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REPORT AND ACCOUNTS

Bankers Trust International
Limited

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Ernst & Young

COMPANIES HOUSE
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BANKERS TRUST INTERNATIONAL LIMITED

DIRECTORS' REPORT AND ACCOUNTS - DECEMBER 31, 1989

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BANKERS TRUST INTERNATIONAL LIMITED

1.

DIRECTORS' REPORT AND ACCOUNTS - DECEMBER 31, 1989

Directors

B. D. Classon	Joint Vice Chairman
R. McLauchlan	Joint Vice Chairman
J. W. Benton	
B. R. Cook	
P. C. Freund	
C. J. G. Keer	
M. J. Kenney	
M. H. Steglitz	

Company Secretary

C. F. Backhouse

Registered Office

1 Appold Street,
Broadgate,
London, EC2A 2HE.

Auditors

Ernst & Young,
Rolls House,
7 Rolls Buildings,
Fetter Lane,
London, EC4A 1NH.

Ernst & Young

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1989.

Results and dividends

The profit after taxation and extraordinary items, amounted to £51,095,000 (1988 - £45,365,000). The directors recommend that £51,095,000 (1988 - £45,365,000) should be carried to reserves.

No dividends were declared or paid during the year. The directors do not recommend the payment of any dividend in respect of 1989 (1988 - £Nil).

Principal activity

The company carries on an international merchant banking business. There were no significant changes in the company's business during the year, and the directors do not envisage any significant changes in the foreseeable future. The company is an authorised institution under the Banking Act 1987 and a member of The Securities Association.

Review of the business

1989 was a very successful year and the directors consider that this will continue in the future.

Directors and their interests

The directors of the company during the year were:

A. W. P. Stanham	(Chairman, resigned February 2, 1989)
A. D. Wheat	(Appointed Chairman February 2, 1989; resigned February 12, 1990)
R. L. Barbanell	(Resigned January 12, 1989)
J. W. Benton	(Appointed November 17, 1989)
J. C. Cheysson	(Appointed February 2, 1989; resigned February 12, 1990)
B. D. Classon	(Appointed May 26, 1989)
B. R. Cook	
D. C. Ely	(Resigned February 2, 1989)
M. Hotimsky	(Appointed February 2, 1989; resigned January 18, 1990)
J. R. Howard	(Resigned March 10, 1989)
C. J. G. Kear	
M. J. Kenney	
M. E. Loat	(Appointed February 2, 1989; resigned March 9, 1990)
P. J. Martin	(Resigned May 26, 1989)
R. McLauchlan	(Appointed November 29, 1989)
M. Prewer	(Appointed February 2, 1989; resigned November 29, 1989)
M. H. Steglitz	
R. D. Smith	(Appointed March 31, 1989; resigned November 17, 1989)
B. C. Weston	(Resigned December 1, 1989)
T. T. Yates	(Resigned February 2, 1989)

The company has received no notification that any of the directors has at any time during the year held any beneficial interest in any shares or debentures of the company or any other group company.

BANKERS TRUST INTERNATIONAL LIMITED

3.

DIRECTORS' REPORT
(continued)

Auditors

Arthur Young merged their practice with Ernst & Whinney on September 1, 1989 and now practise in the name of Ernst & Young. Accordingly, they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD



C. F. BACKHOUSE
Company Secretary

March 29, 1990

Ernst & Young

REPORT OF THE AUDITORS TO THE MEMBERS OF
BANKERS TRUST INTERNATIONAL LIMITED

We have audited the accounts on pages 5 to 15 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 December 31, 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG

Chartered Accountants

London

March 29, 1990

BANKERS TRUST INTERNATIONAL LIMITED

5.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1989

	<u>Notes</u>	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Profit on ordinary activities before taxation	3	92,009	52,071
Taxation	4	40,914	6,706
Profit on ordinary activities after taxation		51,095	45,365
Retained profit brought forward		114,835	69,470
Retained profit carried forward		165,930	114,835

Ernst & Young

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

BANKERS TRUST INTERNATIONAL LIMITED

BALANCE SHEET AT DECEMBER 31, 1989

6.

	<u>Notes</u>	<u>1989</u> £'000	<u>1988</u> £'000
Assets:			
Balances with bankers		260,866	30,823
Trading securities - long positions		5,544,754	736,859
Accounts receivable	5	1,065,414	855,958
Loans and advances repayable within one year		24,879	42,732
		<u>6,895,913</u>	<u>1,666,372</u>
Loans and advances repayable after one year		28,808	31,636
Investments	6	458,127	99,558
		<u>7,382,848</u>	<u>1,797,566</u>
Shareholders' funds and liabilities:			
Issued share capital	7	100,020	100,020
Other reserve	8	49,442	49,442
Profit and loss account		165,930	114,835
		<u>315,392</u>	<u>264,297</u>
Deposits		1,039,762	436,689
Taxation		45,023	4,599
Accounts payable	9	1,155,114	655,012
Trading securities - short positions		4,827,557	436,969
		<u>7,382,848</u>	<u>1,797,566</u>

Approved by the board of directors
on March 29, 1990

J. W. BENTON

M. J. KENNEY

J. W. Benton
Directors

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

BANKERS TRUST INTERNATIONAL LIMITED

7.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1989

	£'000	1989 £'000	1988 £'000
Source of funds:			
Profit on ordinary activities before taxation		92,009	52,071
Adjustments for items not involving the movement of funds:			
Write down of investments		707	294
Retranslation of investments		(23,936)	(582)
Net profit on the sale of investments		(10,363)	(434)
Total generated from operations		58,417	51,349
Funds from other sources:			
Proceeds from sale of investments		161,431	6,347
		219,848	57,696
Application of funds:			
Purchase of investments	486,408		15,481
Taxation paid	490		998
Group tax relief paid	-		1,800
		486,898	18,279
		(267,050)	39,417
Components of (decrease)/increase in working capitals:			
Balances with bankers		230,043	(38,662)
Trading securities - long positions		4,807,893	278,032
Trading securities - short positions		(4,390,588)	(368,868)
Loans and advances		(20,681)	31,899
Other accounts		(290,646)	(85,234)
Deposits		(603,073)	222,250
		(267,050)	39,417

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

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1989

1. Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention, subject to the valuation of trading securities noted below, which in the opinion of the directors is required to give a true and fair view.

Interest and fee income

Interest and fee income receivable and payable, commitment commission and agency fees are accrued over the term of the underlying transaction. No accrual is made when payment of interest or principal is more than 90 days overdue.

Other fees and commissions are accrued over the life of the underlying transaction except to the extent that they represent compensation for arranging the transaction. This portion is recognised as income at the commencement of the transaction.

Capital markets income earned jointly with a holding company is shared equally.

Swaps

The company engages in swap activities for trading opportunities as well as acting as a financial intermediary and managing its interest rate and currency risk. Trading activities are marked to market and the resulting gains or losses are included in the profit and loss account. For intermediary transactions, income is recognised over the life of the agreements, except for arrangement fees which are recognised when the services are complete.

Investments

Securities held for investment purposes are valued at cost. The premium or discount arising on the purchase of investments is amortised or accreted directly to the profit and loss account.

Provisions for losses on loans and advances

Specific provision is made against loans and advances when the likelihood of loss is considered certain or probable.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange at the balance sheet date, with the exception of the other reserve which is translated at an historical rate. Gains/losses on translation are taken to the profit and loss account.

Profit and loss account

In accordance with industry practice, profits or losses arising on revaluation of trading securities and the amortisation or accretion of premiums or discounts are not dealt with in a revaluation reserve, but are taken directly to the profit and loss account.

BANKERS TRUST INTERNATIONAL LIMITED

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NOTES TO THE ACCOUNTS AT DECEMBER 31, 1989
(continued)

1. Accounting policies
(continued)

Trading securities

Trading securities are stated at market value. Transactions in trading securities are accounted for on a trade date basis.

Futures and options

Futures and options are marked to market and resulting profits or losses are included in profit from ordinary activities.

Deferred taxation

Deferred taxation is provided on all timing differences using the liability method, except where such timing differences are not expected to reverse in the foreseeable future. No provision is made for taxation on chargeable gains on investments until they are sold.

Turnover

Turnover is not disclosed as it is attributable wholly to the business of banking.

2. Format of accounts

Group accounts have not been prepared as the company is a wholly-owned subsidiary of another company incorporated in the United Kingdom.

The company is not required to comply with the accounting and disclosure provisions of Part VII, Chapter I of the Companies Act 1985. These accounts have been drawn up in accordance with Part VII, Chapter II of, and Schedule 9 to, the Companies Act 1985.

3. Profit before taxation

	1989 £'000	1988 £'000
This is stated after charging:		
Interest payable on deposits	121,898	72,181
Auditors' remuneration	79	124
Directors' emoluments (note 11)	-	-
	=====	=====

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1989
(continued)

4. Taxation

The taxation charge, based on the profit for the year, is made up as follows:

	1989 £'000	1988 £'000
Current year:		
United Kingdom corporation tax based on the profit for the year at 35% (1988 - 35%):		
Current	2,594	6,003
Deferred	22,030	-
Overseas withholding tax suffered	153	161
Franked investment income	333	542
	<hr/>	<hr/>
	25,110	6,706
Prior years:		
Deferred	15,804	-
	<hr/>	<hr/>
	40,914	6,706
	<hr/>	<hr/>

The tax charge for 1989 was reduced by £7,055,000 in respect of group relief and advance corporation tax surrendered by a group company for which no payment was made.

Deferred tax for prior years arises from timing differences which result in prior claims for advance corporation tax and group relief being no longer required by the company and for which payments were not made at the full statutory rate.

Tax losses of approximately £272,000 utilised to obtain recovery of the tax credit on franked investment income in a prior year are available against future profits on payment of the ACT applicable.

5. Accounts receivable

	1989 £'000	1988 £'000
Amounts receivable on securities transactions	785,959	561,456
Other accounts receivable	279,455	294,502
	<hr/>	<hr/>
	1,065,414	855,958
	<hr/>	<hr/>

BANKERS TRUST INTERNATIONAL LIMITED

11.

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1989
(continued)6. Investments

	1989 £'000	1988 £'000
Investment securities, unlisted	404,086	48,655
Equity investments, unlisted at cost	20,955	17,817
Investment in subsidiaries at cost (note 12)	33,086	33,086
	<u>458,127</u>	<u>99,558</u>

The directors are of the opinion that the investments are worth at least their book value. None of the above equity investments (in the directors' opinion) principally affected the amount of the company's profit for the year or the amount of its assets.

7. Share capital

	1989 £'000	1988 £'000
Ordinary shares of £1 each:		
Authorized	110,000	110,000
Issued and fully paid	100,020	100,020

8. Other reserve

	1989 £'000	1988 £'000
At January 1, and December 31, 1989	49,442	49,442

The other reserve arises as a result of a capital contribution made by a holding company.

9. Accounts payable

	1989 £'000	1988 £'000
Amounts payable on securities transactions	681,929	469,294
Other accounts payable	473,185	185,718
	<u>1,155,114</u>	<u>655,012</u>

BANKERS TRUST INTERNATIONAL LIMITED

12.

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1989
(continued)

10. Balances with group companies

The assets and liabilities of the company include the following:

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Assets:		
Holding companies and fellow subsidiaries	248,975	68,260
Subsidiaries	Nil	Nil
Liabilities:		
Holding companies and fellow subsidiaries	996,095	436,689
Subsidiaries	Nil	Nil

11. Directors' and employees' emoluments

The directors are all employed by, and also provide services to, related companies. It is not possible to identify separately amounts paid in respect of services as directors or otherwise in respect of the management of the affairs of the company.

BANKERS TRUST INTERNATIONAL LIMITED

13.

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1989
(continued)11. Directors' and employees' emoluments
(continued)

The number of employees, who were not directors, receiving remuneration in excess of £30,000 was as follows:

		<u>1989</u> No.	<u>1988</u> No.
£ 30,001 - £ 35,000		6	6
£ 35,001 - £ 40,000		8	6
£ 40,001 - £ 45,000		9	7
£ 45,001 - £ 50,000		7	6
£ 50,001 - £ 55,000		11	3
£ 55,001 - £ 60,000		3	4
£ 60,001 - £ 65,000		8	3
£ 65,001 - £ 70,000		9	4
£ 70,001 - £ 75,000		7	4
£ 75,001 - £ 80,000		7	7
£ 80,001 - £ 85,000		2	5
£ 85,001 - £ 90,000		9	2
£ 90,001 - £ 95,000		4	2
£ 95,001 - £100,000		2	3
£100,001 - £105,000		2	-
£105,001 - £110,000		2	2
£110,001 - £115,000		1	3
£115,001 - £120,000		4	6
£120,001 - £125,000		-	2
£125,001 - £130,000		4	6
£130,001 - £135,000		1	2
£135,001 - £140,000		2	1
£140,001 - £145,000		5	1
£145,001 - £150,000		4	-
£150,001 - £155,000		2	-
£155,001 - £160,000		1	1
£160,001 - £165,000		3	-
£165,001 - £170,000		1	-
£170,001 - £175,000		2	-
£175,001 - £180,000		4	-
£180,001 - £185,000		1	1
£185,001 - £190,000		1	-
£190,001 - £195,000		2	-
£195,001 - £200,000		1	-
£200,001 - £205,000		1	-
£210,001 - £215,000		2	-
£215,001 - £220,000		-	2
£220,001 - £225,000		1	-
£225,001 - £230,000		-	1
£235,001 - £240,000		1	-
£240,001 - £245,000		1	-
£250,001 - £255,000		1	-
£255,001 - £260,000		-	1

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1989
(continued)

11. Directors' and employees' emoluments
(continued)

		<u>1989</u> No.	<u>1988</u> No.
£260,001 - £265,000		-	1
£275,001 - £280,000		-	2
£285,001 - £290,000		-	2
£310,001 - £315,000		1	-
£320,001 - £325,000		-	1
£325,001 - £330,000		1	-
£355,001 - £360,000		1	-
£365,001 - £370,000		1	-
£370,001 - £375,000		-	1
£610,001 - £615,000		1	-

Ramuneration of higher paid employees is based on the amount payable in respect of the year.

12. Subsidiaries

The names of the principal subsidiaries of the company, their country of incorporation, principal activity and the percentage of the ordinary share capital owned is as follows:

BT Holdings (Europe) Limited & Cie	- France	- Banking	- 99%
BT Gilts Limited	- England	- Gilt Edged Market Maker	- 100%
B.T.I. Investments Limited	- England	- Investment	- 100%
Rodo Nominees Limited	- England	- Nominee Company	- 100%

13. Contingent liabilities and commitments

The company had contingent liabilities and commitments, entered into in the ordinary course of business, in respect of guarantees, loans, notes, deposit agreements, underwriting agreements, interest rate and currency swaps, financial futures and options, and forwards. These financial commitments are assessed as an integral part of the company's risk exposure and no irrecoverable liability is expected to arise.

Swap activities generally involve the contractual exchange of interest and currency obligations. Such contracts will result in an interest or exchange profit or loss, primarily due to interest and exchange rate movements subsequent to the date of the contract. The company manages the risk associated with its swap activities by entering into offsetting swap contracts and financial hedges. However, there would be a cost of replacement for those swap contracts that are in a gain position, should such contracts go into default and have to be replaced at prevailing market rates. As at December 31, 1989 no such defaults had occurred.

BANKERS TRUST INTERNATIONAL LIMITED

15.

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1989
(continued)

14. Ultimate holding company

The company's ultimate holding company is Bankers Trust New York Corporation, which is incorporated in the United States of America and listed on the New York Stock Exchange.