

Company registration number: 1437775

ANCOMASS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
31ST DECEMBER 1998

KPMG Audit Plc
8 Salisbury Square, London, EC4Y 8BB



ANCOMASS LIMITED

Directors

A.N. Solomons - Chairman
J. Hodson

Secretary

R. Fiddemont

REPORT OF THE DIRECTORS

The directors submit their annual report, together with the financial statements of the Company, for the year ended 31st December 1998.

PRINCIPAL ACTIVITY

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

Singer & Friedlander Holdings Limited has two principal subsidiaries, Singer & Friedlander Limited, 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.

ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary undertaking of Singer & Friedlander Group PLC.

DIRECTORS' AND OFFICERS' INSURANCE

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

RESULTS AND DIVIDENDS

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

The directors declared and paid interim dividends in respect of the year ended 31st December 1998 of £13,600,000 (1997: £ nil).

The Directors do not recommend payment of a final dividend in respect of the year ended 31st December 1998 (1997: £ nil).

DIRECTORS

The names of the directors of the Company as at the date of this report are shown at the head of this report. The directors have served throughout the year.

The Company's articles of association make no provision for the retirement of directors by rotation.

DIRECTORS' INTERESTS

Messrs A.N. Solomons and J. Hodson are directors of this Company's parent undertaking, 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 director's interests.

ANCOMASS LIMITEDREPORT OF THE DIRECTORS

(Continued)

YEAR 2000

Substantial resources at group level have been devoted to minimising the potential for technical failures arising from the Year 2000 problem. Our programme for the identification of areas of risk and the mitigation of such risk is on schedule for completion well in advance of 1st January 2000. Given the scope and breadth of Year 2000 issues it is impossible to be certain that the problem has been totally eliminated, but we consider that the measures we are taking reduce the risks to the greatest extent possible. The incremental cost of carrying out investigative and modification work to computer systems in the company has not been material.

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 of the profit 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;
- 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 detect fraud and other irregularities.

BY ORDER OF THE BOARD



R. Fiddemont
Secretary

Registered office:
21, New Street,
Bishopsgate,
LONDON, EC2M 4HR.

24th March 1999

AUDITORS' REPORT TO THE SHAREHOLDERS OF

ANCOMASS LIMITED

We have audited the financial statements on pages 4 to 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND THE AUDITOR

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor

24th March 1999

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

ANCOMASS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 1998

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
<i>Continuing Operations</i>			
Income from shares in subsidiary undertakings	1	14,750,000	-
Administrative expenses		(3,000)	(1,135)
		<hr/>	<hr/>
Operating profit/(loss)		14,747,000	(1,135)
Other interest receivable and similar income		3,328	3,180
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	14,750,328	2,045
Taxation on profit on ordinary activities	3	(1,150,102)	(374)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		13,600,226	1,671
Dividends paid and proposed		13,600,000	-
		<hr/>	<hr/>
RETAINED PROFIT FOR THE FINANCIAL YEAR		226	1,671
RETAINED PROFIT BROUGHT FORWARD		786,042	784,371
		<hr/>	<hr/>
RETAINED PROFIT CARRIED FORWARD		786,268	786,042
		<hr/> <hr/>	<hr/> <hr/>

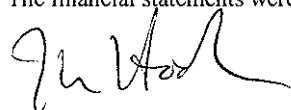
There are no recognised gains or losses other than those included in the profit and loss account.

The notes on pages 6 to 9 form part of these financial statements.

ANCOMASS LIMITEDBALANCE SHEET AT 31ST DECEMBER 1998

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
FIXED ASSETS			
Investment in subsidiary undertakings	8	83,630,089	83,630,089
CURRENT ASSETS			
Amount due from subsidiary undertakings		1,032,473	1,031,280
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Corporation tax		746	644
Accruals and deferred income		3,000	2,135
		<u>3,746</u>	<u>2,779</u>
NET CURRENT ASSETS		1,028,727	1,028,501
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>84,658,816</u>	<u>84,658,590</u>
CREDITORS - Amounts falling due after more than one year	7	(6,700,000)	(6,700,000)
NET ASSETS		<u><u>77,958,816</u></u>	<u><u>77,958,590</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	36,000,000	36,000,000
Share Premium		24,023,948	24,023,948
Capital Reserves		17,148,600	17,148,600
Profit & Loss Account		786,268	786,042
SHAREHOLDERS' FUNDS - EQUITY	10	<u><u>77,958,816</u></u>	<u><u>77,958,590</u></u>

The financial statements were approved by the board of directors on 24th March 1999 and signed on its behalf by:



J HODSON
DIRECTOR

The notes on pages 6 to 9 form part of these financial statements.

ANCOMASS LIMITEDNOTES TO THE FINANCIAL STATEMENTS1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with the items which are considered to be material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared under the historical cost convention, adjusted by the revaluation of the investment in subsidiary undertakings in prior years, and are in accordance with applicable accounting standards.

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.

Group Financial Statements

Ancomass Limited is a wholly owned subsidiary undertaking of a company incorporated in Great Britain, and accordingly group financial statements have not been prepared.

Income from shares in subsidiary undertakings

This represents income from shares in subsidiary undertakings on a receipt basis.

Investment in Subsidiary Undertakings

The Company's investment in its subsidiaries are stated at the directors' valuation.

2. PROFIT ON ORDINARY ACTIVITIES

Profit on ordinary activities is stated after charging/(crediting) the following:-

	<u>1998</u>	<u>1997</u>
	£	£
Auditors' remuneration - audit work	3,000	1,120
Income from listed investment	-	(572)
Interest receivable	(3,328)	(2,608)

3. TAXATION

	<u>1998</u>	<u>1997</u>
	£	£
Corporation tax at 31% (1997: 31.5%)	(102)	(644)
Tax credit on dividends receivable in the year	(1,150,000)	-
Over provision in prior years	-	270
	<u>(1,150,102)</u>	<u>(374)</u>

The low effective tax rate reflects the fact that the majority of the intra-group dividends were received under the group income election.

ANCOMASS LIMITEDNOTES TO THE FINANCIAL STATEMENTS

(continued)

5. 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 undertakings, was party, and which is or was significant in relation to the business of the Company or any of its subsidiary undertakings.

The aggregate amounts outstanding at 31st December 1998 to be disclosed under the provisions of the Companies Act 1985 in respect of loans made to the Company's directors and/or persons (including bodies corporate) connected with them by the Company's banking subsidiary were £693 (1997: £240,731) in respect of a loan to one director (1997: one director).

The above loan was on normal arms length commercial terms both as to security and interest. There was no amount outstanding at 31st December 1998 in respect of credit transactions for any director and/or connected person.

6. DIRECTORS' EMOLUMENTS

The emoluments of the directors of the Company in respect of their service as directors of, and paid by, its subsidiaries for the year ended 31st December 1998, excluding pension contributions amounted to £421,087 (1997: £407,291).

No director is employed under a contract of service which is not determinable by the Company within one year without compensation.

The highest paid director who served during the year received £332,853 (1997: £324,069).

7. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

On 22nd September, 1987 the Company issued £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.

ANCOMASS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(Continued)8. INVESTMENT IN SUBSIDIARIES

In the opinion of the directors the aggregate value of these investments is not less than the value of which they are stated in the balance sheet.

	<u>1998</u> £	<u>1997</u> £
Valuation of 1st January and 31st December	83,630,089 =====	83,630,089 =====

The cost of the investment in subsidiaries at 31st December 1998 was £ 52,795,455 (1997: £52,795,455).

9. GROUP UNDERTAKINGS

At 31st December 1998 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 undertakings of Ancomass Limited, which are owned directly (marked *) or through other subsidiaries are:

	<u>Country of incorporation/ registration</u>	<u>Proportion of Share capital owned and effective Interest of the Company %</u>
Singer & Friedlander Holdings Limited*	ENGLAND	100
Singer & Friedlander Investment Management Limited	ENGLAND	100
Singer & Friedlander Unit Trust Management Limited	ENGLAND	100
Singer & Friedlander Limited	ENGLAND	100
The First British American Corporation Limited	ENGLAND	100
Singer & Friedlander Factors Limited	ENGLAND	100
Singer & Friedlander (Isle of Man) Limited	ISLE OF MAN	100
Singer & Friedlander Trust Company (Isle of Man) Limited	ISLE OF MAN	100
Singer & Friedlander AG	SWITZERLAND	100
Singer & Friedlander Leasing Limited	ENGLAND	100
Singer & Friedlander Insurance Finance Limited	ENGLAND	100
Singer & Friedlander Finance Limited	ENGLAND	100
Singer & Friedlander Commercial Finance Limited	SCOTLAND	100
Collins Stewart Limited	ENGLAND	100
Collins Stewart (CI) Limited	GUERNSEY	80
Singer & Friedlander Investment Fund S.A	PANAMA	100
Sinjul Investments Limited	ENGLAND	100
Straker Brothers Limited	ENGLAND	100
Singer & Friedlander Properties PLC	ENGLAND	100
Singer & Friedlander Investment Properties Limited	ENGLAND	100
Millwalk Limited	ENGLAND	85
Hillgrove Developments Limited	ENGLAND	100
Peninsular Park Developments Limited	ENGLAND	100
Peaston Emerson's Green Limited	ENGLAND	100
Quinarius Investments Limited	ENGLAND	100

ANCOMASS LIMITEDNOTES TO THE FINANCIAL STATEMENTS

(continued)

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1998</u>	<u>1997</u>
	£	£
Opening shareholders' funds	77,958,590	77,956,919
Profit for the financial year	226	1,671
Closing shareholders' funds	<u>77,958,816</u>	<u>77,958,590</u>

11. SHARE CAPITAL

	<u>Authorised</u>		<u>Issued and fully paid</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£	£	£	£
'A' ordinary shares of 50p	36,987,400	36,987,400	35,988,546	35,988,546
'B' ordinary shares of 50p	3,700	3,700	3,700	3,700
'C' ordinary shares of 50p	1,000	1,000	-	-
'D' ordinary shares of 50p	200	200	54	54
Deferred shares of 50p	7,700	7,700	7,700	7,700
	<u>37,000,000</u>	<u>37,000,000</u>	<u>36,000,000</u>	<u>36,000,000</u>

12. RELATED PARTY DISCLOSURES

Financial Reporting Standard No. 8: Related Party Disclosures grants a partial exemption to subsidiary undertakings from its requirements, provided that 90% or more of the voting rights of the Company are controlled within the group, and the subsidiary is included in publicly available consolidated financial statements.

The directors of the Company have taken advantage of this exemption in respect of transactions between the Company and other qualifying group undertakings.

13. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of Ancomass Limited is Singer & Friedlander Group PLC which is incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements of the ultimate parent undertaking in which the results of this company are consolidated, can be obtained from its registered office at 21 New Street, Bishopsgate, London.