	18,771,854	18,795,427
Listed in Great Britain	49,767,890	54,850,186	21,863,237	27,092,788
Listed Overseas	8,132,812	8,157,605	11,781,823	12,837,776
Unlisted	<u>45,832,240</u>	<u>48,107,727</u>	<u>35,299,432</u>	<u>36,698,005</u>
	<u>116,338,400</u>	<u>123,721,878</u>	<u>87,716,346</u>	<u>95,423,996</u>

Of the U.K. Government Securities, £12,600,000 (1986: £12,800,000) are subject to a minimum period of 3 months' notice for realisation.

7. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS

This item includes commodities which are held in respect of forward sales contracts to the extent of £16,673,080 (1986: £14,889,177) for the group and £nil (1986: £nil) for the company. The banking group has made certain advances which are matched by deposits, on terms such that it incurs no exposure. These items are excluded from the balance sheet and amounted to £17,851,263 (1986: £13,516,964) at 31st December, 1987.

8. GROUP COMPANY BALANCES

	<u>The Company</u>		<u>The Group</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts due from:				
Fellow direct subsidiaries				
of Ultimate Holding Company	-	-	-	588,166
Subsidiary companies	1,038,025	103,295	-	-
Unconsolidated Singer & Friedlander group subsidiaries	-	-	15,135,668	12,195,354
Amounts due to:				
Fellow direct subsidiaries				
of Ultimate Holding Company	-	-	(6,338,843)	-
Unconsolidated Singer & Friedlander group subsidiaries	-	-	(204,723)	(437,111)
Ultimate Holding Company	<u>-</u>	<u>-</u>	<u>(18,678,582)</u>	<u>-</u>
	<u>1,038,025</u>	<u>103,295</u>	<u>(10,086,480)</u>	<u>12,346,409</u>

ANCOMASS LIMITED
AND SUBSIDIARY COMPANIES

NOTES ON THE ACCOUNTS
(continued)

9. INVESTMENT IN SUBSIDIARY COMPANIES

The investment of the company in its subsidiary companies is stated at cost.

The group investment in unconsolidated subsidiary companies is stated at cost, being the net asset value as at 2nd October, 1980. In the opinion of the directors the net asset value of these companies at 31st December, 1987 is not less than the amount at which it is stated in the consolidated balance sheet.

	<u>The Group</u>	
	<u>1987</u>	<u>1986</u>
	£	£
Investment in unconsolidated subsidiary companies at cost	4,165,364	4,165,364

The group's interest in all unconsolidated subsidiaries is 100% and their balance sheets may be consolidated as follows:

	<u>1987</u>	<u>1986</u>
	£	£
Investment properties	32,022,072	25,950,000
Properties occupied by the group	35,211,225	25,380,635
Net current assets/(liabilities)	1,322,045	(683,823)
Net group indebtedness (see note 8)	(14,930,945)	(11,758,243)
Deferred taxation	(997,581)	(1,005,433)
Loans (secured)	<u>(2,036,225)</u>	<u>(2,460,680)</u>
	50,590,591	35,422,456
Represented by:		
Share capital	100,200	100,200
Reserves	<u>50,490,391</u>	<u>35,322,256</u>
	50,590,591	35,422,456

The figures stated for investment and group occupied properties are based on valuations provided by a director of Singer & Friedlander Holdings Limited, who is an associate member of The Royal Institution of Chartered Surveyors.

The movement on reserves can be reconciled as follows:

	<u>Investment revaluation reserve</u>	<u>Other reserves</u>	<u>Total</u>
	£	£	£
Balance at 1st January, 1987	26,759,317	8,562,939	35,322,256
Revaluation surplus	13,541,972	-	13,541,972
Profit for year	-	1,632,433	1,632,433
Profit on disposal of investment property	2,009	-	2,009
Translation difference arising on consolidation of overseas subsidiaries	-	<u>(8,279)</u>	<u>(8,279)</u>
Balance at 31st December, 1987	40,303,298	10,187,093	50,490,391

ANCOMASS LIMITED
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NOTES ON THE ACCOUNTS
(continued)

9. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

At 31st December, 1987 the group had capital commitments in respect of contracts entered into which amounted to approximately £602,000 (1986: £1,125,000). Capital expenditure authorised but not contracted for at 31st December, 1987 amounted to £nil (1986: £nil).

10. LOAN STOCK

On 30th April, 1984 the company issued £6,700,000 Interest-free Irredeemable Subordinated Unsecured Loan Stock at par. This Loan Stock was repaid on 22nd September, 1987. On 22nd September, 1987 the company made a fresh issue of £6,700,000 Interest-free Irredeemable Unsecured Loan Stock at a premium of £2,000,000. The premium was used to create the Ancomass Employee Trust, a discretionary trust to provide benefits to employees in the form of options to purchase ordinary shares in Singer & Friedlander Group PLC.

11. SUBSIDIARY COMPANIES

At 31st December, 1987 the company owned all the issued share capital of Singer & Friedlander Holdings Limited which itself owned all the issued share capital of Singer & Friedlander Limited. Both companies are registered in England. The principal subsidiary companies of Singer & Friedlander Holdings Limited, all of which are wholly owned, directly or through other subsidiaries, are:

	<u>Country of incorporation/ registration</u>
Singer & Friedlander Limited	England
Singer & Friedlander Investment Management Limited	England
The First British American Corporation Limited	England
Sinjul Investments Limited	England
Singer & Friedlander Trust & Assurance Corporation Limited	England
Singer & Friedlander Leasing Limited	England
Singer & Friedlander (Jersey) Limited	Jersey
Bread Street Investments Limited	England
Singer & Friedlander (Isle of Man) Limited	Isle of Man
Singer & Friedlander AG	Switzerland
West City Securities Limited	England
Appledale Limited	Isle of Man
Singer & Friedlander Investment Fund S.A.	Panama
Singer & Friedlander Managers Limited	England
Capital Portfolio Management Limited	Scotland
Weniver Investments Limited*	England
Quinarius Investments Limited*	England
Hillgrove Estates Limited*	England
Hillgrove Homes Limited*	England
Galefield Securities Limited*	England
Melbreck Securities Limited*	England
Nedcloe Investments Limited*	England
Straker Brothers Limited*	England
The companies marked * above have not been consolidated.	

ANCOMASS LIMITED
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NOTES ON THE ACCOUNTS
(continued)

12. DIRECTORS' LOANS AND OTHER INTERESTS

None of the directors had during the year, directly or indirectly, a material beneficial interest in any contract to which the company, or any of its subsidiary companies, was a party, and which is or was significant in relation to the business of the company or any of its subsidiary companies.

No director is employed under a contract of service which is not determinable by the company within one year without compensation. The aggregate amounts outstanding at 31st December, 1987 to be disclosed under the provisions of the Companies Act 1985 in respect of loans and quasi-loans made to the company's directors and/or persons (including bodies corporate) connected with them by the company's banking subsidiary were:

- (a) £2,766,054 (1986: £24,125) in respect of loans to two directors (1986: 1).
- (b) £237,500 (1986: £210,000) in respect of quasi-loans to two directors (1986: 2).

All loans and quasi-loans to directors are on normal arms length commercial terms both as to security and interest. There was no amount outstanding at 31st December, 1987 in respect of credit transactions for any director and/or connected persons.

13. DIRECTORS' EMOLUMENTS

The emoluments of the directors of the company were in respect of their service as directors of its subsidiaries for the year ended 31st December, 1987 and amounted to £499,807 (1986: £468,098) including pension contributions.

The remuneration of the directors, excluding pension contributions, was as follows:

	<u>1987</u> £	<u>1986</u> £
Chairman		-
1st January, 1987 to 15th October, 1987	-	
16th October, 1987 to 31st December, 1987	40,414	
Highest paid director	191,572	167,013
Other directors:		
	<u>Number</u> <u>1987</u>	<u>Number</u> <u>1986</u>
Up to £5,000	2	3
£105,001 - £110,000	1	1
£135,001 - £140,000	1	-
£140,001 - £145,000	-	1

ANCOMASS LIMITED
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NOTES ON THE ACCOUNTS
(continued)

14. AUDITORS' REMUNERATION

The remuneration of the auditors was:

	<u>1987</u>	<u>1986</u>
The company	£756	£520
The group	£118,040	£112,829

15. CONTINGENT LIABILITIES

There are contingent liabilities in respect of the banking group relating to partly paid investments, guarantees on behalf of customers, forward contracts in foreign exchange, discounted bills and agreements for advances entered into in the normal course of business.

REPORT OF THE AUDITORS TO THE MEMBERS OF
ANCOMASS LIMITED

We have audited the accounts on pages 4 to 14 in accordance with approved Auditing Standards.

As set out in note 1(i) the accounts include information in respect of the principal subsidiary company in the manner authorised for banking companies.

On this basis, in our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31st December, 1987 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LONDON

3rd June 1988

Pauline J. J. J. J.
Chartered Accountants.