

MIDLAND BANK INTERNATIONAL  
FINANCIAL SERVICES LIMITED  
DIRECTORS' REPORT AND ACCOUNTS  
31 DECEMBER 1989

6 NOV 1990

# MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

## DIRECTORS' REPORT

Chairman: R. Bogni  
Vice Chairman: S. Toker  
Directors: J. de Mandat-Grancey (Resigned 31.1.90)  
J. Dingii  
Secretary: J. Barton (Appointed 28.2.89)  
Registered Office: 110-114 Cannon Street, London EC4N 6AA.

The directors present their report for the year ended 31 December 1989.

## RESULTS

The profit attributable for the year ended 31 December 1989 amounted to £2,855,000 and has been dealt with as shown in the profit and loss account on page 4. An interim dividend of £12,000,000 was paid on 28 December 1989.

## PRINCIPAL ACTIVITIES

Midland Bank International Financial Services Limited ("MBIFS") is the holding company for an international group of companies providing a comprehensive range of banking, financial and related services.

During the year the Company continued providing services to its subsidiaries.

## FUTURE DEVELOPMENTS

No significant developments are envisaged which will materially alter the above situation.

## DIRECTORS

The directors of the company during the year are listed above.

MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

DIRECTORS' INTERESTS (continued)

The following table sets out Directors' interests in the shares of the ultimate holding company, Midland Bank plc:

Beneficial Interests	£1 ordinary shares of Midland Bank plc	
	At 31 December 1989	At 1 January 1989
R. Bogni	565	404
J. Dingli	575	Nil

Shares for which directors have options  
to subscribe under share option schemes

R. Bogni	50,399	30,000
S. Toker	50,399	30,000
J. de Mandat-Grancey	50,400	30,000
J. Dingli	NIL	2,653

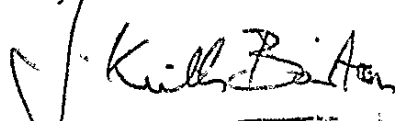
Other than directors' qualifying shares required by certain group companies, no director had any beneficial interest in the shares or loan stocks of subsidiaries of Midland Bank plc during the year under review.

AUDITORS

Ernst & Whinney merged their practice with Arthur Young on 1 September 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, in accordance with Sections 384 and 385 of the Companies Act 1985, a resolution to reappoint Ernst & Young as auditors of the company and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

  
Secretary

21 FEB 1990

REPORT OF THE AUDITORS TO THE MEMBERS OF MIDLAND BANK  
INTERNATIONAL FINANCIAL SERVICES LIMITED FOR THE YEAR ENDED 31  
DECEMBER 1989

We have audited the accounts on pages 4 to 12 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1989 and of its results and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Kurt & Toney*  
Chartered Accountants

London

21 February 1990

MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1989

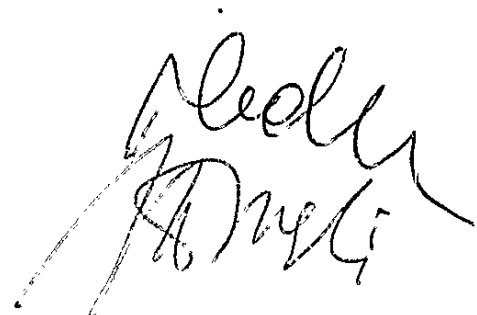
	<u>Notes</u>	1989 £000	1988 £000
Income from shares in group companies		7,357	3,073
Interest receivable and similar income		14,772	5,875
Administrative expenses		(42)	(38)
Exchange (losses)/gains		(14,013)	4,164
Amounts written off investments		(92)	(83)
Interest payable to group companies		(12)	(2)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	7,970	12,989
Taxation on ordinary activities	3	(4,002)	(2,363)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,968	10,626
Extraordinary item	4	(1,113)	(2,780)
PROFIT FOR THE FINANCIAL YEAR		2,855	7,846
Dividends			
Interim - paid		(12,000)	(2,500)
(LOSS)/RETAINED PROFIT FOR THE YEAR		(9,145)	5,346

Movements in reserves are set out in Note 12.

MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u> £000	<u>1988</u> £000
<b>FIXED ASSETS</b>			
Investments	5	299,104	302,934
<b>CURRENT ASSETS</b>			
Debtors	6	3,749	1,508
Bank Balances with holding company		4,519	4,206
		<u>8,268</u>	<u>5,714</u>
CREDITORS: amounts falling due within one year	7	(5,694)	(5,363)
NET CURRENT ASSETS		<u>2,574</u>	<u>351</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		301,678	303,285
CREDITORS: amounts falling due after more than one year			
Amounts due to group companies	8	(772,962)	(266,083)
PROVISIONS FOR LIABILITIES AND CHARGES	9	(1,317)	(658)
TOTAL ASSETS LESS TOTAL LIABILITIES		<u><u>27,399</u></u>	<u><u>36,544</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	22,230	22,230
Revaluation reserve	11	1,603	1,603
Reserves	12	3,566	12,711
		<u><u>27,399</u></u>	<u><u>36,544</u></u>



)  
) Directors  
)

21 FEB 1990

MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1989 £000	1988 £000
<b>SOURCE OF FUNDS</b>		
Profit before taxation and extraordinary items	7,970	12,989
Extraordinary items	(1,113)	(2,780)
Items not involving the movement of funds		
Increase/(Decrease) in provisions against investments (including currency translation differences)	146	100
<b>TOTAL GENERATED FROM OPERATIONS</b>	<b>7,003</b>	<b>10,309</b>
<b>Funds from other sources</b>		
Increase in loans from holding company	6,879	45,996
Decrease in loans to group companies	13,557	-
Disposal of investments in subsidiaries	-	44,485
	<b>20,436</b>	<b>90,481</b>
	<b>27,439</b>	<b>100,790</b>
<b>Applications</b>		
Increase in loans to group companies	-	(65,214)
Increase in investment in:		
Related companies and trade investments	(747)	(3,196)
Subsidiaries	(9,126)	(38,612)
Dividends paid	(12,000)	(5,500)
Tax paid	(2,226)	(1,345)
	<b>(24,099)</b>	<b>(113,867)</b>
	<b>3,340</b>	<b>(13,077)</b>
<b>Movements in working capital</b>		
Increase/(Decrease) in sundry debtors	2,241	(2,333)
Decrease in creditors	(2)	(10)
Decrease/(Increase) in amounts due to group companies	788	(1,319)
Movements in net liquid funds		
Increase/(Decrease) in bank balances	313	(9,415)
	<b>3,340</b>	<b>(13,077)</b>

# MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1989

### 1. ACCOUNTING POLICIES

a) Basis of accounting

The accounts are prepared under the historical cost convention.

Group accounts have not been prepared as MBIFS Ltd is itself a wholly owned subsidiary and for this reason the associated companies have not been accounted for on the equity basis.

b) Deferred taxation

Deferred taxation is calculated, using the liability method, on all timing differences.

c) Currency translation

Assets and liabilities expressed in foreign currencies have been translated into sterling at the rates ruling at the balance sheet date and any difference is taken to the profit and loss account except for exchange differences arising on the translation of currency investments which are offset by the same amount of exchange difference on the translation of currency funding loans.

d) Dividend income

Dividends received and receivable are stated gross of overseas withholding tax credits.

e) Investments

Investments are stated at cost less any provisions for diminution in value.

### 2. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):

	1989 £000	1988 £000
Auditors' remuneration	25	24
Exchange losses/(gains)	<u>14,013</u>	<u>(4,164)</u>

### 3. TAXATION

The charge for taxation is made up as follows:

	1989 £000	1988 £000
UK corporation tax at 35% (1988 - 35%) based on profits for the year	6,452	3,840
Under-provision in prior years	(2,115)	-
Relief in respect of overseas taxation	(1,377)	(1,311)
Overseas taxation	383	149
UK deferred taxation	<u>659</u>	<u>(315)</u>
	<u>4,002</u>	<u>2,363</u>

The tax charge is high in relation to the profit for the year due to certain expenses which are disallowable for tax purposes.



MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1989  
(Continued)

4. EXTRAORDINARY ITEM

	1989 £000	1988 £000
Loss on disposal of investment in group companies	<u>1,113</u>	<u>2,780</u>

5. INVESTMENTS

	Shares in group companies £000	Deposits/ Loans to group companies £000	Unlisted shares in associated companies £000	Unlisted shares in trade investments £000	Total £000
<u>Cost</u>					
At 1 January 1989	173,345	125,691	3,898	327	303,261
Currency translation differences	8,888	-	408	54	9,350
Additions	738	15,129	193	92	16,152
Disposals	(500)	(28,686)	-	-	(29,186)
At 31 December 1989	<u>182,471</u>	<u>112,134</u>	<u>4,499</u>	<u>473</u>	<u>299,577</u>
<u>Provisions</u>					
At 1 January 1989	-	-	-	(327)	(327)
Currency translation differences	-	-	-	(54)	(54)
Additions	-	-	-	(92)	(92)
At 31 December 1989	<u>-</u>	<u>-</u>	<u>-</u>	<u>(473)</u>	<u>(473)</u>
Net book amount at 31 December 1989	<u>182,471</u>	<u>112,134</u>	<u>4,499</u>	<u>-</u>	<u>299,104</u>
Net book amount at 31 December 1988	<u>173,345</u>	<u>125,691</u>	<u>3,898</u>	<u>-</u>	<u>302,934</u>

Included in Investments is £31,215,000 (1988: £26,549,000) in respect of shares quoted on recognised Stock Exchanges outside Great Britain, which at 31 December, 1989 had a market value of £63,121,000 (1988: £56,255,000).

MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

6. DEBTORS

Amounts falling due within one year.	1989 £000	1988 £000
Amounts due from group companies	3,749	1,508

7. CREDITORS

Amounts falling due within one year.	1989 £000	1988 £000
Taxation	5,033	3,916
Amount due to group companies	635	1,423
Other	26	24
	5,694	5,363

8. CREDITORS

Amounts falling due after more than one year.	1989 £000	1988 £000
Loans from holding company	272,962	266,083

The ultimate holding company has indicated that it is its intention to provide such loans as are necessary to fund the investments of MBIFS.

9. PROVISIONS FOR LIABILITIES AND CHARGES

	1989 £000	1988 £000
Deferred taxation		
At 1 January 1989	(658)	(973)
Charge for the year	(659)	315
At 31 December 1989	(1,317)	(658)

Potential deferred tax relating to all short term timing differences have been provided for and there were no other timing differences.

MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

10. CALLED UP SHARE CAPITAL

	'A' Ordinary Shares	'B' Ordinary Shares	'C' Ordinary Shares (non-voting)	Total
Authorised shares of £1 each at 1 January 1989 and 31 December 1989	<u>£8,000</u>	<u>£2,000</u>	<u>£22,990,000</u>	<u>£23,000,000</u>
Issued and fully paid shares of £1 each at 1 January 1989 and 31 December 1989	<u>£8,000</u>	<u>£2,000</u>	<u>£22,220,000</u>	<u>£22,230,000</u>

11. REVALUATION RESERVE

	1989 £'000	1988 £'000
At 1 January 1989	1,603	3,432
Exchange gain/(loss) on foreign currency borrowings	(9,350)	4,923
Currency translation differences on investments	9,350	(4,923)
Released to reserves	-	(1,829)
At 31 December 1989	<u>1,603</u>	<u>1,603</u>

In 1985 the company refinanced certain of its sterling borrowings in order to match the currency of the borrowing with the underlying currency investment, as a result of which a currency revaluation reserve was created.

In 1988 the sale of two companies resulted in a release from the revaluation reserve.

12. RESERVES

	1989 £000	1988 £000
At 1 January 1989	12,711	5,536
Release from revaluation reserve	-	1,829
(Loss)/Retained profit for the year	(9,145)	5,346
At 31 December 1989	<u>3,566</u>	<u>12,711</u>

# MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

### 13. PRINCIPAL SUBSIDIARIES

The principal subsidiaries at 31 December 1989, all of whose accounts were made up to 31 December 1989, were as follows:

	Country of Incorporation and Operation	Percentage Holdings %	Principal Activities
Midland Bank Trust Corporation (Cayman) Ltd	Cayman Islands	100	Trust and Corporate Services
Midland Bank Trust Corporation (Guernsey) Ltd	Guernsey	100	Private Banking, Trust and Corporate Services
Midland Bank Trust Corporation (Jersey) Ltd	Jersey	100	Deposit taking, Trust and Corporate Services
Midland Bank Trust Corporation (Isle of Man) Ltd	Isle of Man	100	Trust and Corporate Services
Handelsfinanz Midland Bank SA	Switzerland	85 *	Private Banking Services
Midland Bank SA	France	72	Home Mortgage, Lending and Investment Banking
Trinkaus & Burkhardt KGaA	Germany	71 *	Investment Banking

The accounting year end of Midland Bank Trust Corporation (Cayman) Limited, Midland Bank Trust Corporation (Guernsey) Limited, Midland Bank Trust Corporation (Jersey) Limited and Midland Bank Trust Corporation (Isle of Man) Limited was changed from 30 September to 31 December during the year to be coterminous with the holding company.

\* Indirect holdings

### 14. CONTINGENT LIABILITY

There is a contingent liability in respect of financial agreements entered into in the normal course of business as follows:

	1989 £000	1988 £000
Subordinated loan capital	1,965	1,712

The company has an undertaking to provide a loan of £1,965,000 (1988: £1,712,000) to an investee company.

**MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)**

**15. COMMITMENTS**

	1989 £000	1988 £000
Authorised but not contracted for	6,413	-

**16. DIRECTORS' EMOLUMENTS**

The aggregate emoluments received by directors (from subsidiaries of Midland Bank International Financial Services Limited), were as follows:

	1989 £000	1988 £000
Fees	-	13,058
Other emoluments	920,567	972,072
	<u>920,567</u>	<u>985,130</u>
Chairman's emoluments	314,321	409,513

Emoluments of the other directors fell in the following bands:

	1989	1988
£0 to £5,000	-	1
£100,001 to £105,000	-	1
£140,001 to £145,000	-	1
£205,001 to £210,000	1	-
£225,001 to £230,000	-	1
£250,001 to £255,000	1	-

**17. HOLDING COMPANY**

The ultimate holding company is Midland Bank plc which is incorporated in Great Britain.