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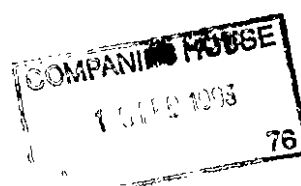
343544

HILL SAMUEL BANK LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 OCTOBER 1992

(Registered Number: 343544)



HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Directors' Report

The Directors present the annual report and audited accounts of the company for the year ended 31 October 1992.

Activities

During the year the company carried on the business of a merchant bank. The activities of the principal subsidiary undertakings are shown in note 12 to the accounts.

State of Affairs

During the year, a subsidiary undertaking of the company sold, for a cash consideration, UDT Bank Limited and its subsidiary First Southern Bank Limited, and the company sold for a cash consideration, London Bridge Finance Limited.

The disposal of Hill Samuel Bank (Ireland) Limited was not completed and its general banking business was transferred to a branch of the company. Target Holdings Limited was purchased and subsequently sold by the company. Since 31 October 1992, a subsidiary undertaking of the company has acquired, Hill Samuel Bank (Jersey) Limited, and the company has acquired, Hill Samuel Personal Finance Limited. The consideration for each of these transactions was satisfied by interest free inter-company loans.

Under a sub-participation agreement dated 30 October 1992 the company transferred beneficial ownership of certain lending and other similar agreements to its immediate parent undertaking, together with the provisions for losses to date made against these agreements.

Results and Dividends

The result for the year which is set out on page 7 of the accounts, was adversely affected by provisions for bad and doubtful debts.

The Directors, having satisfied themselves that adequate revenue reserves were available, declared an interim dividend of £10,125,000 on the ordinary share capital which was paid on 30 June 1992 (year to 31 October 1991 - nil).

The Directors do not recommend the payment of a final dividend on the ordinary share capital for the year ended 31 October 1992 (year to 31 October 1991 - nil).

Capital

The company received the following capital contributions from TSB Bank plc; £180m on 30 June 1992 and £30m on 30 October 1992. The contributions were in the form of cash and were to increase the available working capital. During the year, the company repaid £180m of loan capital.

Directors' Report continued

Directors

The present members of the Board are as follows:

| | | |
|--------------------|---|-----------------------|
| J R Sclater | - | Chairman |
| Sir Richard Lloyd | - | Deputy Chairman |
| J H F Macpherson | - | Deputy Chairman |
| C M Stuart * | - | Vice Chairman |
| R W Heley | - | Vice Chairman |
| H R Freedberg | - | Chief Executive |
| M H F Anderson | | E J Llewellyn-Lloyd |
| S W Aulsebrook | | G M McEnery |
| C L Badcock | | J McKechnie * |
| C P Barrington | | B G McNamara |
| J A Bennett * | | R J Mackay |
| J O F Bourke | | M S Mander |
| P W Brading | | R H Meddings |
| T F Brockbank | | R R C Moore |
| B M Broadbent | | D R Murphy |
| A V Brown | | T P Murphy * |
| C W E R Buchan | | J A Naish |
| P Bucks | | H P Newton |
| A Camu | | S O'Shea |
| M J Campion * | | C Oakley |
| H S Cathcart | | B L Offergelt * |
| C J Cheadle | | A J Parker |
| D M N Confino | | G R Parris |
| C M Cottrell * | | R W N Perrin |
| M Cummings ** | | J E Prescott * |
| J M B Daniels * | | A J H Reed |
| W J Davies * | | P G Reid |
| E M G Ettershank * | | J S Ross * |
| C S Fairhurst | | D J F Rushton |
| J W Foley | | R A Sansom |
| C R Forster | | J C B Sharp |
| T C Frankland | | C Shepherd * |
| R C G Gardner | | I T B Sproule |
| H R Gillespie | | R I Stansbury |
| R H Gilmore | | M J G Stanton |
| G P Gonszor | | D H Stewart * |
| M C Gray | | P C S Stellakis * |
| P Guy | | E St C Stobart |
| R V Haver * | | P W Temple |
| C R B Hesketh | | J C G Trower * |
| W S James | | J R Turvill |
| J Jawanmardi | | P S Whitaker |
| W R Jones | | J K S Wilkinson |
| C P Joseph | | R J Williams * |
| A W Jukes | | Sir Mark Wrightson Bt |

* Appointed during year ended 31 October 1992

** Appointed after year ended 31 October 1992

Directors' Report continued

The following were members of the Board during the year ended 31 October 1992 but had ceased to be so on that date:

R H I Chown, Sir Hugh Cortazzi, C A Gidman, P J Gooding, A N Joy, D C McCrickard, J C S Mills, D C Mootham, R Nunn, H K Paton, F J Randall, R F Reynolds, A J Rudd, G M L Skingley, P K Williams.

N J Brinn was a member of the Board during the year ended 31 October 1992 but resigned on 5 January 1992.

Directors' Interests in Shares and Loan Notes of TSB Group plc

The Directors who held office at the end of the financial year had the following interests in the shares, options over shares and loan notes of TSB Group plc as recorded in the register of directors' share and debenture interests, other than those of Mr H R Freedberg and Mr J H F Macpherson, who were also Directors of TSB Group plc, and whose interests in TSB Group plc are shown in the accounts of that company:

31 OCTOBER 19921 NOVEMBER 1991

* (or on date appointed, if later)

| | <u>Ordinary</u> <u>shares of</u> <u>25p each</u> <u>held</u> <u>bene-</u> <u>ficially</u> | <u>Unsecured</u> <u>Loan Notes</u> <u>held</u> <u>bene-</u> <u>ficially</u> | <u>Options</u> <u>over</u> <u>ordinary</u> <u>shares of</u> <u>25p</u> | <u>Ordinary</u> <u>shares of</u> <u>25p each</u> <u>held</u> <u>bene-</u> <u>ficially</u> | <u>Unsecured</u> <u>Loan Notes</u> <u>held</u> <u>bene-</u> <u>ficially</u> | <u>Options</u> <u>over</u> <u>ordinary</u> <u>shares of</u> <u>25p</u> |
|--------------------|--|---|--|--|---|--|
| M H F Anderson | - | - | 146,581 | - | - | 82,759 |
| S W Aulsebrook | - | 6,836 | 103,189 | - | 15,746 | 54,607 |
| C L Badcock | - | - | 78,421 | - | - | - |
| C P Barrington | - | - | 104,560 | - | - | - |
| J O P Bourke | 7,862 | - | 270,703 | 7,862 | - | 216,230 |
| P W Brading | 51,062 | - | 108,382 | 50,322 | 4,795 | 60,700 |
| N J Brinn | - | - | 150,619 | - | - | 71,651 |
| B M Broadbent | - | - | 48,631 | - | - | - |
| T F Brockbank | 7,858 | - | 78,404 | 7,858 | 5,905 | 78,404 |
| A V Brown | - | - | 30,769 | - | - | 34,129 |
| C W E R Buchan | 7,824 | - | 151,346 | 7,824 | 16,754 | 92,232 |
| P Bucks | 7,416 | - | 101,250 | 7,416 | 5,856 | 97,755 |
| M J Campion * | - | - | 91,929 | 440 | - | 91,929 |
| A Camu | 2,046 | - | 17,302 | 2,046 | - | 10,105 |
| H S Cathcart | 22,174 | - | 75,011 | 9,946 | 3,260 | 50,799 |
| C J Cheadle | 7,822 | - | 171,935 | 7,822 | - | 157,650 |
| D M Confino | 1,751 | - | 75,849 | 1,751 | - | 40,100 |
| C M Cottrell * | 330 | - | - | 385 | - | - |
| J M B Daniels * | 1,193 | - | 17,302 | 1,193 | - | 17,302 |
| E M G Ettershank * | - | - | 70,191 | - | - | 37,803 |
| C S Fairhurst * | - | - | 48,582 | - | - | - |
| J W Foley | 4,106 | - | 113,522 | 4,106 | 9,412 | 48,819 |
| C R Forster | 6,252 | - | 66,604 | 1,100 | 3,567 | 52,650 |
| R C G Gardner | 6,924 | 20,000 | 84,483 | 6,954 | 28,354 | 44,898 |
| H R Gillespie | - | - | 42,818 | - | - | 26,621 |
| R H Gilmore | 4,792 | - | 107,513 | 4,792 | - | 75,041 |
| G P Gonszor | 7,522 | 16,735 | 123,832 | 7,486 | 43,235 | 61,575 |
| M C Gray | 802 | - | 61,549 | - | 2,762 | 36,718 |
| P Guy | - | - | 387,083 | - | - | 193,044 |
| R V Haver * | 8,639 | 47,829 | 8,639 | - | 19,344 | - |
| R W Heley | - | - | 176,928 | - | 21,821 | 81,911 |
| C R B Hesketh | 6,590 | - | 70,876 | 6,590 | 18,395 | 62,239 |

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Directors' Report continued

| | <u>31 OCTOBER 1992</u> | | | <u>1 NOVEMBER 1991</u> | | |
|---------------------|--|---|--|--|---|--|
| | <u>Ordinary</u> <u>shares of</u> <u>25p each</u> <u>held</u> <u>bene-</u> <u>ficially</u> | <u>Unsecured</u> <u>Loan Notes</u> <u>held</u> <u>bene-</u> <u>ficially</u> | <u>Options</u> <u>over</u> <u>ordinary</u> <u>shares of</u> <u>25p</u> | * (or on date appointed, if later) <u>Ordinary</u> <u>shares of</u> <u>25p each</u> <u>held</u> <u>bene-</u> <u>ficially</u> | <u>Unsecured</u> <u>Loan Notes</u> <u>held</u> <u>bene-</u> <u>ficially</u> | <u>Options</u> <u>over</u> <u>ordinary</u> <u>shares of</u> <u>25p</u> |
| W S James | 7,034 | - | 47,498 | 7,034 | 5,904 | 47,498 |
| J Jawanmardi | - | - | 60,913 | - | 3,831 | 30,379 |
| W R Jones | 8,443 | - | 127,329 | 8,443 | - | 94,401 |
| C P Joseph | 3,811 | - | 50,229 | 3,811 | - | 25,938 |
| A W Jukes | 2,189 | - | 97,488 | 2,900 | - | 45,994 |
| Sir Richard Lloyd | 16,428 | - | - | 16,428 | - | - |
| E J Llewellyn-Lloyd | 550 | - | 83,765 | 550 | - | 40,101 |
| G M McEnergy | - | 1,936 | 63,104 | - | 1,936 | 30,716 |
| B G McNamara | 27,630 | - | 53,686 | 18,404 | 3,994 | 52,143 |
| R J Mackay | 1,635 | - | 100,908 | - | - | 48,033 |
| R H Meddings | 16,448 | - | 106,315 | - | - | 79,129 |
| R R C Moore | 4,106 | - | 43,497 | 4,106 | 3,094 | 27,303 |
| D R Murphy | 2,413 | - | 91,849 | 2,413 | - | 44,167 |
| T P Murphy * | 816 | - | 40,584 | 816 | - | 25,584 |
| J A Naish | - | - | 76,435 | - | - | 30,716 |
| H P Newton | - | - | 56,662 | - | - | 48,025 |
| S O'Shea | 13,985 | 50,000 | 46,500 | 13,985 | 54,210 | 38,453 |
| C Oakley | 1,751 | - | 100,302 | 1,751 | - | 60,765 |
| B L Offergelt * | 2,050 | - | 6,143 | 2,050 | - | 6,143 |
| A J Parker | 1,693 | - | 62,942 | 1,693 | - | 31,454 |
| G R Parris | 7,877 | - | 72,135 | 7,877 | - | 37,408 |
| R W N Perrin | 3,547 | - | 127,979 | 3,547 | 9,345 | 80,352 |
| J E Prescott * | 5,240 | - | 15,650 | 5,240 | - | 15,650 |
| A J H Reed | 2,900 | - | 100,450 | 2,900 | - | 59,965 |
| P G Reid | - | - | 71,287 | - | - | 51,522 |
| J S Ross * | 14,077 | 2,875 | 17,966 | 14,077 | 2,875 | 12,681 |
| D J F Rushton | 4,489 | - | 101,972 | 4,489 | - | 62,387 |
| R A Sansom | 4,596 | - | 135,112 | 596 | - | 88,324 |
| J C B Sharp | 2,046 | 25,000 | 30,582 | 2,046 | 44,145 | 30,582 |
| C Shepherd * | 15,342 | - | 17,416 | 2,774 | 2,024 | 18,556 |
| I T B Sproule | 5,109 | - | 57,097 | 5,109 | 3,200 | 32,266 |
| R I Stansbury | 7,467 | - | 82,823 | 7,467 | 2,980 | 61,575 |
| M J G Stanton | 14,455 | - | 123,204 | 11,158 | - | 86,319 |
| D H Stewart * | - | - | 62,736 | - | - | - |
| E St C Stobart | 7,216 | - | 110,149 | 7,216 | - | 85,318 |
| P W Temple | 4,338 | - | 51,931 | 4,338 | - | 27,640 |
| J C G Trower * | 3,052 | - | 16,477 | 3,052 | - | 16,427 |
| J R Turvill | - | - | 111,043 | - | - | 74,696 |
| P S Whitaker | 8,316 | - | 62,032 | 8,316 | - | 38,641 |
| J K S Wilkinson | 1,050 | - | 58,611 | 1,050 | - | 58,611 |
| C M G Wrightson | - | - | 146,581 | - | 3,272 | 82,759 |

Directors' Report continued

The options to purchase shares were granted under the terms of TSB Group's Executive Share Option and Share Save Schemes. According to the register of Directors' interests, increases in the options shown above arose as a result of the grant of further options to the Directors or their immediate families. No options were exercised by the Directors except as listed below:

| | Number of Options Over Ordinary Shares Exercised | Date | Exercise Price |
|----------------|--|------------------|----------------|
| H S Cathcart) | 9,926 | 21 November 1991 | 40.085p |
|) | 9,719 | 19 March 1992 | 54.390p |
| B G McNamara | 9,226 | 23 January 1992 | 40.085p |
| R H Meddings | 16,448 | 18 August 1992 | 54.438p |
| C Shepherd | 12,568 | 3 September 1992 | 58.864p |
| M J G Stanton | 8,485 | 17 January 1992 | 43.580p |

Except as disclosed above, no Directors held any interests in shares or debentures of TSB Group plc or any of its subsidiary undertakings at 1 November 1991 and 31 October 1992.

Directors' Interest in Contracts

None of the Directors has or has had a beneficial interest, other than in the ordinary course of business, in any contract or arrangement of significance to which the company or its subsidiary undertakings were a party during the period.

Employee Involvement

Employees are consulted regularly through their elected representatives on a Staff Consultative Committee in order that account may be taken of their views in relation to matters likely to affect their interests including remuneration, and the management and development of the company's activities.

During the year employees have been kept informed of matters of concern to them by the circulation of internal information bulletins and memoranda, Bank News (a news letter published by the company) and the posting of notices, including press releases. They are kept informed of financial and other factors affecting the performance of the company by the making available of copies of the balance sheets of the company and the regular dissemination of details of the company's performance through divisional management channels. The progress of each employee is appraised on an annual basis, both in writing and at a personal interview.

The company operates a profit sharing scheme which enables staff to receive shares in TSB Group plc under the rules of the Employee Share Scheme operated by TSB Hill Samuel Bank Holding Company plc. In addition, TSB Group plc operates a "Save as You Earn" Share Option Scheme in which all employees are encouraged to participate and an Executive Share Option Scheme under which additional incentives are provided to the executives on whose efforts the future of TSB Group plc is dependent.

Employment of Disabled Persons

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

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Directors' Report continued

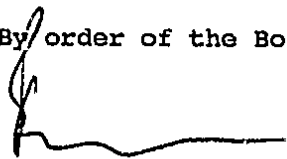
Premises and Equipment

Changes in premises and equipment made during the year are set out in note 14.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



G R Parris
Secretary

100 Wood Street
London EC2P 2AJ

11 January 1993

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Profit and loss account

Year ended 31 October 1992

| Note | | 1992 | 1991 |
|------|--|---------|---------|
| | | £m | £m |
| 3 | Operating loss before taxation | (304.3) | (479.1) |
| 6 | Taxation | 123.4 | 162.3 |
| | Loss after taxation | (180.9) | (316.8) |
| 18 | Dividend | (10.1) | - |
| 18 | Deficit transferred to revenue reserves | (191.0) | (316.8) |

The notes on pages 9 to 22 form part of these accounts


HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Balance sheet

31 October 1992

| | Note | | 1992 £m | 1991 £m |
|--------------------------------------|------|---|------------|------------|
| Assets | 7 | Cash and short-term funds | 1,739.2 | 1,215.7 |
| | 8 | Marketable securities held short-term | 280.6 | 403.4 |
| | | | 2,019.8 | 1,619.1 |
| | 9 | Notice and fixed loans | 3,921.7 | 1,737.8 |
| | 10 | Investments | 289.3 | 59.1 |
| | | Taxation recoverable | 2.2 | 5.0 |
| | 15 | Deferred taxation | 28.7 | 3.0 |
| | 11 | Advances to customers | 1,562.5 | 2,837.9 |
| | | Other accounts receivable | 247.4 | 154.1 |
| | | | 8,071.6 | 6,416.0 |
| | 12 | Investment in subsidiary undertakings | 728.7 | 735.5 |
| | | Amounts due from subsidiary undertakings | 1,178.1 | 1,253.7 |
| | 13 | Amounts due from other group undertakings | 541.2 | 786.1 |
| | 14 | Premises and equipment | 65.5 | 63.3 |
| | | | 10,585.1 | 9,254.6 |
| Liabilities and capital resources | | Current and deposit accounts | 2,775.5 | 2,007.4 |
| | | Creditors and accrued expenses | 357.2 | 223.7 |
| | | Amounts due to subsidiary undertakings | 665.5 | 632.4 |
| | 13 | Amounts due to other group undertakings | 6,409.0 | 5,838.3 |
| | | | 10,207.2 | 8,701.8 |
| | 16 | Long term loans from group undertakings | 49.6 | 224.8 |
| | 17 | Called up share capital | 325.5 | 325.5 |
| | 18 | Reserves | 2.8 | 2.5 |
| | | | 377.9 | 552.8 |
| | | | 10,585.1 | 9,254.6 |

These accounts were approved by the Board of Directors on 11 January 1993 and were signed on its behalf by:

 H.R. Freedberg Chief Executive

The notes on pages 9 to 22 form part of these accounts

Notes to the accounts

31 October 1992

Note 1

Accounting policies

Basis of preparation of the accounts

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

Group accounts have not been prepared as the company is a wholly-owned subsidiary undertaking of another body incorporated in Great Britain.

Accounting convention

The accounts have been prepared under the historical cost convention modified by the revaluation of certain assets and in accordance with applicable accounting standards and in compliance with the special provisions of Part VII of the Companies Act 1985 relating to banking companies.

Securities

Marketable securities held for the short term are included in the balance sheet at market value. Investments held for the long term, which are redeemable at fixed dates, are stated in the balance sheet on the basis of amortised cost. Other long-term investments are stated in the balance sheet at cost less any provisions for permanent diminution in value. Profits and losses on the realisation of these investments are dealt with in the profit and loss account as they arise.

Provision for bad and doubtful debts

Specific provisions are made for advances which are recognised to be bad or doubtful. In addition, general provisions are maintained to cover losses that, although not specifically identified, are known from experience to be present at the year end in respect of commercial exposures. Such provisions are offset against advances to customers in the balance sheet.

Forward currency and futures contracts

Foreign currency forward and futures contracts, other than those hedging balance sheet assets and liabilities accounted for on an equivalent basis to the related assets, liabilities, positions or cash flows, are valued at the market rates ruling at the balance sheet date and the resulting profits or losses are taken into the profit and loss account. Profits and losses on contracts hedging assets and liabilities are accrued on a time apportionment basis.

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Notes to the accounts

31 October 1992

Note 1
Accounting policies
continued

Interest rate swaps, forward rate agreements, options and other derivatives

Interest rate swaps, forward rate agreements, options and other derivatives other than those hedging balance sheet assets and liabilities accounted for on an equivalent basis to the related assets, liabilities, positions or cash flows, are valued on a mark to market method, and the resulting profits or losses are taken into the profit and loss account. Profits and losses on contracts hedging assets and liabilities are accrued on a time apportionment basis.

Corporate finance fees

Corporate finance fees are brought into account when work is completed and the fee is agreed.

Depreciation

Depreciation on freehold buildings and on leaseholds with more than 50 years unexpired is provided on a straight line basis at 2% per annum. Other leasehold interests are written off by equal instalments over the unexpired term of the lease. No depreciation is provided on freehold land.

Computers and other equipment are depreciated on a straight line basis over their estimated lives of generally between three and ten years.

Pensions

Based on actuarial advice, pension costs are charged to the profit and loss account on a basis whereby the regular cost is an approximately level percentage of the current and expected future pensionable payroll. Variations from the regular cost are allocated over the average remaining service lives of current employees.

Deferred taxation

Deferred taxation is provided under the liability method on material timing differences where there is a reasonable probability that taxation will become payable in the foreseeable future, or in the case of an asset that the timing difference will reverse in the foreseeable future.

Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at exchange rates ruling at the balance sheet date. Exchange differences, arising from movements in exchange rates, in respect of currency loan capital and the exchange cover for overseas subsidiary and fellow subsidiary undertakings are taken directly to reserves.

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Notes to the accounts

31 October 1992

Note 1 Accounting policies continued

Cash flow statement

A cash flow statement is not included within these accounts as a consolidated cash flow statement prepared in accordance with Financial Reporting Standard Number 1, is included in the accounts of the ultimate parent undertaking, TSB Group plc.

Note 2 Ultimate parent undertaking

The company is a subsidiary undertaking of TSB Group plc, which is registered in Scotland. The company's immediate parent undertaking is TSB Bank plc which is registered in England and Wales. The largest group in which the results of the company are consolidated is that headed by TSB Group plc. The smallest group in which they are consolidated is that headed by TSB Bank plc. Copies of the group accounts of the ultimate parent undertaking and of the immediate parent undertaking preparing group accounts, are available from TSB Group plc, 25 Milk Street, London EC2V 8LU.

Note 3 Operating loss before taxation

The operating loss is stated after taking account of the following:-

| | 1992 £m | 1991 £m |
|--|------------|------------|
| Income: | | |
| Income from listed investments | 2.0 | 1.7 |
| Income from unlisted investments | 0.2 | 4.5 |
| Dividends from subsidiary undertakings | 85.0 | 27.0 |
| Loss on disposal of subsidiary undertakings | (9.4) | - |
| Expenses: | | |
| Bad and doubtful debt provisions | 329.1 | 415.3 |
| Interest on long term loans from group undertakings | 14.5 | 23.7 |
| Pension costs | 0.6 | 2.4 |
| Depreciation of premises and equipment | 4.4 | 4.7 |
| Auditors' remuneration - Audit | 0.3 | 0.4 |
| - Other services | 0.1 | 0.2 |
| Property lease rentals | 4.3 | 4.3 |

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Notes to the accounts

31 October 1992

Note 4 Directors' emoluments

No Director received any fees during the year (year to 31 October 1991 - £nil). The aggregate emoluments of the Directors for management services including pension contributions amounted to £11.2m (year to 31 October 1991 - £12.3m). Directors' profit share payments are included when paid.

The emoluments of the chairmen were £nil for Mr.D.C. McCrickard for the period 1 November 1991 to 11 June 1992 and £62,000 for Mr. J.R. Sclater in respect of the period 12 June 1992 to 31 October 1992 (1991 - £27,000 for Sir Richard Lloyd in respect of the period 1 November 1990 to 14 March 1991 and £nil for Mr. D.C. McCrickard in respect of the period 15 March 1991 to 31 October 1991). No pension contributions were made in respect of the chairmen. The emoluments, excluding pension contributions, of the highest paid Director were £432,000 (year to 31 October 1991 - £380,000).

During the year total payments of £983,000 (year to 31 October 1991 - £1,332,000) were made to 9 Directors (year to 31 October 1991 - 25 Directors) in respect of compensation for loss of their executive office.

The numbers of Directors (including the chairmen and highest paid Director) whose emoluments, excluding pension contributions, fell within the following bands were:-

| £ | £ | 1992 | 1991 |
|----------|--------|------|------|
| 0 to | 5,000 | 4 | 3 |
| 5,001 to | 10,000 | 1 | - |
| 10,001 - | 15,000 | - | 2 |
| 15,001 - | 20,000 | 7 | 1 |
| 20,001 - | 25,000 | 5 | 3 |
| 25,001 - | 30,000 | 2 | 1 |
| 30,001 - | 35,000 | - | 2 |
| 35,001 - | 40,000 | 3 | 1 |
| 40,001 - | 45,000 | - | 1 |
| 45,001 - | 50,000 | 2 | 6 |
| 50,001 - | 55,000 | - | 4 |

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Notes to the accounts

31 October 1992

Note 4 Directors' emoluments continued

| £ | £ | 1992 | 1991 |
|-----------|---------|------|------|
| 55,001 - | 60,000 | - | 2 |
| 60,001 - | 65,000 | 3 | 4 |
| 65,001 - | 70,000 | 1 | 2 |
| 70,001 - | 75,000 | 4 | 5 |
| 75,001 - | 80,000 | 6 | 6 |
| 80,001 - | 85,000 | 2 | 4 |
| 85,001 - | 90,000 | 2 | 3 |
| 90,001 - | 95,000 | 3 | 1 |
| 95,001 - | 100,000 | - | 4 |
| 100,001 - | 105,000 | 4 | 9 |
| 105,001 - | 110,000 | 2 | 3 |
| 110,001 - | 115,000 | 6 | 4 |
| 115,001 - | 120,000 | 3 | 2 |
| 120,001 - | 125,000 | 3 | 1 |
| 125,001 - | 130,000 | 2 | 3 |
| 130,001 - | 135,000 | 3 | 3 |
| 135,001 - | 140,000 | 1 | 1 |
| 140,001 - | 145,000 | 3 | 3 |
| 145,001 - | 150,000 | 3 | 1 |
| 150,001 - | 155,000 | 2 | 3 |
| 155,001 - | 160,000 | 3 | 1 |
| 160,001 - | 165,000 | 2 | 2 |
| 165,001 - | 170,000 | - | 1 |
| 170,001 - | 175,000 | - | 1 |
| 180,001 - | 185,000 | 2 | - |
| 185,001 - | 190,000 | 1 | 1 |

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Notes to the accounts

31 October 1992

Note 4 Directors' emoluments continued

| £ | £ | 1992 | 1991 |
|-------------------|---|------|------|
| 190,001 - 195,000 | | 2 | 1 |
| 195,001 - 200,000 | | - | 1 |
| 200,001 - 205,000 | | - | 1 |
| 205,001 - 210,000 | | - | 1 |
| 210,001 - 215,000 | | 3 | - |
| 215,001 - 220,000 | | - | 1 |
| 280,001 - 285,000 | | 1 | 1 |
| 290,001 - 295,000 | | 1 | - |
| 300,001 - 305,000 | | - | 1 |
| 375,001 - 380,000 | | - | 2 |
| 430,001 - 435,000 | | 1 | - |

Note 5 Transactions with Directors

The following information is required to be disclosed by section 232 of the Companies Act 1985. An aggregate amount of £340,000 was outstanding at 31 October 1992 in respect of loans to seventeen Directors of the company. In addition the company has provided a guarantee amounting to £150,000 in respect of one Director. A 7.5% house loan from an overseas subsidiary to Mr Camu subsisted during the year; the amount outstanding at the beginning of the year and at the end of the year (which was the highest amount outstanding during the year) was £28,000.

Note 6 Taxation

The relief/(charge) for taxation, which is based on the result for the year comprises:-

| | 1992 £m | 1991 £m |
|--|------------|------------|
| Group relief receivable at 33% (year to 31 October 1991 - 33.414%) | 130.1 | 163.2 |
| Deferred taxation | (5.1) | (0.9) |
| Prior year adjustments | (1.6) | - |
| | 123.4 | 162.3 |

The UK corporation tax includes a charge of £0.5m (year to 31 October 1991 - £9.0m) in respect of notional tax on investment income.

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Notes to the accounts

31 October 1992

Note 7

Cash and short-term funds

| | 1992 £m | 1991 £m |
|--|------------|------------|
| Cash in hand and with bankers | 14.4 | 10.6 |
| Money at call and overnight placings | 1,162.4 | 1,116.2 |
| Notice and fixed loans due within seven days | 562.4 | 88.9 |
| | 1,739.2 | 1,215.7 |

Note 8

Marketable securities held short-term

| | 1992 £m | 1991 £m |
|--------------------------|------------|------------|
| Treasury and other bills | 136.6 | 266.8 |
| Certificates of deposit | 142.1 | 136.6 |
| Other securities | 1.9 | - |
| | 280.6 | 403.4 |

Note 9

Notice and fixed loans

Notice and fixed loans consist of secured and unsecured loans, with a maturity beyond seven days, to authorised institutions, United Kingdom local authorities and public corporations, and include loans of £1,000.4m (31 October 1991 - £847.8m) which mature beyond one year.

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Notes to the accounts

31 October 1992

Note 10

Investments

| | 1992 Book Value £m | 1992 Valuation £m | 1991 Book Value £m | 1991 Valuation £m |
|--|-----------------------------|-------------------------|-----------------------------|-------------------------|
| <u>Listed investments</u> | | | | |
| Securities of, or guaranteed by, foreign Governments | 85.6 | 85.5 | 5.8 | 5.8 |
| Other non-equity investments | | | | |
| listed on the London stock exchange | 81.2 | 81.5 | 11.5 | 11.7 |
| listed elsewhere | 94.5 | 94.5 | 12.6 | 12.7 |
| Equity investments listed on the London stock exchange | 0.1 | 0.4 | 1.8 | 24.3 |
| <u>Unlisted investments</u> | | | | |
| Equity | 2.5 | 2.5 | 0.8 | 1.0 |
| Non-equity | 25.4 | 25.8 | 26.6 | 26.8 |
| | 289.3 | 290.2 | 59.1 | 82.3 |

Listed investments, all of which are listed on a recognised Stock Exchange, are valued at mid-market prices and unlisted investments at Directors' valuation. Non-equity investments amounting to a book value of £284.8m (31 October 1991 - £49.9m) are redeemable at fixed dates. Total redemption values are £291.6m (31 October 1991 - £54.8m) and include £7.7m (31 October 1991 - £4.5m) which mature in less than one year.

Note 11

Advances to Customers

Under a sub-participation agreement dated 30 October 1992 the company transferred beneficial ownership of certain lending and similar agreements to its immediate parent undertaking, together with the provisions for losses to date made against these agreements. The net amount of advances transferred was £927.7m.

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Notes to the accounts

31 October 1992

Note 12

Investment in subsidiary undertakings

| | 1992 £m | 1991 £m |
|---|------------|------------|
| Shares in subsidiary undertakings at cost | 731.7 | 738.5 |
| Provisions | (3.0) | (3.0) |
| | 728.7 | 735.5 |

In the opinion of the Directors the value of the company's investment in each of its subsidiary undertakings is not less than the value stated in the balance sheet.

At 31 October 1992 the company owned 100% of the equity capital of the principal subsidiary undertakings listed below:-

| <u>Name</u> | <u>Country of Incorporation</u> | <u>Principal Activities</u> |
|--|---------------------------------|-------------------------------|
| Hill Samuel Commercial Finance Limited | England and Wales | Invoice discounting |
| Hill Samuel Investments Limited | England and Wales | Investment company |
| Glendaruel Investments Limited | England and Wales | Investment holding company |
| Hill Samuel Asset Finance Limited | England and Wales | Asset finance |
| Hill Samuel & Co. BV | Netherlands | Holding and financing company |
| Hill Samuel Pacific Limited | Hong Kong | Merchant bankers |
| Hill Samuel Bank (Ireland) Limited | Ireland | Merchant bankers |
| Hill Samuel Merchant Bank Asia Limited | Singapore | Merchant bankers |
| Bank von Ernst & Cie AG | Switzerland | Merchant bankers |
| Hill Samuel (Channel Islands) Limited | Jersey | Investment holding company |

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Notes to the accounts

31 October 1992

Note 12

Investment in subsidiary undertakings continued

- (i) On 10 March 1992 UDT Bank Limited was sold by a subsidiary undertaking for £21.7m.
- (ii) On 7 April 1992 London Bridge Finance Limited was sold for £0.5m.
- (iii) On 30 July 1992 Target Holdings Limited was transferred from the company's ultimate parent undertaking at net asset value. On 31 October 1992 Target Holdings Limited was transferred to the company's immediate parent undertaking at net asset value.
- (iv) On 30 October 1992 the general banking business of Hill Samuel Bank (Ireland) Limited was transferred to a branch of Hill Samuel Bank Limited.

Note 13

Amounts due to/from other group undertakings

The amounts due to other group undertakings include a net amount due to TSB Group plc of £7.8m.

The amounts due from other group undertakings include an amount relating to group relief receivable of £142.2m (31 October 1991 - £171.1m).

Note 14

Premises and equipment

| | Premises £m | Equipment £m | Total £m |
|---------------------|----------------|-----------------|-------------|
| Cost or valuation | | | |
| At 1 November 1991 | 52.0 | 33.1 | 85.1 |
| Additions | 0.5 | 8.0 | 8.5 |
| Disposals | - | (2.3) | (2.3) |
| At 31 October 1992 | 52.5 | 38.8 | 91.3 |
| Depreciation | | | |
| At 1 November 1991 | 2.8 | 19.0 | 21.8 |
| Charge for the year | 0.6 | 3.8 | 4.4 |
| Additions | - | 1.0 | 1.0 |
| Disposals | - | (1.4) | (1.4) |
| At 31 October 1992 | 3.4 | 22.4 | 25.8 |
| Net book value | | | |
| At 31 October 1992 | 49.1 | 16.4 | 65.5 |
| At 31 October 1991 | 49.2 | 14.1 | 63.3 |

The gross amount of depreciable assets included in premises at 31 October 1992 is £21.5m.

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Notes to the accounts

31 October 1992

Note 14
Premises and
equipment
continued

Equipment is stated at cost.
The net book value of premises comprises:-

| | 1992 | 1991 |
|--------------------------------------|------|------|
| | £m | £m |
| Freehold property | 45.5 | 45.8 |
| Long leaseholds | 2.2 | 2.2 |
| Short leaseholds | 1.4 | 1.2 |
| Net book value | 49.1 | 49.2 |
| At Directors' valuation 1988 | 45.5 | 45.8 |
| At cost less subsequent depreciation | 3.6 | 3.4 |
| Net book value | 49.1 | 49.2 |

Note 15
Deferred taxation

| | £m |
|---|--------|
| At 1 November 1991 | (3.0) |
| Credit in the profit and loss account - current year | 5.1 |
| - prior years | (25.9) |
| Other | (4.9) |
| At 31 October 1992 | (28.7) |

The balance of deferred taxation comprises:-

| | 1992 | 1991 |
|--------------------------------|--------|-------|
| | £m | £m |
| Accelerated capital allowances | (0.2) | 1.2 |
| Other | (28.5) | (4.2) |
| | (28.7) | (3.0) |

The balance at 31 October 1992 represents relief arising chiefly on timing differences which will reverse in the short-term. Deferred taxation has been provided in full except that no provision has been made for the potential liability for taxation which might arise on the disposal of properties at balance sheet values. The properties are occupied for the purposes of the business and consequently any gains arising on disposal are normally eligible for rollover relief.

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Notes to the accounts

31 October 1992

Note 16
Long term loans
from group
undertakings

Unsecured subordinated loan capital was due to group undertakings at 31 October 1992 as follows:-

| | Notes | 1992 £m | 1991 £m |
|-------------------------------------|-------|-------------|--------------|
| Undated | | | |
| 2 year notice | (i) | 2.3 | 2.3 |
| 6 year notice US\$49m | (ii) | 31.3 | 28.1 |
| | | <u>33.6</u> | <u>30.4</u> |
| Other | | | |
| Loan due 2008 | (iii) | - | 100.0 |
| US\$25m floating rate note due 2009 | (iv) | 16.0 | 14.4 |
| Loan due 2011 | (v) | - | 80.0 |
| | | <u>16.0</u> | <u>194.4</u> |
| Total | | <u>49.6</u> | <u>224.8</u> |

- Notes (i) Interest payable at 3/8% per annum above the six months sterling interbank rate on a revolving basis.
- (ii) Non-interest bearing.
- (iii) Interest payable at 10 5/8% per annum. This loan was repaid on 30 June 1992.
- (iv) Interest payable at 1/2% per annum above the six months US dollar interbank rate, with a minimum of 5 1/2% per annum, on a revolving basis.
- (v) Interest payable at 12% per annum. This loan was repaid on 30 June 1992.
- (vi) All amounts are due to parent and fellow subsidiary undertakings except for the 2 year notice loan which is due to a subsidiary undertaking.

Note 17
Share capital

| | 1992 £m | 1991 £m |
|--|--------------|--------------|
| Authorised, ordinary shares of £1 each | 500.0 | 500.0 |
| Allotted, called-up and fully paid ordinary shares of £1 each | <u>325.5</u> | <u>325.5</u> |

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Notes to the accounts

31 October 1992

Note 18 Reserves

£m

| | |
|---------------------------------------|---------|
| (i) Share premium: | |
| At 1 November 1991 and | |
| 31 October 1992 | 58.3 |
| (ii) Retained reserves: | |
| At 1 November 1991 | (55.8) |
| Exchange differences | (18.7) |
| Transfer from profit and loss account | (191.0) |
| Contributions from TSB Bank plc | 210.0 |
| At 31 October 1992 | (55.5) |

(iii) Total reserves at 31 October 1992 2.8

Included in total reserves at 31 October 1992 was £31.9m (31 October 1991 - £31.9m) in respect of property revaluation reserve. Contributions from TSB Bank plc represent amounts provided by the immediate parent undertaking to increase shareholders' funds in order to enable the company to meet its capital adequacy requirements. Such contributions form part of the company's reserves available for distribution. Having regard to such contributions, the company had sufficient distributable reserves at the date of the dividend payment despite having a deficit on profit and loss account.

Note 19 Pensions

The company was a member of Hill Samuel Group Pension Scheme until 31 December 1991 when the assets and liabilities of the Hill Samuel Group Pension Scheme were transferred into the TSB Group Pension Scheme. The scheme is of the defined benefit, final salary type and is self administered and funded to cover future pension liabilities including expected future earnings and pension increases. Formal actuarial valuations are carried out annually, the latest at 1 November 1991 in respect of the Hill Samuel Group Pension Scheme, by qualified actuaries. The actuaries to the scheme are employed by Noble Lowndes & Partners Limited, a fellow subsidiary undertaking. Further details of the most recent actuarial valuation and main actuarial assumptions are disclosed in the accounts of TSB Group plc.

HILL SAMUEL BANK LIMITED DIRECTORS' REPORT AND ACCOUNTS 1992

Notes to the accounts

31 October 1992

Note 20

Commitments

Capital expenditure not provided in these accounts comprises:

| | 1992 £m | 1991 £m |
|--------------------------------|------------|------------|
| Contracted | 0.2 | 0.3 |
| Authorised, but not contracted | - | 0.4 |

Annual commitments under property operating leases are as follows:-

| | 1992 £m | 1991 £m |
|--------------------------|------------|------------|
| Expiring: | | |
| Within one year | - | 0.4 |
| Within two to five years | 0.9 | 0.5 |
| In more than five years | 3.4 | 3.1 |
| | 4.3 | 4.0 |

Note 21

Contingent liabilities

| | 1992 £m | 1991 £m |
|----------------------------------|------------|------------|
| Acceptances | 175.6 | 228.1 |
| Guarantees and other obligations | 282.1 | 204.6 |

Acceptances, which are entered into on behalf of customers and in respect of which there are corresponding obligations by customers, are not included in the balance sheet.

In addition there are other contingent liabilities in respect of financial futures contracts, forward contracts for the purchase and sale of foreign currencies, and various other facilities to customers which have been incurred in the ordinary course of business. It is not envisaged that any irrecoverable liability will arise from these transactions.

KPMG Peat Marwick

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1 Puddle Dock
Blackfriars
London EC4V 3PD

Report of the Auditors

To the members of Hill Samuel Bank Limited

We have audited the accounts on pages 7 to 22 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 October 1992 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

11 January 1993

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors