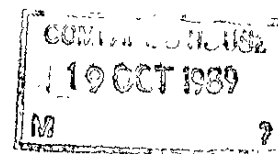


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MIDLAND BANK INTERNATIONAL  
FINANCIAL SERVICES LIMITED  
DIRECTORS' REPORT AND ACCOUNTS  
31 DECEMBER 1988



## MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

### DIRECTORS' REPORT

Chairmen: H. de Carmoy (Resigned 31.5.88)  
R. Bogni (Appointed 23.9.88)

Vice Chairman: S. Toker (Appointed 30.3.88 -  
Vice Chairman 11.4.88)

Directors: J. de Mandat-Grancey  
J. Dingli

Secretary: J. Dingli

Registered Office: 110-114 Cannon Street, London EC4N 6AA.

The directors present their report for the year ended 31st December 1988.

### RESULTS

The profit attributable for the year ended 31 December 1988 amounted to £7,846,000 and has been dealt with as shown in the profit and loss account on page 4. An interim dividend of £2,500,000 was paid on 1 October 1988.

### PRINCIPAL ACTIVITIES

Midland Bank International Financial Services Limited ("MBIFS") is the holding company for a group of companies which operate in many parts of the world and provide a comprehensive range of banking, financial and related services.

### FUTURE DEVELOPMENTS

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

### SUBSIDIARY AND RELATED COMPANIES

The Midland Bank Trust Corporations in Jersey, Guernsey, Isle of Man and Cayman Islands are now direct subsidiaries of MBIFS. The company sold its 100% interest in Midland Bank Canada in May 1988 and its 100% interest in Midland Montagu Australia Limited in December 1988.

### DIRECTORS

The directors of the company during the year and those appointed since the year end 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 1988	At 1 January 1988 (or date of appointment)
R. Bogni	404	404
Shares for which directors have options to subscribe under share option schemes		
R. Bogni	30,000	-
J. de Mandat-Grancey	30,000	-
J. Dingli	2,653	2,653
S. Toker	30,000	-

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

In accordance with Sections 384 and 385 of the Companies Act 1985, a resolution to reappoint Ernst & Whinney 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

22 FEB 1989

MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF MIDLAND BANK  
INTERNATIONAL FINANCIAL SERVICES LIMITED FOR THE YEAR ENDED 31  
DECEMBER 1988

We have audited the accounts of Midland Bank International Financial Services Limited set out on pages 4 to 13. The accounts have been prepared under the historical cost convention. Our audit has been carried out in accordance with approved auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs at 31 December 1988 and of the profit for the year then ended and comply with the Companies Act 1985.

*East & Whalley*

Chartered Accountants

London

22 FEB 1989 1989

MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1988

	<u>Notes</u>	1988 £000	1987 £000
Income from shares in group companies		3,073	5,287
Interest receivable and similar income		5,875	3,827
Administrative expenses		(38)	(34)
Exchange gains	2	4,164	949
Amounts written off investments		(83)	(49)
Interest payable to group companies		(2)	(188)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		12,989	9,792
Taxation on ordinary activities	3	(2,363)	(4,519)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		10,626	5,273
Extraordinary item	4	(2,780)	1,699
PROFIT FOR THE FINANCIAL YEAR		7,846	6,972
Dividends			
First interim - paid		2,500	2,000
Second interim		-	3,000
		(2,500)	(5,000)
RETAINED PROFIT/(LOSS) FOR THE YEAR		5,346	1,972

Movements in reserves are set out in note 12.

**MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 1988**

	<u>Notes</u>	1988 £000	1987 £000
<b>FIXED ASSETS</b>			
Investments	5	302,934	240,497
<b>CURRENT ASSETS</b>			
Debtors	6	1,508	3,841
Bank Balances with holding company		4,206	13,621
		<u>5,714</u>	<u>17,462</u>
CREDITORS: amounts falling due within one year	7	(5,363)	(5,701)
NET CURRENT ASSETS		<u>351</u>	<u>11,761</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		303,285	252,258
<b>CREDITORS: amounts falling due after more than one year</b>			
Amounts due to group companies	8	(266,083)	(220,087)
PROVISIONS FOR LIABILITIES AND CHARGES	9	(658)	(973)
TOTAL ASSETS LESS TOTAL LIABILITIES		<u>36,544</u>	<u>31,198</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	22,230	22,230
Revaluation reserve	11	1,603	3,432
Reserves	12	12,711	5,536
		<u>36,544</u>	<u>31,198</u>



)  
) Directors  
)

22 FEB 1989

MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1988 £000	1987 £000
<b>SOURCE OF FUNDS</b>		
Profit before taxation and extraordinary items	12,989	9,792
Extraordinary items	(2,780)	1,699
Items not involving the movement of funds		
Increase/(Decrease) in provisions against investments (including currency translation differences)	100	(1,380)
<b>TOTAL GENERATED FROM OPERATIONS</b>	<b>10,309</b>	<b>10,111</b>
<b>Funds from other sources</b>		
Increase in loans from holding company	45,996	29,364
Disposal of investments in:		
Related companies and trade investments	-	1,459
Subsidiaries	44,485	17,933
	<u>90,481</u>	<u>48,756</u>
	100,790	58,867
<b>Applications</b>		
Increase in loans to holding company	-	(45,809)
Increase in loans to group companies	(65,214)	-
Increase in investment in:		
Related companies and trade investments	(3,196)	(765)
Subsidiaries	(38,612)	(2,581)
Dividends paid	(5,500)	(3,200)
Tax paid	(1,345)	(2,680)
	<u>(113,867)</u>	<u>(55,035)</u>
	<u>(13,077)</u>	<u>3,832</u>
<b>Movements in working capital</b>		
(Decrease) in sundry debtors	(2,333)	-
(Increase)/Decrease in creditors	(10)	8
(Increase)/Decrease in amounts due to group companies	(1,319)	2,014
Movements in net liquid funds		
Increase/(Decrease) in bank balances	(9,415)	1,810
	<u>(13,077)</u>	<u>3,832</u>

# MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1988

### 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 related 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 taken direct to reserves, insofar as they are matched by differences 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:

	1988 £000	1987 £000
Auditors' remuneration	24	14
and after crediting:		
Exchange gains	4,164	949

### 3. TAXATION

The charge for taxation is made up as follows:

	1988 £000	1987 £000
UK corporation tax at 35% (1987 - 35%) based on profits for the year	3,840	2,965
Relief in respect of overseas taxation	(131)	(2,289)
Overseas taxation	149	-
UK deferred taxation	(315)	990
Adjustments relating to prior years	-	2,853
	<u>2,363</u>	<u>4,519</u>



MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1988  
(continued)

4. EXTRAORDINARY ITEM

	1988 £000	1987 £000
(Loss)/Profit on sale of investment in group company	<u>(2,780)</u>	<u>1,699</u>

5. INVESTMENTS

	Shares in group companies £000	Loans to group companies £000	Unlisted shares in related companies £000	Unlisted shares in trade investments £000	Total £000
<u>Cost</u>					
At 1 January 1988	179,218	60,477	802	227	240,724
Currency translation differences	(4,969)	-	29	17	(4,923)
Additions	43,581	72,714	3,067	83	119,445
Disposals	(44,485)	(7,500)	-	-	(51,985)
At 31 December 1988	<u>173,345</u>	<u>125,691</u>	<u>3,898</u>	<u>327</u>	<u>303,261</u>
<u>Provisions</u>					
At 1 January 1988	-	-	-	(227)	(227)
Currency translation differences	-	-	-	(17)	(17)
Relating to disposals	-	-	-	(83)	(83)
At 31 December 1988	-	-	-	(327)	(327)
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>
Net book amount at 31 December 1987	<u>179,218</u>	<u>60,477</u>	<u>802</u>	<u>-</u>	<u>240,497</u>

Included in Investments is £26,549,351.20 (1987: £27,425,281.14) in respect of shares quoted on recognised Stock Exchanges, which at 31 December, 1988 had a market value of £56,254,580.95 (1987: £55,316,414.02).

MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

6. DEBTORS

	1988 £000	1987 £000
Amounts falling due within one year.		
Amounts due from group companies	1,508	3,841

7. CREDITORS

	1988 £000	1987 £000
Amounts falling due within one year.		
Taxation	3,916	2,583
Amount due to group companies	1,423	104
Second interim dividend	-	3,000
Other	24	14
	5,363	5,701

8. CREDITORS

	1988 £000	1987 £000
Amounts falling due after more than one year.		
Loans from holding company	266,083	220,087

The loans are technically due on demand or renewable within one year, however, 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

	1988 £000	1987 £000
Deferred taxation		
At 1 January 1988	(973)	17
Charge for the year	315	(990)
At 31 December 1988	(658)	(973)

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 1988 (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 1988 and 31 December 1988	<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 1988 and 31 December 1988	<u>£8,000</u>	<u>£2,000</u>	<u>£22,220,000</u>	<u>£22,230,000</u>

11. REVALUATION RESERVE

	1988 £'000	1987 £'000
At 1 January 1988	3,432	3,432
Released to reserves	(1,829)	-
At 31 December 1988	<u>1,603</u>	<u>3,432</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

	1988 £000	1987 £000
At 1 January 1988 (as reported)	5,536	2,660
Prior year adjustment	-	904
At 1 January 1988 (as restated)	<u>5,536</u>	<u>3,564</u>
Release from revaluation reserve	1,829	-
Retained profit for the year	5,346	1,972
At 31 December 1988	<u>12,711</u>	<u>5,536</u>

Exchange losses on foreign currency hedging loans have been offset by exchange gains of the same amount arising on the translation of investments.

**MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED****NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)****13. PRINCIPAL SUBSIDIARIES**

The principal subsidiaries at 31 December 1988, all of whose accounts were made up to 31 December 1988 unless otherwise indicated, were as follows:

	Country of Incorporation and Operation	Interest of MBIFS at 31 December 1988	
		Direct %	Indirect %
Midland International Trade Services Ltd	Great Britain	100	
Midland Bank Aval Ltd	Great Britain	100	
International Debt Consultants Ltd	Great Britain	100	
Midland Bank Trust Corporation (Cayman) Ltd	Cayman Islands (30 September)	100	
Midland Bank Trust Corporation (Guernsey) Ltd	Guernsey (30 September)	100	
Midland Bank Trust Corporation (Jersey) Ltd	Jersey (30 September)	100	
Midland Bank Trust Corporation (Isle of Man) Ltd	Isle of Man (30 September)	100	
Midland Investments SA	Switzerland	100	
Handelsfinanz Midland Bank SA	Switzerland		85
Midland Bank SA	France	76	
Midland Finanziaria SPA	Italy	100	
Midland Holdings Germany GmbH	Germany	100	
MBI SA	Argentina		100
Midland Montagu Administracao & Participacoes Limitada	Brazil	100	
Midland Servicos & Representacoes Limitada	Brazil	100	
Midland Servicios Financieros SA	Spain	100	
Trinkaus & Burkhardt KGaA	Germany		71

**MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)**

**PRINCIPAL SUBSIDIARIES (continued)**

	Country of Incorporation and Operation	Interest of MBIFS at 31 December 1988 Direct %	Indirect %
Trinkaus & Burkhardt (International) SA	Luxembourg		71
Midland Servicios Financieros Chile SA	Chile	100	
Prospect Insurance Limited	Bermuda	59	
Midland International Trade Services (Germany) Ltd	Germany	100	
Midland International Trade Services (USA) Corporation	USA	100	
Handelsfinanz Bank International Ltd	Bahamas		85
Lafco Netherlands BV	Netherlands	100	

**14. CONTINGENT LIABILITY**

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

	1988 £000	1987 £000
Subordinated loan capital	1,712	1,608

MIDLAND BANK INTERNATIONAL FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

15. DIRECTORS' EMOLUMENTS

The aggregate emoluments received by directors were as follows:

	1988 £000	1987 £000
Fees	13,058	3,993
Other emoluments	<u>972,072</u>	<u>1,067,138</u>
	<u>985,130</u>	<u>1,071,131</u>

Chairmen's emoluments	<u>409,513</u>	<u>748,458</u>
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[£356,015 in respect of H. de Carmoy  
and £53,498 in respect of R. Bogni.]

Emoluments of the other directors fell in the following bands:

	1988	1987
£0 to £5,000	1	1
£100,000 to £105,000	1	-
£135,000 to £140,000	-	1
£140,000 to £145,000	1	-
£185,000 to £190,000	-	1
£225,000 to £230,000	1	-

16. HOLDING COMPANY

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