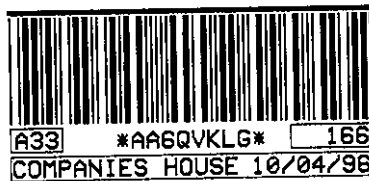


**HILL SAMUEL BANK LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**31st DECEMBER 1995**

**(Registered Number: 343544)**



# HILL SAMUEL BANK LIMITED

## DIRECTORS

J R Sclater	- Chairman
H R Freedberg	- Chief Executive
The Rt Hon John MacGregor OBE MP	- Deputy Chairman

P J Ashdown	C Lee
S W Aulsebrook	V Lee
C L Badcock	E J Llewellyn- Lloyd
C P Barrington	R J Mackay
J A Bennett	M S Mander
C W E R Buchan	G M McEnery
P Bucks	B G McNamara
A R L E Camu	R H Meddings
M J E Chambers	J C Muncey
F J Clutterbuck	D R Murphy
D M N Confino	G R Parris (Secretary)
G D Connell	R W N Perrin
C M Cottrell	S J Peters
J M B Daniels	J E Prescott
S J Fewster	D P Pritchard
J W Foley	R D Ramsey
C R Forster	A J H Reed
T C Frankland	J S Ross
M J Friend	D J F Rushton
G P Gonszor	R W Satow
G M R Graham	I T B Sproule
R S Grainger	P C St Stellakis
M C Gray	D H Stewart
N R Hill	E St C Stobart
W S James	A A Stockham
J Jamilly	I J N Stroud
J Jawanmardi	P W Temple
W R Jones	J R W Thirlwell
C P Joseph	J C G Trower
A W Jukes	N T West
F A Kellett-Clarke	P S Whitaker
D W King	J K S Wilkinson
B F Lea	Sir Mark Wrightson, Bt

HILL SAMUEL BANK LIMITED  
DIRECTORS' REPORT

The Directors present the annual report and accounts of the company for the fourteen months ended 31st December 1995.

**Principal Activities and Business Review**

As a result of the merger between Lloyds Bank Plc and TSB Group plc on 28th December 1995, TSB Group plc, the company's ultimate parent undertaking, changed its name to Lloyds TSB Group plc. At the same time the company extended its accounting reference period from 31st October 1995 to 31st December 1995 in line with its ultimate parent undertaking.

During the period the company carried on the business of a merchant bank. The activities of the principal subsidiary undertakings are shown in note 16 to the accounts.

**State of Affairs**

During the period Glendaruel Investments Limited, a subsidiary undertaking of the company, was put into voluntary liquidation.

**Restructuring**

The conditional agreement made before 31st October 1994, under which an acquisition would be made by a subsidiary undertaking of the whole of the share capital of TSB Group BV and ownership of the company would be transferred to TSB Hill Samuel Bank Holding Company plc which would change its name to Hill Samuel Group plc, lapsed with the agreement of all the parties thereto and the events anticipated therein did not take place.

**Results, Dividends and Reserves**

The result and proposed transfer to reserves for the period is set out on page 6 of the accounts.

The Directors declared an interim dividend of £9,360,000 on the ordinary share capital for the period ended 31st December 1995 (31st October 1994 - Nil) which was paid on 30th June 1995.

The Directors do not recommend the payment of a final dividend. (31st October 1994 - Nil).

**Capital**

Details of the loan capital and issued capital are shown in notes 27 and 28 to the accounts.

**Directors**

The present members of the Board are shown on page 1, all of whom were Directors for the whole of the period except G D Connell who was appointed a Director on the 16th January 1995; R S Grainger, V Lee, R D Ramsey, R W Satow, M J Strang and J R W Thirlwell who were appointed Directors on 1st February 1995; D P Pritchard who was appointed a Director on the 6th March 1995; G M R Graham and C Lee who were appointed Directors on the 1st August 1995, M J E Chambers who was appointed a Director on the 1st October 1995 and J S Ross who was appointed a Director on 1st November 1995.

A V Brown, H S Cathcart, R W Heley, C R B Hesketh, C D O Jillings, Sir Richard Lloyd, C Oakley, B L Offergelt, M J Strang and R J Williams were members of the Board during the period ended 31st December 1995 but had ceased to be so on or by that date.

S J Fewster, D W King, B F Lea, J C Muncney and I J N Stroud were appointed Directors after 31st December 1995 and R C G Gardner was a member of the Board during the period ended 31st December 1995 but resigned subsequently.

HILL SAMUEL BANK LIMITED

DIRECTORS' REPORT

**Directors' Interests**

The interests of Directors in the shares, loan notes and options of Lloyds TSB Group plc are shown in note 5 to the accounts.

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.

**Employment Policies**

The company has a policy of consulting with employees, through a Staff Consultative Committee, in relation to matters likely to affect their interests. Employees are kept informed about matters of concern to them and the progress of the company and its financial performance, by the circulation of internal information bulletins and a newsletter, and the regular dissemination of details of the company's performance through divisional management channels. There is an annual appraisal process for all employees.

The company's ultimate parent undertaking, Lloyds 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.

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

**Premises and Equipment**

Details of premises and equipment are set out in note 19.

By order of the Board



G R Parris  
Secretary  
100 Wood Street  
London  
EC2P 2AJ

15th February 1996

HILL SAMUEL BANK LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

The following statement, which should be read in conjunction with the Auditors' Responsibilities Statement set out on page 5, 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 consider that in preparing the accounts on pages 6 to 35 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 are required to use a going concern basis in preparing the accounts unless this is inappropriate.

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.

HILL SAMUEL BANK LIMITED

AUDITORS' RESPONSIBILITY STATEMENT

The auditors are responsible for forming an independent opinion on the financial statements presented by the Directors, based on their audit, and for reporting their opinion to members. They also have the responsibility under the Companies Act 1985 to report to members if particular requirements are not met. These requirements are:-

- that the company has maintained proper accounting records and obtained proper returns from branches not visited by the auditors;
- that the financial statements are in agreement with the accounting records;
- that Directors' emoluments and other transactions with Directors are properly disclosed in the financial statements; and
- that they have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The auditors' opinion does not encompass the Directors' report on pages 2 and 3. However, the Companies Act 1985 requires the auditors to report to members if the matters contained in the Directors' report are inconsistent with the financial statements.

HILL SAMUEL BANK LIMITED

PROFIT AND LOSS ACCOUNT

Fourteen Months ended 31st December 1995

		14 Months ended 31st December 1995	Year ended 31st October 1994
	Note	£m	£m
Interest receivable and similar income arising from debt securities		73.1	27.4
Other interest receivable and similar income		398.8	295.1
		-----	-----
		471.9	322.5
Interest payable		(439.7)	(294.9)
		-----	-----
<b>Net interest income</b>		32.2	27.6
Dividend income		38.7	71.9
Fees and commissions receivable		27.4	29.7
Fees and commissions payable		(2.1)	(1.7)
Dealing profits		14.7	9.8
Loss on exchange hedging operations		(20.1)	(6.6)
Other operating income		5.1	8.5
		63.7	111.6
		-----	-----
<b>Total operating income</b>		95.9	139.2
Administrative expenses	6	(76.7)	(63.9)
Depreciation and amortisation	19	(2.4)	(2.5)
Release of provisions for bad and doubtful debts	15	4.3	-
Amounts written off fixed asset investments	7	(3.3)	-
		(78.1)	(66.4)
		-----	-----
<b>Total operating profit</b>		17.8	72.8
<b>Exceptional items</b>			
Profit/(loss) on disposal of subsidiary undertakings	8	(0.8)	1.9
		-----	-----
<b>Profit on ordinary activities before taxation</b>	9&11	17.0	74.7
Taxation on profit on ordinary activities	10	4.8	0.5
		-----	-----
<b>Profit on ordinary activities after taxation</b>		21.8	75.2
Dividend paid		(9.4)	-
		-----	-----
<b>RETAINED PROFIT FOR THE PERIOD</b>	29	12.4	75.2
		=====	=====

The notes on pages 10 to 35 form part of these accounts.

HILL SAMUEL BANK LIMITEDBALANCE SHEET31st December 1995

		31st December 1995	31st October 1994
	Note	£m	£m
<b><u>ASSETS</u></b>			
Cash and balances at central banks		0.1	0.2
Treasury bills and other eligible bills	12	2.3	13.3
Loans and advances to banks	13	988.3	1,065.3
Loans and advances to customers	14	2,981.2	2,618.0
Investment in subsidiary undertakings	16	366.5	867.8
Debt securities	17	1,456.1	849.8
Equity shares	18	3.1	2.8
Tangible fixed assets	19	5.8	5.4
Other assets	20	639.3	608.2
Prepayments and accrued income		117.1	95.1
		-----	-----
<b>TOTAL ASSETS</b>		<b>6,559.8</b>	<b>6,125.9</b>
		=====	=====
<b><u>LIABILITIES</u></b>			
Deposits by banks	21	4,143.2	3,087.3
Customer accounts	22	1,063.1	1,934.1
Debt securities in issue	23	22.8	18.8
Other liabilities	24	795.3	566.8
Accruals and deferred income		79.5	64.7
Provisions for liabilities and charges	26	6.8	18.3
Subordinated loan capital	27	16.1	15.3
		-----	-----
		6,126.8	5,705.3
<b><u>CAPITAL RESOURCES</u></b>			
Called up share capital	28	325.5	325.5
Share premium account	29	58.3	58.3
Profit and loss reserve	29	49.2	36.8
Shareholders' funds		433.0	420.6
		-----	-----
<b>TOTAL LIABILITIES</b>		<b>6,559.8</b>	<b>6,125.9</b>
		=====	=====



HILL SAMUEL BANK LIMITED

BALANCE SHEET continued

31st December 1995

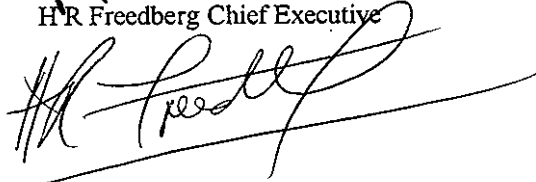
		31st December 1995	31st October 1994
	Note	£m	£m
<b>MEMORANDUM ITEMS</b>			
<b>Contingent liabilities:</b>	31		
Acceptances and endorsements		146.5	114.1
Guarantees and assets pledged as collateral security		103.9	77.5
Other		6.8	7.4
		<u>257.2</u>	<u>199.0</u>
<b>Commitments</b>	32	<u>453.3</u>	<u>526.2</u>

These accounts were approved by the Board of Directors on 15th February 1996 and were signed on its behalf by:

J R Sclater Chairman



H R Freedberg Chief Executive



The notes on pages 10 to 35 form part of these accounts

HILL SAMUEL BANK LIMITED

31st December 1995

Statement of Total Recognised Gains and Losses for the Fourteen Months Ended 31st December 1995

In both the current and preceding periods the company made no recognised gains or losses other than those reported within the profit and loss account on page 6.

Reconciliation of Movements in Shareholders' Funds for the Fourteen Months Ended 31st December 1995

	14 Months ended 31st December 1995 £m	Year ended 31st October 1994 £m
Profit after taxation for the period	21.8	75.2
Dividends	(9.4)	-
	-----	-----
Net increase in shareholders' funds	12.4	75.2
Shareholders' funds at beginning of the period	420.6	345.4
	-----	-----
Shareholders' funds at end of the period	<u>433.0</u>	<u>420.6</u>

Historical Cost Profits and Losses

In both the current and preceding periods there is no difference between the results as reported and the results that would have been reported on an unmodified historical cost basis. Accordingly no note of historical cost profits and losses has been included in these accounts.

HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**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 in accordance with the special provisions of Part VII of Companies Act 1985 relating to banking companies and applicable Accounting Standards.

Debt securities and equity shares

Treasury bills, debt securities and equity shares intended for use on a continuing basis in the company's activities are classified as investment securities. Such shares and securities are stated in the balance sheet at cost less any provisions for permanent diminution in value. Investment securities which are redeemable at fixed dates, are stated in the balance sheet on the basis of amortised cost. The amortisation of premiums or discounts is included in interest income. Securities held for trading purposes are shown at market value for listed securities and Directors' estimate of market value for unlisted securities.

Provisions 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 period end in respect of commercial exposures. Such provisions are offset against advances in the balance sheet. If the collection of interest is considered doubtful, it is suspended and excluded from interest income in the profit and loss account.

Off-balance sheet instruments

Off-balance sheet instruments used in trading activities are carried at market value. Profits and losses on instruments which are being used to hedge exposures are recognised in a manner that reflects the accounting treatment of the assets or liabilities being hedged.

Corporate finance fees

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

HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 1**  
**Accounting policies**  
**continued**

Depreciation

Depreciation on leasehold buildings with less than 50 years unexpired is provided for by equal instalments over the unexpired term of the lease.

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 to profit and loss account.

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 1, is included in the accounts of the ultimate parent undertaking, Lloyds TSB Group plc.

**Note 2**  
**Ultimate parent**  
**undertaking**

The company is a subsidiary undertaking of Lloyds TSB Group plc (formerly TSB Group plc), which is registered in Scotland. Its 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 Lloyds TSB Group plc. The smallest group in which they are consolidated is that headed by TSB Bank plc.

Copies of the group accounts of both the ultimate parent undertaking and the immediate parent undertaking are available from Lloyds TSB Group plc, 71 Lombard Street, London, EC3P 3BS.

# HILL SAMUEL BANK LIMITED

## NOTES TO THE ACCOUNTS

31st December 1995

### **Note 3**

#### **Directors' emoluments**

No Director received any fees during the 14 month period (year to 31st October 1994 - £nil). The aggregate emoluments of the Directors for management services including pension contributions amounted to £13.3m (year to 31st October 1994 - £16.6m). Amounts included in respect of bonuses are determined under the bonus arrangements for all executive Directors. In addition, for the year ended 31st October 1994, amounts totalling £5.9m in respect of 41 Directors were determined under a separate bonus scheme which was established in January 1993 whereby bonuses were based on the performance of the company and its subsidiary undertakings and measured against pre-determined targets.

The emoluments of the Chairman were £281,000 (year to 31st October 1994 - £264,000). No pension contributions were made in respect of the Chairman. The emoluments, excluding pension contributions, of the highest paid Director were £443,000 (year to 31st October 1994 - £608,000).

During the 14 month period total payments by the company of £359,000 (year to 31st October 1994 - £1,226,000) were made to 7 Directors (year to 31st October 1994 - 8 Directors) in respect of compensation for loss of their executive office.

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

£		£		14 months ended 31st December 1995	Year ended 31st October 1994
0	to	5,000		2	6
5,001	to	10,000		-	3
15,001	to	20,000		2	1
20,001	to	25,000		-	1
25,001	to	30,000		2	2
30,001	to	35,000		4	-
40,001	to	45,000		-	1
50,001	to	55,000		-	1
55,001	to	60,000		1	-
75,001	to	80,000		-	1
80,001	to	85,000		-	6

HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 3**

**Directors' emoluments  
continued**

			14 months ended 31st December 1995	Year ended 31st October 1994
£		£		
90,001	to	95,000	1	1
95,001	to	100,000	2	3
100,001	to	105,000	1	1
105,001	to	110,000	-	1
115,001	to	120,000	3	2
120,001	to	125,000	1	-
125,001	to	130,000	3	2
130,001	to	135,000	2	2
135,001	to	140,000	2	-
140,001	to	145,000	-	1
145,001	to	150,000	-	1
150,001	to	155,000	5	-
155,001	to	160,000	3	-
160,001	to	165,000	3	-
170,001	to	175,000	3	-
175,001	to	180,000	4	1
180,001	to	185,000	1	-
185,001	to	190,000	1	-
190,001	to	195,000	2	-
195,001	to	200,000	-	1
200,001	to	205,000	1	1
210,001	to	215,000	-	1
215,001	to	220,000	2	2
220,001	to	225,000	1	1
225,001	to	230,000	-	1
235,001	to	240,000	1	-
240,001	to	245,000	1	1
245,001	to	250,000	1	-
250,001	to	255,000	1	-
255,001	to	260,000	-	2
260,001	to	265,000	-	2
265,001	to	270,000	-	2
270,001	to	275,000	-	1
275,001	to	280,000	2	1
280,001	to	285,000	1	-
290,001	to	295,000	-	1

# HILL SAMUEL BANK LIMITED

## NOTES TO THE ACCOUNTS

31st December 1995

**Note 3**  
**Directors' emoluments**  
**continued**

				14 months ended 31st December 1995	Year ended 31st October 1994
£		£			
305,001	to	310,000		-	3
310,001	to	315,000		1	1
315,001	to	320,000		1	-
320,001	to	325,000		1	-
325,001	to	330,000		2	-
330,001	to	335,000		1	-
350,001	to	355,000		-	2
365,001	to	370,000		-	1
370,001	to	375,000		-	1
375,001	to	380,000		-	1
410,001	to	415,000		-	1
415,001	to	420,000		1	-
425,001	to	430,000		-	2
435,001	to	440,000		-	1
440,001	to	445,000		1	-
475,001	to	480,000		-	1
485,001	to	490,000		-	1
495,001	to	500,000		-	2
510,001	to	515,000		-	1
545,001	to	550,000		-	1
560,001	to	565,000		-	1
605,001	to	610,000		-	1

**Note 4**

**Transactions with Directors** The following information is required to be disclosed by Section 232 of the Companies Act 1985. An aggregate amount of £230,000 was due to the company, at 31st December 1995, in respect of loans to twelve Directors of the company. A 7.5% house loan, repayable on demand, from an overseas subsidiary undertaking to Mr. Camu was repaid during the period; the amount outstanding at the beginning of the period, which was the highest amount outstanding during the period, was £28,000.

# HILL SAMUEL BANK LIMITED

## NOTES TO THE ACCOUNTS

31st December 1995

### **Note 5**

#### **Directors' interests in shares, loans notes and options of Lloyds TSB Group plc**

The Directors who held office at 31st December 1995 had the following interests in the shares, options over shares and loan notes of Lloyds TSB Group plc as recorded in the register of Directors' shares and debenture interests.

	31st December 1995			1st November 1994 *(or on date appointed, if later)		
	Ordinary shares of 25p each held beneficially	Unsecured loan notes held beneficially	Options over ordinary shares of 25p	Ordinary shares of 25p each held beneficially	Unsecured loan notes held beneficially	Options over ordinary shares of 25p
PJ Ashdown	4,274	-	41,884	794	-	26,267
SW Aulsebrook	-	-	177,759	-	6,836	153,430
CL Badcock	-	-	184,111	-	-	151,122
CP Barrington	-	-	108,526	-	-	182,571
JA Bennett	-	-	55,665	-	-	41,640
CWER Buchan	26,527	-	112,792	12,699	-	222,265
P Bucks	7,416	-	143,288	7,416	-	120,413
ARLE Camu	-	-	29,716	-	-	31,264
MJE Chambers*	-	-	108,944	-	-	108,944
FJ Clutterbuck	770	-	31,113	-	-	15,389
DMN Confino	-	-	105,863	15,751	-	97,111
CM Cottrell	330	-	58,358	330	-	39,389
JMB Daniels	11,337	-	76,237	6,068	-	57,167
JW Foley	8,981	-	93,478	8,981	-	161,080
CR Forster	4,206	-	114,472	4,206	-	100,457
HR Freedberg	115,085	-	268,258	10,747	-	668,218
MJ Friend	-	-	29,509	-	-	-
RCG Gardner	6,924	-	62,894	6,924	-	129,411
GP Gonszor	17,627	-	202,585	12,397	-	179,779
GMR Graham*	1,100	-	-	1,100	-	-
RS Grainger*	-	-	29,691	1,240	-	14,649



HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 5**

**Directors' interests in  
shares, loan notes and  
options of Lloyds TSB  
Group plc continued**

	31st December 1995			1st November 1994 *(or on date appointed, if later)		
	Ordinary shares of 25p each held beneficially	Unsecured loan notes held beneficially	Options over ordinary shares of 25p	Ordinary shares of 25p each held beneficially	Unsecured loan notes held beneficially	Options over ordinary shares of 25p
MC Gray	6,955	-	93,155	802	-	85,536
NR Hill	-	-	44,576	-	-	28,766
WS James	-	-	95,857	3,624	-	77,701
J Jamilly	61	-	74,779	61	-	59,109
J Jawanmardi	-	-	61,560	-	-	68,459
WR Jones	12,935	-	180,107	11,051	-	155,906
CP Joseph	9,122	-	87,773	6,661	-	79,925
AW Jukes	-	-	140,173	2,189	-	124,661
FA Kellett-Clarke	1,605	-	29,004	1,605	-	14,159
V Lee*	-	-	16,494	-	-	-
EJ Llewellyn-Lloyd	8,633	-	148,608	6,480	-	130,143
RJ Mackay	7,384	-	78,142	3,885	-	143,564
MS Mander	-	-	8,496	-	-	8,496
GM McEnery	-	-	102,564	-	-	87,719
The Rt Hon John MacGregor	330	-	-	330	-	-
BG McNamara	36,455	-	64,965	44,095	-	55,696
RH Meddings	-	-	169,011	2,043	-	150,670
DR Murphy	20,586	-	122,454	1,719	-	137,821
GR Parris	6,717	-	120,687	7,877	-	107,696
RWN Perrin	-	-	200,796	-	-	180,178
SJ Peters	-	-	43,399	-	-	42,320
JE Prescott	6,514	-	79,670	5,240	-	62,566
RD Ramsey*	-	-	40,460	-	-	22,325
AJH Reed	62,081	-	53,670	52,851	-	103,385
J S Ross*	18,682	-	60,651	18,682	-	60,651
DJF Rushton	-	-	121,902	2,554	-	97,631
RW Satow*	7,904	-	27,010	1,751	-	6,153
ITB Sproule	5,271	-	101,438	5,167	-	87,818

# HILL SAMUEL BANK LIMITED

## NOTES TO THE ACCOUNTS

31st December 1995

### **Note 5**

**Directors' interests in shares, loan notes and options of Lloyds TSB Group plc continued**

	31st December 1995			1st November 1994 *(or on date appointed, if later)		
	Ordinary shares of 25p each held beneficially	Unsecured loan notes held beneficially	Options over ordinary shares of 25p	Ordinary shares of 25p each held beneficially	Unsecured loan notes held beneficially	Options over ordinary shares of 25p
PC St Stellakis	-	-	58,446	-	-	39,890
DH Stewart	37,912	-	107,010	-	-	147,066
E St C Stobart	7,216	-	141,395	7,216	-	108,806
AA Stockham	-	-	65,497	-	-	45,508
PW Temple	2,343	-	102,605	2,343	-	87,567
JRW Thirlwell*	3,059	-	22,517	3,059	-	21,775
JCG Trower	12,282	-	59,825	3,052	-	50,046
NT West	-	-	50,908	-	-	32,476
PS Whitaker	16,886	-	79,332	7,656	-	70,856
JKS Wilkinson	6,153	-	16,324	6,820	-	61,289
Sir Mark Wrightson	9,230	-	222,249	-	-	207,588

In addition Mr J A Bennett had an interest in 488 ordinary shares of 5p each in Lloyds Abbey Life plc.

The options to purchase shares were granted under the terms of Lloyds 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 who held office at 31 December 1995 except as listed below.

	Number of options over ordinary shares exercised	Date	Exercise Price
P J Ashdown	1,230	1.4.95	117.00p
C P Barrington	104,560	9.3.95	123.50p
C W E R Buchan	8,598	20.7.95	54.47p
C W E R Buchan	73,529	25.7.95	136.00p
C W E R Buchan	52,631	25.7.95	123.50p
C W E R Buchan	5,230	17.8.95	117.00p
A R L E Camu	5,230	1.2.95	117.00p
M J E Chambers	23,886	10.8.95	123.50p
F J Clutterbuck	770	2.11.95	117.00p
J M B Daniels	5,230	1.4.95	117.00p
J W Foley	36,764	3.8.95	136.00p
J W Foley	6,825	3.8.95	146.50p
J W Foley	52,631	3.8.95	123.50p

# HILL SAMUEL BANK LIMITED

## NOTES TO THE ACCOUNTS

31st December 1995

### **Note 5**

**Directors' interests in  
shares, loan notes and  
options of Lloyds TSB  
Group plc continued**

	<u>Number of options over ordinary shares exercised</u>	<u>Date</u>	<u>Exercise Price</u>
H R Freedberg	477,815	20.7.95	146.50p
R C G Gardner	34,129	9.3.95	146.50p
R C G Gardner	32,388	9.3.95	123.50p
G P Gonszor	5,230	16.2.95	117.00p
R S Grainger	6,153	8.3.95	117.00p
M C Gray	6,153	18.5.95	117.00p
N R Hill	1,846	1.4.95	117.00p
J Jawanmardi	16,194	17.8.95	123.50p
J Jawanmardi	3,076	6.7.95	117.00p
A W Jukes	9,230	3.4.95	117.00p
E J Llewellyn-Lloyd	2,153	21.9.95	117.00p
B G McNamara	6,153	3.3.95	117.00p
R J Mackay	36,764	20.4.95	136.00p
R J Mackay	47,368	20.4.95	123.50p
R J Mackay	7,384	15.2.95	117.00p
R H Meddings	6,153	4.5.95	117.00p
D R Murphy	5,538	16.2.95	117.00p
D R Murphy	34,129	16.2.95	146.50p
G R Parris	5,230	23.3.95	117.00p
S J Peters	9,230	3.4.95	117.00p
J E Prescott	6,153	11.8.95	117.00p
A J H Reed	40,485	17.8.95	123.50p
A J H Reed	9,230	31.8.95	117.00p
R W Satow	6,153	15.3.95	117.00p
D H Stewart	62,736	20.7.95	123.50p
A A Stockham	3,076	24.4.95	117.00p
J C G Trower	9,230	1.4.95	117.00p
P S Whitaker	9,230	16.2.95	117.00p
J K S Wilkinson	14,579	19.1.95	54.47p
J K S Wilkinson	34,129	19.1.95	146.50p
J K S Wilkinson	3,750	13.1.95	96.00p
J K S Wilkinson	6,153	15.3.95	117.00p
Sir Mark Wrightson	9,230	1.4.95	117.00p

HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 6**

**Administrative expenses**

	14 Months ended 31st December 1995 £m	Year ended 31st October 1994 £m
Staff costs:		
- Wages and salaries	34.2	31.2
- Social security costs	2.4	1.9
- Other pension costs (Note 34)	-	-
	-----	-----
	36.6	33.1
Other administrative expenses	40.1	30.8
	-----	-----
	76.7	63.9
	=====	=====

**Note 7**

**Amounts written off fixed  
asset investments**

	14 Months ended 31st December 1995 £m	Year ended 31st October 1994 £m
Investment in subsidiary undertakings (Note 16)	0.9	-
Investment debt securities (Note 17)	2.4	-
	----	----
	3.3	-
	=====	=====

**Note 8**

**Profit/(loss) on disposal of  
subsidiary undertakings**

	14 Months ended 31st December 1995 £m	Year ended 31st October 1994 £m
(Loss) on liquidation of Glendaruel Investments Limited	(0.8)	-
Deferred profit on sale of London Bridge Finance Limited	-	1.9
	-----	-----
	(0.8)	1.9
	=====	=====

# HILL SAMUEL BANK LIMITED

## NOTES TO THE ACCOUNTS

31st December 1995

### **Note 9**

#### **Profit on ordinary activities before taxation**

	14 Months ended 31st December 1995 £m	Year ended 31st October 1994 £m
The profit is stated after taking account of the following:		
<b>Income:</b>		
Dividends from subsidiary undertakings	38.4	71.6
Income from listed securities	64.1	27.0
Profits less losses on disposal of investment securities	0.3	7.9
<b>Charges:</b>		
Auditors' remuneration		
- audit	0.2	0.3
- non-audit services	0.1	0.3
Property lease rentals	2.4	2.3

Note: The loss on exchange hedging operations arises from the exchange movements on forward contracts entered into to cover the exchange exposures arising on the net assets of overseas subsidiary and fellow subsidiary undertakings.

### **Note 10**

#### **Taxation on profit on ordinary activities**

	14 Months ended 31st December 1995 £m	Year ended 31st October 1994 £m
The (charge)/relief for taxation, which is based on the profit for the period comprises:		
Group relief receivable at 33 per cent	9.8	10.3
UK Corporation tax and other	(1.0)	(1.7)
Deferred taxation	(1.9)	(6.3)
Overseas taxation	(0.7)	(0.8)
Prior year adjustments	(1.4)	(1.0)
	----- 4.8 =====	----- 0.5 =====

The UK corporation tax includes a charge of £Nil (year to 31st October 1994 - £0.8m) in respect of notional tax on investment income.

### **Note 11**

#### **Segmental information**

Based on the location at which transactions and net assets are recorded, the company operates predominantly in Great Britain within the single segment of merchant banking and consequently a segmental analysis is not given.

# HILL SAMUEL BANK LIMITED

## NOTES TO THE ACCOUNTS

31st December 1995

### **Note 12**

#### **Treasury bills and other eligible bills**

	31st December 1995		31st October 1994	
	Book Value £m	Valuation £m	Book Value £m	Valuation £m
<b>Treasury bills</b>				
Investment securities	2.3	2.3	13.3	13.3
	<u>2.3</u>	<u>2.3</u>	<u>13.3</u>	<u>13.3</u>
The movement on treasury bills held for investment purposes is as follows:			Cost £m	Book Value £m
At 1st November 1994			13.3	13.3
Exchange differences			0.2	0.2
Acquisitions			7.0	7.0
Disposals			(18.2)	(18.2)
			<u>2.3</u>	<u>2.3</u>
At 31st December 1995				
			31st December 1995 £m	31st October 1994 £m
Unamortised discounts/(premiums) on investment securities			-	0.1
			<u>-</u>	<u>0.1</u>

### **Note 13**

#### **Loans and advances to banks**

	31st December 1995 £m	31st October 1994 £m
<b>Repayable:</b>		
- On demand	10.3	12.7
- Within three months	276.4	238.3
- Between three months and up to one year	143.9	147.5
- Between one year and up to five years	313.1	423.4
- Over five years	244.6	243.4
	<u>988.3</u>	<u>1,065.3</u>
<b>Amounts include:</b>		
Due from subsidiary undertakings	0.8	4.3
	<u>0.8</u>	<u>4.3</u>
Due from other group undertakings	201.0	159.0
	<u>201.0</u>	<u>159.0</u>

# HILL SAMUEL BANK LIMITED

## NOTES TO THE ACCOUNTS

31st December 1995

### **Note 14**

#### **Loans and advances to customers**

	31st December 1995 £m	31st October 1994 £m
Repayable:		
- On demand	358.8	405.1
- Within three months	533.1	295.3
- Between three months and up to one year	544.4	751.2
- Between one year and up to five years	919.4	659.2
- Over five years	649.5	540.0
Provisions for bad and doubtful debts (note 15)	(24.0)	(32.8)
	<u>2,981.2</u>	<u>2,618.0</u>
Amounts include:		
Due from subsidiary undertakings	<u>1,199.4</u>	<u>983.0</u>
Due from other group undertakings	<u>185.7</u>	<u>186.2</u>

The amounts due from other group undertakings include an amount due from Lloyds TSB Group plc of £185.4m. This amount includes interest-free loans of £175.3m made by the company which are repayable at the option of Lloyds TSB Group plc.

Advances to customers include the following amounts in respect of non-performing debts:

	31st December 1995 £m	31st October 1994 £m
Advances to customers on which interest has been placed in suspense	2.3	15.7
Interest in suspense	(0.7)	(2.3)
	<u>1.6</u>	<u>13.4</u>
Provisions	(0.7)	(6.0)
	<u>0.9</u>	<u>7.4</u>

In the opinion of the Directors, there are no significant concentrations of credit risk or material problem country exposures.

# HILL SAMUEL BANK LIMITED

## NOTES TO THE ACCOUNTS

31st December 1995

### **Note 15**

#### **Provisions for bad and doubtful debts**

	Specific £m	General £m	Total £m
At 1st November 1994	10.8	22.0	32.8
Exchange adjustments	0.2	-	0.2
Charge/(release) for the period	(4.3)	-	(4.3)
Amounts written off	(4.1)	-	(4.1)
Other movements	(0.6)	-	(0.6)
	-----	-----	-----
At 31st December 1995	<u>2.0</u>	<u>22.0</u>	<u>24.0</u>

### **Note 16**

#### **Investment in subsidiary undertakings**

	31st December 1995 £m	31st October 1994 £m
Investment in subsidiary undertakings at cost	370.3	870.8
Provisions	(3.8)	(3.0)
	-----	-----
	<u>366.5</u>	<u>867.8</u>

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. The movement in the period in the cost of investment in subsidiary undertakings is comprised chiefly of the liquidation of Glendaruel Investments Limited.

At 31st December 1995 the company owned 100 per cent of the equity capital of the principal subsidiary undertakings listed below:

Name	Country of Incorporation/ Registration	Principal Activities
*Hill Samuel Investments Limited	England and Wales	Investment 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	Financial services
Hill Samuel Merchant Bank Asia Limited	Singapore	Merchant bankers
Hill Samuel Jersey Limited	Jersey	Merchant bankers
Hill Samuel (Channel Islands) Limited	Jersey	Investment holding company

\*Denotes direct subsidiary of the company.



**HILL SAMUEL BANK LIMITED****NOTES TO THE ACCOUNTS****31st December 1995****Note 17****Debt securities**

	31st December		31st October	
	1995	1995	1994	1994
	Book Value	Valuation	Book Value	Valuation
	£m	£m	£m	£m
<b>Investment securities</b>				
Issued by public bodies:				
Government securities	151.0	153.1	88.9	88.8
Other public sector securities	137.8	141.3	68.9	66.1
	-----	-----	-----	-----
	288.8	294.4	157.8	154.9
	-----	-----	-----	-----
Issued by other issuers:				
Bank and building society certificates of deposit	6.5	6.5	178.8	179.5
Other debt securities	1,117.0	1,136.6	450.3	448.3
	-----	-----	-----	-----
	1,123.5	1,143.1	629.1	627.8
	-----	-----	-----	-----
	1,412.3	1,437.5	786.9	782.7
	-----	-----	-----	-----
<b>Other debt securities</b>				
Issued by public bodies:				
Government securities	15.9	15.9	28.6	28.6
Other public sector securities	1.3	1.3	1.8	1.8
	-----	-----	-----	-----
	17.2	17.2	30.4	30.4
Issued by other issuers:				
Other debt securities	26.6	26.6	32.5	32.5
	-----	-----	-----	-----
	43.8	43.8	62.9	62.9
	-----	-----	-----	-----
<b>Total debt securities</b>	<b>1,456.1</b>	<b>1,481.3</b>	<b>849.8</b>	<b>845.6</b>
	=====	=====	=====	=====
Amounts include:				
Due from other group undertakings	62.7	63.0	-	-
	=====	=====	=====	=====
Analysed by maturity:				
- Due within one year	152.2	154.5	207.1	207.8
- Due after one year	1,303.9	1,326.8	642.7	637.8
	-----	-----	-----	-----
	1,456.1	1,481.3	849.8	845.6
	=====	=====	=====	=====

HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 17**

**Debt securities continued**

	31st December		31st October	
	1995	1995	1994	1994
	Book Value	Valuation	Book Value	Valuation
	£m	£m	£m	£m
Analysed by listing status:				
<b>Investment securities</b>				
Listed on a recognised UK exchange	419.6	424.0	198.5	196.4
Listed elsewhere	719.6	736.2	356.2	351.6
Unlisted	273.1	277.3	232.2	234.7
	-----	-----	-----	-----
	1,412.3	1,437.5	786.9	782.7
	-----	-----	-----	-----
<b>Other debt securities</b>				
Listed on a recognised UK exchange	15.9	15.9	39.2	39.2
Listed elsewhere	13.3	13.3	-	-
Unlisted	14.6	14.6	23.7	23.7
	-----	-----	-----	-----
	43.8	43.8	62.9	62.9
	-----	-----	-----	-----
Total debt securities	1,456.1	1,481.3	849.8	845.6
	=====	=====	=====	=====

	Cost	Discounts and Premiums	Provisions	Book Value
	£m	£m	£m	£m
The movement on debt securities held for investment purposes is as follows:				
At 1st November 1994	786.9	-	-	786.9
Exchange differences	42.9	0.1	-	43.0
Acquisitions	1,360.9	-	-	1,360.9
Disposals	(778.7)	0.4	-	(778.3)
Provisions (made) released (Note 7)	-	-	(2.4)	(2.4)
Amortisation of discounts and premiums	-	2.2	-	2.2
	-----	-----	-----	-----
At 31st December 1995	1,412.0	2.7	(2.4)	1,412.3
	=====	=====	=====	=====

	31st December 1995 £m	31st October 1994 £m
Unamortised discounts/(premiums) on investment securities	14.7	0.1
	=====	=====

HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 18**  
**Equity shares**

	31st December		31st October	
	1995 Book Value £m	1995 Valuation £m	1994 Book Value £m	1994 Valuation £m
<b>Investment securities</b>				
Listed on a recognised UK exchange	2.4	4.6	2.2	4.0
Unlisted	0.7	1.6	0.6	2.4
	----	----	----	----
Total equity shares	<u>3.1</u>	<u>6.2</u>	<u>2.8</u>	<u>6.4</u>
		Cost £m	Provisions £m	Book Value £m
The movement on equity shares held for investment purposes is as follows:				
At 1st November 1994		2.9	(0.1)	2.8
Acquisitions		0.4	-	0.4
Disposals		(0.2)	0.1	(0.1)
		----	----	----
At 31st December 1995		<u>3.1</u>	<u>-</u>	<u>3.1</u>

HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 19**

**Tangible fixed assets**

	Short Leasehold		
	Premises	Equipment	Total
	£m	£m	£m
Cost			
At 1st November 1994	0.4	21.0	21.4
Additions	-	3.6	3.6
Disposals	-	(2.9)	(2.9)
	-----	-----	-----
At 31st December 1995	0.4	21.7	22.1
	-----	-----	-----
Depreciation			
At 1st November 1994	0.3	15.7	16.0
Charge for the period	-	2.4	2.4
Disposals	-	(2.1)	(2.1)
	-----	-----	-----
At 31st December 1995	0.3	16.0	16.3
	-----	-----	-----
Net book value			
At 31st December 1995	0.1	5.7	5.8
	=====	=====	=====
At 31st October 1994	0.1	5.3	5.4
	=====	=====	=====

The gross amount of depreciable assets included in premises at 31st December 1995 is £0.4m.

**Note 20**

**Other assets**

	31st December 1995	31st October 1994
	£m	£m
Deferred taxation (note 25)	0.5	4.6
Group relief receivable	10.3	10.3
Dividend receivable	37.0	71.0
Surplus on valuation of exchange and interest rate contracts	554.1	493.2
Other	37.4	29.1
	-----	-----
	639.3	608.2
	=====	=====

HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 21**

**Deposits by banks**

	31st December 1995	31st October 1994
	£m	£m
Repayable:		
- On demand	1,041.6	717.9
- Within three months	2,210.8	1,430.8
- Between three months and up to one year	628.7	802.1
- Between one year and up to five years	39.2	115.5
- Over five years	222.9	21.0
	<u>4,143.2</u>	<u>3,087.3</u>
Amounts include:		
Due to subsidiary undertakings	<u>402.1</u>	<u>330.7</u>
Due to other group undertakings	<u>2,745.6</u>	<u>1,947.4</u>

**Note 22**

**Customer accounts**

	31st December 1995	31st October 1994
	£m	£m
Repayable:		
- On demand	379.7	659.0
- Within three months	454.8	545.2
- Between three months and up to one year	58.0	566.9
- Between one year and up to five years	54.4	52.3
- Over five years	116.2	110.7
	<u>1,063.1</u>	<u>1,934.1</u>
Amounts include:		
Due to subsidiary undertakings	<u>121.7</u>	<u>696.4</u>
Due to other group undertakings	<u>33.5</u>	<u>28.6</u>

**Note 23**

**Debt securities in issue**

	31st December 1995	31st October 1994
	£m	£m
Certificates of deposit repayable:		
- Within three months	22.8	12.5
- Between three months and up to one year	-	6.3
	<u>22.8</u>	<u>18.8</u>

HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 24**

**Other liabilities**

	31st December 1995	31st October 1994
	£m	£m
Deficit on valuation of exchange and interest rate contracts	724.2	531.2
Amounts due under deferred purchase agreement	57.0	-
Taxation payable	0.1	1.0
Other	14.0	34.6
	-----	-----
	795.3	566.8
	=====	=====

**Note 25**

**Deferred taxation**

	£m	
At 1st November 1994	(4.6)	
Debit in the profit and loss account:		
- current year	1.9	
- prior year	2.2	
	----	
At 31st December 1995	(0.5)	
	=====	
	31st December 1995	31st October 1994
	£m	£m
The balance of deferred taxation comprises:		
Accelerated capital allowances	(0.2)	(0.1)
Other timing differences	(0.3)	(4.5)
	-----	-----
	(0.5)	(4.6)
	=====	=====

The balance at 31st December 1995 represents relief arising chiefly on timing differences which will reverse in the short-term. Deferred taxation has been provided in full.

**Note 26**

**Provisions for liabilities and charges**

	£m
At 1st November 1994	18.3
Charge against profits	2.0
Provisions utilised	(13.7)
Other movements	0.2
	-----
At 31st December 1995	6.8
	=====

HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 27**

**Subordinated loan capital**

	31st December 1995	31st October 1994
	£m	£m

Unsecured subordinated loan capital was due to a fellow subsidiary undertaking as follows:

- US\$25m floating rate note due 2009	16.1	15.3
---------------------------------------	------	------

Interest is payable at ½ per cent per annum above the six months US dollar interbank rate, with a minimum of 5½ per cent per annum, on a revolving basis.

**Note 28**

**Share capital**

	31st December 1995	31st October 1994
	£m	£m

Authorised, ordinary shares of £1 each	500.0	500.0
--	-------	-------

Allotted, called-up and fully paid ordinary shares of £1 each	325.5	325.5
---	-------	-------

**Note 29**

**Reserves**

£m

(i) Share premium:	
At 1st November 1994 and 31st December 1995	58.3
(ii) Profit and loss reserve:	
At 1st November 1994	36.8
Profit retained	12.4
At 31st December 1995	49.2
(iii) Total reserves at 31st December 1995	107.5

# HILL SAMUEL BANK LIMITED

## NOTES TO THE ACCOUNTS

31st December 1995

### **Note 30**

#### **Assets and liabilities denominated in foreign currencies**

31st December 1995 £m	31st October 1994 £m
-----------------------------	----------------------------

The aggregate amounts of assets and liabilities  
denominated in foreign currencies were as  
follows:

Assets	<u>3,024.4</u>	<u>1,860.6</u>
Liabilities	<u>3,091.6</u>	<u>1,886.5</u>

Due to off-balance sheet items the above should not be taken as a measure of the  
company's exposure to foreign exchange risk.

### **Note 31**

#### **Contingent liabilities**

31st December 1995 Contract Amount £m	31st October 1994 Contract Amount £m
---	--

Acceptances and endorsements	146.5	114.1
Guarantees and assets pledged as collateral security		
- Guarantees	59.2	37.9
- Irrevocable letters of credit	44.7	39.6
Performance bonds and other transaction related contingencies	6.8	7.3
Other contingent liabilities	-	0.1
	<u>257.2</u>	<u>199.0</u>
Amounts include:		
Acceptances in respect of other group undertakings	<u>100.0</u>	<u>73.0</u>

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.



HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 32**  
**Commitments**

	31st December 1995 Contract Amount £m	31st October 1994 Contract Amount £m
The amounts shown below are intended to provide an indication of the volume of business transacted and not the underlying credit or other risks:		
Documentary credits and short term trade-related transactions	11.6	23.8
Forward asset purchases and forward deposits placed	8.0	6.3
Undrawn note issuance and revolving underwriting facilities	0.8	23.0
Undrawn formal standby facilities, credit lines and other commitments to lend:		
- One year and over	345.0	308.0
- Less than one year	84.4	160.3
Other commitments	3.5	4.8
	<u>453.3</u>	<u>526.2</u>
Future capital expenditure not provided in these accounts comprises:		
- Contracted	<u>0.2</u>	<u>0.1</u>
- Authorised, but not contracted	<u>-</u>	<u>0.3</u>
Annual commitments under property operating leases are as follows:		
Expiring:		
- Within two to five years	0.2	0.1
- In more than five years	1.9	2.0
	<u>2.1</u>	<u>2.1</u>

HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 33**  
**Derivatives**

The company uses derivatives as part of its trading activities and to reduce its own exposure to fluctuations in interest and exchange rates.

The notional principal amounts of instruments entered into with third parties were as follows:-

	31st December 1995 Notional Principal Amounts £m	31st October 1994 Notional Principal Amounts £m
<b>Exchange rate contracts</b>		
Spot, forwards and futures	3,605	3,642
Currency swaps	806	808
Options purchased	-	1
	-----	-----
	4,411	4,451
	=====	=====
<b>Interest rate contracts</b>		
Interest rate swaps	29,848	21,783
Forward rate agreements	7,602	7,757
Options purchased	1,705	1,991
Options written	1,365	2,621
Futures	16,680	4,833
	-----	-----
	57,200	38,985
	=====	=====
Replacement cost	536	475
	=====	=====
Risk weighted amount	160	142
	=====	=====

HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 33**

**Derivatives continued**

The maturity of the notional principal amount and replacement cost of instruments entered into with third parties was:

	1 Year or Less £m	1 to 5 Years £m	Over 5 Years £m	Total £m
<b>At 31st December 1995</b>				
<b>Exchange rate contracts</b>				
Notional principal amount	3,744	427	240	4,411
	=====	=====	=====	=====
Net replacement cost	63	21	9	93
	=====	=====	=====	=====
<b>Interest rate contracts</b>				
Notional principal amount	19,673	35,754	1,773	57,200
	=====	=====	=====	=====
Net replacement cost	67	307	69	443
	=====	=====	=====	=====
<b>At 31st October 1994</b>				
<b>Exchange rate contracts</b>				
Notional principal amount	3,753	601	97	4,451
	=====	=====	=====	=====
Net replacement cost	105	30	1	136
	=====	=====	=====	=====
<b>Interest rate contracts</b>				
Notional principal amount	19,496	18,144	1,345	38,985
	=====	=====	=====	=====
Net replacement cost	96	186	57	339
	=====	=====	=====	=====

The notional principal amount does not represent the company's real exposure to credit risk which is limited to the current cost of replacing contracts at current market rates should the counterparties default. An analysis of the replacement cost of instruments entered into with third parties by counterparty type is set out below.

	31st December 1995 £m	31st October 1994 £m
OECD banks	478	429
Other	58	46
	-----	-----
	536	475
	=====	=====

HILL SAMUEL BANK LIMITED

NOTES TO THE ACCOUNTS

31st December 1995

**Note 34**  
**Pensions**

The company is a member of the TSB Group Pension Scheme. The scheme is of the defined benefit, final salary type. It is self administered and is funded to cover future pension liabilities, based on accrued service to date, including expected future earnings and pension increases. Formal actuarial valuations are carried out annually, the latest available being at 1st November 1994.

The valuation showed that the actuarial values of the assets were in excess of the benefits accrued to members. The nil rate of contribution to the scheme, now reflected in the current year charge, has been established so as to eliminate the surplus over a period not less than the average remaining service life of current employees.

Further details of the most recent actuarial valuations and main actuarial assumptions are disclosed in the accounts of Lloyds TSB Group plc.

The actuaries to the scheme are employed by Sedgwick Noble Lowndes Limited.

## REPORT OF THE AUDITORS

**To the members of Hill Samuel Bank Limited.**

**We have audited the accounts on pages 6 to 35.**

### **Respective responsibilities of Directors and auditors**

As described on page 4 the company's Directors are responsible for the preparation of the 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 consider 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 affairs of the company as at 31st December 1995 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

15th February 1996

*KPMG*

KPMG  
Chartered Accountants  
Registered Auditors  
London