

Company No. 106294

**MIDLAND BANK TRUST COMPANY LIMITED**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1994**



MIDLAND BANK TRUST COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994

The Directors submit the audited accounts for the year ended 31 December 1994.

RESULTS AND DIVIDENDS

	£'000
Profit for the year available to shareholders	6,912
Dividend paid	(5,000)
Transfer to reserves	<u>1,912</u>

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

During 1994 the Company commenced trading under the brand name of Midland Private Banking, providing a wide range of investment management and advisory services. The change in trading style reflects a planned move away from product orientation towards servicing customers through full and long-term financial relationship management. As part of the reorganization of the business the trading assets and liabilities of Midland Bank Insurance Services Limited were acquired on 31st July 1994, and the range of services was extended to include the sale of broked insurance products. Under the terms of the Financial Services Act 1986 the offices from which the Company operates are polarised as independent intermediary offices with effect from 1st August 1994.

Trading during the year has been steady, with a modest increase in fee income of 3% over 1993 levels. Interest receivable has fallen due to the reduction in income from the SWAPS transactions entered into in 1993, along with a general reduction in the level of balances during the year.

During 1994 the Company has acquired from its parent company various assets used in the course of its business at a cost of £1.5M.

DIRECTORS

Listed below are the names of all directors who served on the Board during the year under review:

	Appointed	Resigned
P A Renn (Managing Director)		
P Blackburn		
P J Boylan	28.11.94	13.12.94
S M Davey-Evans		
K Hamilton	20.12.94	
D Longmore	20.12.94	
S M Robins		30.09.94
C D Thom	09.05.94	28.11.94
R L Wyatt		25.04.94

MIDLAND BANK TRUST COMPANY LIMITED

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994**

**DIRECTORS' INTERESTS**

All Directors' interests which require disclosure in accordance with the Companies Act 1985 are stated below.

	HSBC Holdings Plc		01.01.94	
	31.12.94		(or date of appointment if later)	
	Ord Shares 75p Each	Bonds Of £1 Each	Ord Shares Of 75p Each	Bonds Of £1 Each
P Blackburn	1,771	20	918	20
S M Davey-Evans	452	245	452	245
P A Renn	4,041	-	3,870	-
K Hamilton	1,137	222	1,137	222
D Longmore	868	-	868	-

In addition, during the year the following directors were granted/exercised options to acquire the number of HSBC Holdings plc ordinary shares of 75p each set against their respective names.

	Granted	Exercised
P Blackburn		809
S M Davey-Evans	491	
P A Renn	5,512	

**Directors' Liability Insurance**

Liability insurance is maintained for the Company's directors.

**AUDITORS**

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name.

By order of the Board



N Barker  
Secretary  
27/32 Poultry  
London EC2P 2BX  
8 February 1995

MIDLAND BANK TRUST COMPANY LIMITED

**Statement of Directors' Responsibilities in relation to the Accounts**

The following statement which should be read in conjunction with the Auditors' Statement of Auditors' Responsibilities set out on page 4 is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the accounts.

The Directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The Directors are required to prepare the accounts on the going concern basis unless it is not appropriate.

The Directors consider that in preparing the accounts on pages 5 to 15 the Company has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

MIDLAND BANK TRUST COMPANY LIMITED

**AUDITORS' REPORT TO THE MEMBERS OF MIDLAND BANK TRUST COMPANY LIMITED**

We have audited the accounts on pages 5 to 15.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on the accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG  
Chartered Accountants  
Registered Auditors  
1 Puddle Dock  
Blackfriars  
London  
EC4V 3PD  
8 February 1995

**MIDLAND BANK TRUST COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1994**

	Notes	1994 £'000	1994 £'000	1993 £'000
<b>Interest receivable:</b>				
Other interest receivable and similar income			4,193	6,719
Interest payable			(140)	(128)
<b>NET INTEREST INCOME</b>			<u>4,053</u>	<u>6,591</u>
Dividend income - income from shares in Group undertakings			66	60
<b>FEES AND COMMISSIONS RECEIVABLE</b>				
Continuing operations			34,239	35,115
Acquisition			1,788	
<b>OPERATING INCOME</b>			<u>40,146</u>	<u>41,766</u>
Administrative expenses			(29,533)	(29,573)
Depreciation and amortisation	10		(438)	(37)
			<u>(29,971)</u>	<u>(29,610)</u>
Continuing operations		9,696		
Acquisitions		<u>479</u>		
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>	3		10,175	12,156
Tax on profit on ordinary activities	5		(3,263)	(3,996)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAX</b>			<u>6,912</u>	<u>8,160</u>
Dividends	6		(5,000)	(8,000)
<b>RETAINED PROFIT FOR THE YEAR</b>			<u>1,912</u>	<u>160</u>
<b>PROFIT AND LOSS ACCOUNT</b>				
Balance at 1 January 1994			416	256
Retained profit for the year			1,912	160
Balance at 31 December 1994			<u>2,328</u>	<u>416</u>

MIDLAND BANK TRUST COMPANY LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1994

The Company has no recognised gains or losses other than the retained profit in either year.

The notes on pages 8 to 15 form part of these accounts.

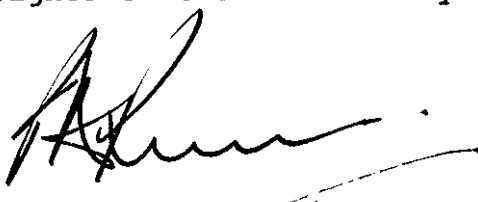
MIDLAND BANK TRUST COMPANY LIMITED

BALANCE SHEET AT 31 DECEMBER 1994

	Notes	1994 £'000	1993 £'000
<b>ASSETS</b>			
Loans and advances to banks	8	60,046	71,468
Loans and advances to customers	9	3,880	5,889
Tangible fixed assets	10	1,210	254
Other assets	11	1,272	1,915
Prepayments and accrued income		2,153	1,377
<b>TOTAL ASSETS</b>		<u>68,561</u>	<u>80,903</u>
<b>LIABILITIES</b>			
Customer accounts	12	33,923	47,122
Other liabilities	13	15,260	16,797
Accruals and deferred income		1,121	811
Provisions for liabilities and charges	14	829	657
Called up share capital	15	15,000	15,000
Share premium account		100	100
Profit and loss account		2,328	416
Shareholders' funds	16	17,428	15,516
<b>TOTAL LIABILITIES</b>		<u>68,561</u>	<u>80,903</u>

The notes on pages 8 to 15 form part of these accounts.

The accounts were approved by the board of directors on 8 February 1995 and signed on their behalf by:

  
P A Renn  
Director  
8 February 1995



MIDLAND BANK TRUST COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

1. ACCOUNTING POLICIES

(a) Accounting Convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Cash Flow Statement

A Cash Flow statement is not provided as the consolidated accounts of the ultimate holding company include a group cash flow statement prepared in accordance with the requirements of Financial Reporting Standard No. 1.

(c) Basis of Presentation

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking companies.

Group accounts have not been prepared as the Company is a wholly owned subsidiary of a UK Company.

(d) Depreciation

The cost of fixed assets is written off by equal instalments over their expected useful lives as follows:

Vehicles: 5 years  
Furniture and Equipment: 3 to 5 years  
Premises Improvements: 10 years

(e) Deferred Taxation

Provision is made for deferred taxation, using the liability method, on short term timing differences and all other material timing differences to the extent that it is probable that the liability or asset will crystallise.

(f) Income

Interest income and fee income are accounted for in the profit and loss account on an accruals basis.

MIDLAND BANK TRUST COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

2. OPERATING INCOME

Operating income represents fees, commissions and net interest receivable from the provision of Asset Management Services including executorship, trusteeship and investment advice and management. From 1st August 1994 the product range was extended to include the sale of broked insurance products.

3. PROFIT ON OPERATING ACTIVITIES BEFORE TAX

(a) Acquisition

The operating profit for the year is stated after charging the following costs relating to the business acquired.

	£'000
Administrative expenses	1,273
Depreciation and amortisation	<u>36</u>

(b) This is stated after charging:

	1994 £'000	1993 £'000
Auditors' remuneration - audit services	16	22
- non-audit services	10	7
Depreciation of fixed assets	<u>438</u>	<u>37</u>

4. DIRECTORS' EMOLUMENTS

Three directors who served during the year were remunerated by other group undertakings which make no specific charge to this company for their services.

All emoluments relate to payments made for services in connection with the management of the affairs of the company.  
Remuneration paid to directors amounted to £289,000 (1993-£238,000).

The emoluments, excluding pension contributions, of the highest paid director, amounted to £86,000 (1993-£80,000).

MIDLAND BANK TRUST COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

The following table shows the number of directors whose emoluments, excluding pension contributions, receivable from the company, fell within the bands stated.

	1994	1993
Nil to £5,000	5	6
£10,001 to £15,000	-	1
£45,001 to £50,000	1	-
£50,001 to £55,000	-	1
£55,001 to £60,000	1	-
£60,001 to £65,000	1	1
£75,001 to £80,000	-	1
£85,001 to £90,000	1	-

The Company has no direct employees, but receives a recharge from Midland Bank plc in respect of staff who are engaged in the business.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1994 £'000	1993 £'000
UK Corporation Tax at 33%	3,226	3,959
Deferred Tax	114	35
Adjustments relating to prior years	(77)	2
	<hr/> 3,263	<hr/> 3,996

It is proposed that taxation liabilities will be discharged by surrender of losses by other group undertakings.

6. DIVIDENDS

	1994 £'000	1993 £'000
Paid:		
First interim of 167p per share (1993 - 133p)	5,000	4,000
Proposed:		
Final dividend of Nil per share (1993 - 133p)	-	4,000
	<hr/> 5,000	<hr/> 8,000

MIDLAND BANK TRUST COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

7. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Company at 31 December 1994 were:

Company	Country Of Registration	Class Of Share	Interest Of Midland Bank Trust Company Limited
Midland Bank Trust Company (HK) Limited	England	Ordinary	100%
Midland Nominees Limited	England	Ordinary	100%

During 1994 the Company sold its entire holding in Midland Bank (Branch Nominees) Limited to Midland Bank plc. No profit or loss occurred on this disposal.

8. LOANS AND ADVANCES TO BANKS

	1994 £'000	1993 £'000
Repayable by Group undertakings:		
- Within 3 months	60,046	63,301
- Between 3 months and 1 year	-	8,167
	<hr/> 60,046	<hr/> 71,468

9. LOANS AND ADVANCES TO CUSTOMERS

	1994 £'000	1993 £'000
- Repayable on demand	<hr/> 3,880	<hr/> 5,889

MIDLAND BANK TRUST COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

10. TANGIBLE FIXED ASSETS

	Motor Vehicles	Premises Improvements	Furniture Fittings & Equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1.1.94	-	47	776	823
Group transfer	1,034	55	403	1,492
Disposals	(115)	-	(2)	(117)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.12.94	919	102	1,177	2,198
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1.1.94	-	-	569	569
Charge for the year	173	9	256	438
Disposals	(18)	-	(1)	(19)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.12.94	155	9	824	988
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>				
At 31.12.94	764	93	353	1,210
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.12.93	-	47	207	254
	<hr/>	<hr/>	<hr/>	<hr/>

MIDLAND BANK TRUST COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

<b>11. OTHER ASSETS</b>			<b>1994</b>	<b>1993</b>
			<b>£'000</b>	<b>£'000</b>
a) Analysis of Other Assets				
Pensions Relief at Source			635	1,299
Deferred Tax (See (b) below)			122	236
Commission Receivable			135	-
Due from Group Undertakings			378	375
Other			2	5
			<hr/>	<hr/>
			1,272	1,915
			<hr/>	<hr/>
b) Deferred Tax				
	<b>Provided</b>	<b>Not Provided</b>		
	<b>1994</b>	<b>1993</b>	<b>1994</b>	<b>1993</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	(21)	(9)	-	-
Short term timing differences	(101)	(227)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(122)	(236)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>12. CUSTOMER ACCOUNTS</b>			<b>1994</b>	<b>1993</b>
			<b>£'000</b>	<b>£'000</b>
Repayable				
- On demand			33,923	47,122
			<hr/>	<hr/>
<b>13. OTHER LIABILITIES</b>			<b>1994</b>	<b>1993</b>
			<b>£'000</b>	<b>£'000</b>
Corporation Tax			4,320	4,387
Proposed Dividend			-	4,000
Due to Group Undertakings			9,977	6,778
Other Liabilities			963	1,632
			<hr/>	<hr/>
			15,260	16,797
			<hr/>	<hr/>

MIDLAND BANK TRUST COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

14. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions against business risks are as follows:-

	£'000's
Brought forward at 1.1.94	657
Released in the year	(715)
Charged in the year	839
Transfer of group provisions	48
	<hr/>
Carried forward at 31.12.94	829
	<hr/>

15. SHARE CAPITAL

	1994 £'000	1993 £'000
Ordinary shares of £5.00 each:		
Authorised	50,000	50,000
	<hr/>	<hr/>
Allotted, called up and fully paid	15,000	15,000
	<hr/>	<hr/>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1994 £'000	1993 £'000
Profit for financial year	6,912	8,160
Dividends	(5,000)	(8,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	1,912	160
Opening shareholders' funds	15,516	15,356
	<hr/>	<hr/>
Closing shareholders' funds	17,428	15,516
	<hr/>	<hr/>

17. FINANCIAL COMMITMENTS

In December 1993 the Company entered into £10 million of 2 to 6 year interest rate swaps with Midland Bank plc. The transactions were entered into for hedging purposes.

MIDLAND BANK TRUST COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

**18. CONTINGENT LIABILITY**

The Company is registered as a member of a Group for VAT purposes and, accordingly, is jointly and severally liable on behalf of members of the Group in respect of amounts of unpaid VAT.

The Securities and Investments Board concluded its review of past business conduct in relation to pension transfers and opt-outs in October 1994 and published its findings and recommendations. A provision for the amount of compensation potentially payable to customers has been made on the basis of information currently available.

**19. PARENT UNDERTAKINGS**

The Company's immediate parent undertaking is Midland Bank plc, which is incorporated and registered in England and Wales. The smallest group of which this Company is a member and for which group accounts are prepared is Midland Bank plc registered in England and Wales. Copies of the Report and Accounts of Midland Bank plc can be obtained from its registered office at 27/32 Poultry, London, EC2P 2BX. The largest group of which this Company is a member and for which group accounts are prepared is HSBC Holdings plc, which is the ultimate parent undertaking and which is incorporated and registered in England and Wales. Copies of the Report and Accounts of HSBC Holdings plc can be obtained from its registered office at 10 Lower Thames Street, London, EC3R 6AE.