

**MIDLAND BANK TRUST COMPANY LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

**31 DECEMBER 1996**



Company Registration Number 106294

**MIDLAND BANK TRUST COMPANY LIMITED**

**Annual report  
for the year ended 31 December 1996**

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# MIDLAND BANK TRUST COMPANY LIMITED

Directors' report for the year ended 31 December 1996

## 1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

During 1996 the company continued to trade under the brand name of Midland Private Banking, providing a wide range of investment management and advisory services. Customers are provided a full financial relationship management service through offices in the UK which are polarised as independent intermediaries.

Operating profit increased significantly in the year reflecting growth in customers and funds under management, together with reductions in operational costs.

## 2. RESULTS AND DIVIDENDS

	£'000
Profit for the year available to shareholders	9,465
Dividends paid and payable	(8,000)
Transfer to retained profits	<u>1,465</u>

## 3. DIRECTORS

Listed below are the names of all directors who served on the board during the year under review.

	Appointed	Resigned
N V Moss (Chairman)	18:11:96	
S A Donohoe (Managing Director)		
S M Davey-Evans		
P E Dillnutt	12:02:96	
K M Hamilton		
D Longmore		
D J Mills		17:11:96

## 4. DIRECTORS' INTERESTS

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

HSBC Holdings plc				
	31.12.96		01.01.96	
	Ord Shares 75p each	Bonds of £1 each	(or date of appointment, if later) Ord Shares 75p each	Bonds of £1 each
S A Donohoe	1,572		1,263	
S M Davey-Evans	452	245	452	245
P E Dillnutt	2,943	1,133	3,046	1,133
K M Hamilton	1,224	222	1,183	222
D Longmore	600		1,000	
N V Moss	3,385		3,385	

# MIDLAND BANK TRUST COMPANY LIMITED

Directors' report for the year ended 31 December 1996

## 4. DIRECTORS' INTERESTS ( continued )

In addition, during the year ( or from date of appointment, if later ) 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
S A Donohoe	5,165	1,392

## 5. DIRECTORS' LIABILITY INSURANCE

Liability insurance is maintained for the company's directors.

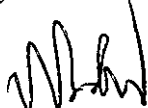
## 6. SUPPLIER PAYMENT POLICY

The company has subscribed to the Confederation of British Industry Prompt Payers Code for all suppliers. Information about the code may be obtained from the CBI.

## 7. AUDITORS

KPMG resigned as auditors of the company on 27 June 1996 and KPMG Audit Plc were appointed auditors of the company in their place.

By order of the board



N Barker  
Secretary  
27/32 Poultry  
London. EC2P 2BX

24 February 1997

## **MIDLAND BANK TRUST COMPANY LIMITED**

### **Statement of directors' responsibilities**

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out in their report 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 financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements 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 financial statements on the going concern basis unless it is not appropriate.

The directors consider that in preparing the financial statements (on pages 5 to 12), 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 financial statements 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

## Report of the auditors, KPMG Audit Plc

To the members of Midland Bank Trust Company Limited

We have audited the financial statements on pages 5 to 12.

### Respective responsibilities of directors and auditors

As described on page 3, 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 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditors

8 Salisbury Square  
London  
EC4Y 8BB

24 February 1997

**MIDLAND BANK TRUST COMPANY LIMITED**

**Profit and loss account  
for the year ended 31 December 1996**

	Note	1996 £'000	1995 £'000
<b>Interest receivable</b>			
Other interest receivable and similar income		6,515	5,881
<b>Interest payable</b>		(2,123)	(1,696)
<b>NET INTEREST INCOME</b>		<u>4,392</u>	<u>4,185</u>
Dividend income from shares in group undertakings		50	80
<b>Fees and commissions receivable</b>		46,586	37,139
<b>OPERATING INCOME</b>		<u>51,028</u>	<u>41,404</u>
Administrative expenses		(34,035)	(34,949)
Depreciation and amortisation	10	(221)	(401)
<b>OPERATING PROFIT</b>		<u>16,772</u>	<u>6,054</u>
Exceptional charge in respect of provision for contingent loss	3	(2,640)	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		<u>14,132</u>	<u>6,054</u>
Tax on profit on ordinary activities	5	(4,667)	(1,871)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAX</b>		<u>9,465</u>	<u>4,183</u>
Dividends	6	(8,000)	(6,000)
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<u>1,465</u>	<u>(1,817)</u>
<b>PROFIT AND LOSS ACCOUNT</b>			
Balance at 1 January		511	2,328
Retained profit/(loss) for the year		1,465	(1,817)
Balance at 31 December		<u>1,976</u>	<u>511</u>

All profits relate to continuing operations.

**Recognised gains and losses**

There are no recognised gains or losses other than the profit on ordinary activities shown above.

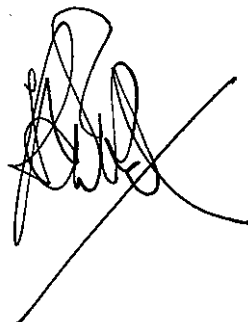
The accounting policies and notes on pages 7 to 12 form an integral part of these financial statements.

# MIDLAND BANK TRUST COMPANY LIMITED

Balance sheet at 31 December 1996

	Note	1996 £'000	1995 £'000
<b>ASSETS</b>			
Loans and advances to banks	8	133,822	96,916
Loans and advances to customers	9	2,581	2,600
Tangible fixed assets	10	408	724
Other assets	11	2,481	1,809
Prepayments and accrued income		1,919	1,840
<b>TOTAL ASSETS</b>		<u>141,211</u>	<u>103,889</u>
<b>LIABILITIES</b>			
Customer accounts	12	89,948	65,042
Other liabilities	13	28,150	19,718
Accruals and deferred income		1,823	2,182
Provisions for liabilities and charges	14	4,214	1,336
Called up share capital	15	15,000	15,000
Share premium account		100	100
Profit and loss account		1,976	511
Shareholders' funds	16	17,076	15,611
<b>TOTAL LIABILITIES</b>		<u>141,211</u>	<u>103,889</u>

The accounts were approved by the board of directors on 24th February 1997 and were signed on its behalf by :



24. 2. 1997

The accounting policies and notes on pages 7 to 12 form an integral part of these financial statements.



# MIDLAND BANK TRUST COMPANY LIMITED

## Notes to the accounts

### 1. ACCOUNTING POLICIES

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

**a. Basis of preparation**

The financial statements have been prepared under the historical cost convention and the special provisions of Part VII of the Companies Act 1985 relating to banking companies, and with applicable accounting standards.

A cash flow statement has not been prepared as the company's parent undertaking prepares a consolidated cash flow statement.

**b. 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

**c. 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.

**d. Income**

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

### 2. OPERATING INCOME

Operating income represents fees, commissions and net interest receivable from the provision of asset management services including executorship, trusteeship, investment advice and management and the sale of broked insurance products.

### 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

This is stated after charging :	1996	1995
	£'000	£'000
Depreciation charge for fixed assets	221	401
Auditors' remuneration - audit services	25	37
- non-audit services	28	49
Exceptional charge ( see below )	<u>2,640</u>	<u>-</u>

In the year the company made a provision of £2,640,000 in respect of potential losses that may arise in connection with a trust for which the company acts as trustee.

## MIDLAND BANK TRUST COMPANY LIMITED

### Notes to the accounts

#### 4. DIRECTORS' EMOLUMENTS

Two 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 £283,000 (1995 : £232,000).

The emoluments, excluding pension contributions, of the highest paid director, amounted to £68,000 (1995 : £62,000). The Chairman received no emoluments from this company (1995 : £nil).

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

	1996	1995
nil to £ 5,000	2	2
£30,001 to £35,000	1	1
£35,001 to £40,000	-	1
£40,001 to £45,000	-	1
£45,001 to £50,000	2	-
£55,001 to £60,000	2	1
£60,001 to £65,000	-	1

The company does not have any 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

The charge for taxation comprises :

	1996 £'000	1995 £'000
UK Corporation tax at 33% ( 1995 : 33% ) :		
Current	6,389	2,189
Deferred	(1,723)	(420)
Adjustments relating to prior years	1	102
	<u>4,667</u>	<u>1,871</u>

# MIDLAND BANK TRUST COMPANY LIMITED

## Notes to the accounts

### 6. DIVIDENDS

	1996 £'000	1995 £'000
First interim paid of 133p per share (1995 : 133p)	4,000	4,000
Second interim payable of 133p per share (1995 : 67p)	4,000	2,000
	<u>8,000</u>	<u>6,000</u>

### 7. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the company at 31 December 1996 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%

### 8. LOANS AND ADVANCES TO BANKS

	1996 £'000	1995 £'000
Repayable by group undertakings:		
- Within 3 months	<u>133,822</u>	<u>96,916</u>

### 9. LOANS AND ADVANCES TO CUSTOMERS

	1996 £'000	1995 £'000
- Repayable on demand	<u>2,581</u>	<u>2,600</u>

# MIDLAND BANK TRUST COMPANY LIMITED

## Notes to the accounts

### 10. TANGIBLE FIXED ASSETS

	Motor Vehicles	Premises Improvements	Furniture, Fittings & Equipment	Total
	£'000	£'000	£'000	£'000
<b>COST</b>				
At 1 January 1996	571	102	1,323	1,996
Additions	-	-	96	96
Transfers	(59)	-	(77)	(136)
Disposals	(248)	-	-	(248)
At 31 December 1996	<u>264</u>	<u>102</u>	<u>1,342</u>	<u>1,708</u>
<b>DEPRECIATION</b>				
At 1 January 1996	217	19	1,036	1,272
Charge for year	91	11	119	221
Transfers	(22)	-	(35)	(57)
Disposals	(136)	-	-	(136)
At 31 December 1996	<u>150</u>	<u>30</u>	<u>1,120</u>	<u>1,300</u>
<b>NET BOOK VALUE</b>				
At 31 December 1996	<u>114</u>	<u>72</u>	<u>222</u>	<u>408</u>
At 31 December 1995	<u>354</u>	<u>83</u>	<u>287</u>	<u>724</u>

### 11. OTHER ASSETS

	1996 £'000	1995 £'000
a) Analysis of Other assets		
Pensions relief at source	383	381
Deferred tax (See (b) below)	1,490	542
Commission receivable	249	166
Due from group undertakings	356	717
Other	3	3
	<u>2,481</u>	<u>1,809</u>

#### b) Deferred tax

	Amount provided	Amount unprovided
	1996 £'000	1995 £'000
Tax effect of short term timing differences	(1,422)	(472)
Accelerated capital allowances	(68)	(70)
	<u>(1,490)</u>	<u>(542)</u>

# MIDLAND BANK TRUST COMPANY LIMITED

## Notes to the accounts

### 12. CUSTOMER ACCOUNTS

	1996 £'000	1995 £'000
Repayable on demand	<u>89,948</u>	<u>65,042</u>

### 13. OTHER LIABILITIES

	1996 £'000	1995 £'000
Corporation tax	5,614	2,189
Proposed dividend	4,000	2,000
Due to group undertakings	17,344	14,385
Other liabilities	<u>1,192</u>	<u>1,144</u>
	<u>28,150</u>	<u>19,718</u>

### 14. PROVISION FOR LIABILITIES AND CHARGES

	1996 £'000	1995 £'000
Provisions against business risks:		
At 1 January	1,336	829
Profit and loss account	2,878	507
At 31 December	<u>4,214</u>	<u>1,336</u>

### 15. SHARE CAPITAL

	1996 £'000	1995 £'000
Authorised :		
Ordinary shares of £5 each	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid :		
Ordinary shares of £5 each	<u>15,000</u>	<u>15,000</u>

### 16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £'000	1995 £'000
Opening shareholders' funds	15,611	17,428
Profit for the financial year	9,465	4,183
Dividends	(8,000)	(6,000)
Closing shareholders' funds	<u>17,076</u>	<u>15,611</u>

## **MIDLAND BANK TRUST COMPANY LIMITED**

### **Notes to the accounts**

#### **17. FINANCIAL COMMITMENTS**

In December 1993 the company entered into £5 million of 3 to 6 year interest rate swaps and in June 1994 entered into £2.5 million of 2 to 5 year interest rate swaps both with Midland Bank plc. The transactions were entered into for hedging purposes.

#### **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. ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH THE COMPANY IS A MEMBER**

The company is a subsidiary undertaking of HSBC Holdings plc which is registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by HSBC Holdings plc. The smallest group in which they are consolidated is that headed by Midland Bank plc which is registered in England and Wales. The consolidated accounts of these groups are available to the public and may be obtained from their registered offices at Midland Bank plc, 27/32 Poultry, London, EC2P 2BX and HSBC Holdings plc, 10 Lower Thames Street, London, EC3R 6AE.