Company Mumber: 14259

MIDLAND BANK PLC

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 1992

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Contents

Financial Highlights

	1992 £m	1991 £m
FOR THE YEAR		
Profit before exceptional items and taxation	300	57
Exceptional items	(122)	(21)
Profit before taxation	178	36
Profit/(loss) attributable to shareholders	102	(39)
AT YEAR-END		
Total assets	61,354	59,796
Total risk weighted assets	41,937	41,500
Shareholders' funds	2,224	2,350
Total capital resources	4,604	4,496
PER SHARE		
Earnings/(loss) — net distribution basis	9·6p	(6·2)p
Net asset value	279p	299p
RATIOS		
Return on average equity — profit before exceptional items and taxation	11·4%	2·3%
profit before taxation	6·7%	1·4%
Return on average shareholders' funds — profit/(loss) attributable	4·1%	(1·6)%
Pre-tax return on average total assets — profit before exceptional items	0·50%	0·09%
profit before taxation	0·30%	0·06%
Capital ratios — risk asset ratio	10·7%	10·3%
tier 1 capital to total risk weighted assets	5·7%	5·5%
total equity to total assets	3·9%	4·2%

The annual report on Form 20-F, which is filed with the Securities and Exchange Commission in the US, contains additional statistical information and analyses of Midland Group's financial position and results of operations for 1992. Copies will be supplied on application to the secretary.

DESPITE THE ECONOMIC recession in the UK, Midland Bank succeeded in making a pre-tax profit of £178 million in 1992. This compares with a profit of £36 million in 1991. Trading profit, before the charge for bad and doubtful debts, rose by 1% to £960 million.

The bad debt charge of £676 million reflects the continuing heavy toll taken by the recession on both business and personal customers in the UK, and a weakening of other European economies. The charge was somewhat mitigated by an improvement in the economies of a number of Latin American countries, which permitted a release of some of the provisions on loans to developing countries.

The depressed level of economic activity had an adverse impact on interest income. However, the bringing together of Midland's treasury and capital markets operations in London, New York and Tokyo with those of HongkongBank — one of the major developments to follow our becoming a member of the HSBC Group — had an encouraging impact on other operating income. An important additional contributory factor was the notable activity of Midland Financial Services.

That costs have been held in line with 1991 reflects the balancing influences of effective cost management against a charge for permanent diminution of property values.

Overall, assets increased by £1·6 billion in 1992. This growth was largely due to the effects of the weakening of sterling on balances denominated in foreign currencies. The underlying customer balances fell during the period. Midland's tier 1 and total capital ratios strengthened to 5·7% and 10·7% respectively at the year end, from 5·5% and 10·3% at the end of 1991.

The economic climate

By the autumn, concerns about general economic recovery, and a sharp rise in the public sector borrowing requirement, forced the Government into major revisions in its policies. Sterling's exit from the ERM led to a devaluation of the pound of more than 10% against the Deutschmark. There were progressive base rate reductions, from 10% to 7% by the year end.

These stimuli have yet to translate into higher output, due to uncertainty caused by the continuing rise in unemployment, the depressed state of the housing market, debt overhang coupled with still relatively high real interest rates, and the large number of business failures. The recession presents a continuing problem affecting not only Midland but the UK banking industry as a whole.

The HSBC Group and Midland

The HSBC Holdings offer for Midland was headline news throughout the spring and early summer. When Midland became a member of the HSBC Group in July, its eventual organisational structure had to fit with that of HSBC Holdings and HongkongBank in a manner that would ensure our achieving the benefits to shareholders and customers that were indicated in the offer document. Immediate action was taken within the international and European branch networks and within head office support functions; also in the areas of treasury and capital markets, correspondent banking, trade finance, international corporate accounts, private banking, and investment management and private client stockbroking. Considerable progress has been made in a very short time.

These changes improve the global access and expertise that Midland's major corporate customers receive, particularly in treasury and trade finance. Midland is now the HSBC flagship in the UK and continental Europe. The other banks within the HSBC Group, and their customers, will benefit from Midland's strengths in these areas.

HSBC's capital strength will permit us to accelerate the rate at which we can invest in updating Midland's branch network and its systems.

Other developments during the year

The Thomas Cook Group was sold during 1992, in furtherance of our strategy of concentrating on core banking business.

Within the bank, major steps were taken to simplify the way that we deal with our customers. The sectoral approach to managing our businesses was discontinued. In place of UK Banking and Midland Montagu, core banking operations in the UK are now managed on an integrated basis. The lines of business are supported by central functions — for example, information technology, operations, risk management, finance and personnel — within a single unified Midland head office environment.

Midland began 1992 with the strategy of differentiating itself from the competition by the achievement of a more reliable and higher-quality level of service. The UK regional organisation was restructured by the integration of the corporate and retail networks. Five locally-based general managers assumed responsibility for all aspects of the bank's business within their respective divisions. The purpose of integration was to provide our customers with a more straightforward and effective banking service.

Midland will be led in local communities by highly experienced executives providing clear, consistent points of contact. An article later in this report outlines our philosophy toward positive corporate involvement in the community, and describes some of the ways in which we are contributing to its attainment.

The support we provide for small businesses features strongly in the article. I am very pleased that Midland, in response to the considerable general public criticism of banks' treatment of the sector, has been able consistently to demonstrate to the Chancellor and the Bank of England that some 98% of our own small business customers have benefited in full from base rate cuts

Midland and HongkongBank share a deep-rooted small business ethic and we shall thus receive the Group's particular support in developing this area of our home market.

> *the banks within the HSBC Group, and their customers, will benefit from Midland's strengths as their flagship in Europe*

Corporate governance and its practice

I made a particular reference in last year's report of the importance that I attach to good and open corporate governance. The topic has been the subject of a great deal of public comment in the last year, not least because of the publication of the Cadbury Committee's Code of Best Practice.

I welcome very much the introduction of the code. It goes a long way towards defining the responsibilities of boards of directors in a manner that will reassure all the stakeholders of a company — shareholders, customers, staff and the public at large — of the openness and effectiveness of that management.

The code becomes effective for business years ending after 30 June 1993. The London Stock Exchange will thereafter make the publication by companies of the Statement of Compliance, reviewed by the auditors, an obligation of listing.

Midland has already developed a high standard of corporate governance as measured against the provisions of the code. Now that Midland is a wholly owned subsidiary, the board intends to maintain these high standards, operating in some instances through the committee structure of the board of HSBC Holdings.

Board of directors

There was considerable change in the composition of the board of directors. Gene Lockhart and George Loudon, both executive directors, resigned from the board. Three non-executives, Sir Peter Leslie, who was also a deputy chairman, Jeff Cunningham and Sir Eric Pountain retired as directors. Sadly, Sir Patrick Meaney, who had been an influential and energetic director since 1980, and deputy chairman since 1984, died during the year.

It was a great loss also that deputy chief executive Brian Goldthorpe was forced by ill-health to resign from the board; he died shortly afterwards. Brian's career in Midland spanned over 40 years. His reputation and experience, within the bank and without, were highly esteemed and he is greatly missed.

There were a number of additions to the board during 1992. Charles Mackay, chief executive of Inchcape, and Sir Wilfrid Newton, chairman and chief executive of London Regional Transport and chairman of London Underground, became non-executive directors, both being members of the board of HSBC Holdings. Keith Whitson, Midland's deputy chief executive, became an executive director. Geoffrey Maitland Smith was appointed deputy chairman.

Two further directors joined the board in January 1993 — John Bond, a director and group chief executive officer of HSBC Holdings, and John Strickland, also a director of HSBC Holdings.

We were particularly pleased that Wilfrid Newton and William Purves, the chairman of HSBC Holdings, received knighthoods in the New Year's honours list.

we are led locally by experienced executives providing clear points of contact in their communities

1992 in summary

This has been a momentous year for Midland, dominated by the negotiations leading to our becoming part of the HSBC Group, and our subsequent integration into it. Our membership of one of the world's largest and most strongly capitalised international banking groups provides a major opportunity for Midland as a leading force in British and European banking and, indeed, for the customers we serve.

Within Midland, we have made progress in our aims of drawing the bank together, and of providing customers with a more straightforward and effective service. The foundations are laid for 1993 and beyond.

Inevitably, the anxieties and upheaval of the past year created heavy demands on our staff, who have made heroic efforts under very difficult circumstances. However, the stability with which we emerge from 1992 enables us to make planned and systematic progress, in an atmosphere of real optimism, towards achieving our ambition of becoming a truly outstanding bank in a world class banking group.

Sir Peter Walters
Chairman

COMMERCIAL BANKING

Personal customers

THE CHAIRMAN HAS described our strategy to differentiate Midland from the competition by a greater commitment to the local community, and by the achievement of higher levels of customer service. As the integration that he outlined proceeds, the necessary foundations for improvement are being put into place.

An industry code of banking practice became effective in March 1992, although it should be remembered that Midland was already honouring the principles of the code in 1991. The introduction in May of 'Banking with Midland', the bank's own more rigorous code, further underlined Midland's intention to set the highest standards of customer service.

Midland takes customer complaints very seriously and makes every possible effort to be prompt and responsive in investigating problems. Clear procedures are well documented for our customers in our 'How to Complain' booklet and in 'Banking with Midland'.

Against the background of considerable criticism of all banks, and an acceptance on our part that some of the adverse comment was justified, I wrote in June to each of our four million personal customers. I wanted to explain our commitment to service quality, and to invite feedback. I received 8,000 replies, more than 20% of which were entirely complimentary. Every letter we received was acknowledged and all problems fully investigated.

We are conscious of the need to live up to Midland's 'listening bank' tradition. An important step towards understanding what our customers expect was the introduction early last year of a service measurement system. We had polled nearly 300,000 customers by the end of 1992, and over 75% of those surveyed told us that we were meeting their expectations.

In December, to maintain and extend the momentum of our customer service drive, a service quality director was appointed with responsibility across the whole of the bank.

A number of specific actions were taken to improve our contact with customers. Midland's product range was simplified, particularly in relation to current accounts. To offer greater customer convenience, nearly 1,300 (70%) of our branches now open until at least 4.30pm and over 300 branches are open on Saturdays. In addition, Midland now has 134 sites which provide a 24-hour lobby service.

Small businesses

Our commitment to supporting small and medium sized companies was fully demonstrated in 1991, when Midland was the first bank to launch a business banking charter. This was warmly received by the small business sector. To exceed these standards, we are currently preparing to enhance the terms of the charter in line with requests from business owners. The changes will include prenotification of charges — giving advance notice to the majority of our small business customers of the charges to be made to their accounts.

To offer specific and tangible assistance to small businesses, Midland launched 'Midland Growth Capital' and two regionally based Enterprise funds. These initiatives will help to address the perceived 'equity gap' for smaller businesses with growth potential, by opening up resources of risk capital in amounts up to £750,000.

In recognition of the very difficult climate for small business owners, we made no increase in packaged business tariffs in 1992. Midland has also made consistent efforts to improve its understanding of small businesses. In association with the Doncaster Business Advice Centre, we ran a series of seminars which have been attended by 750 members of our staff. Also, more than 500 of our managers have been trained at Manchester Business School on a course developed with Midland and business owners.

Corporate banking

The recession continued to undermine significantly the profitability of the corporate banking sector but, overall, bad debt provisions showed some improvement over 1991 levels. Despite the difficult environment, new business was acquired in 1992, and relationships with corporate customers were strengthened across all industry sectors.

Customers with international operations are already benefiting from access to our enlarged worldwide network and electronic systems, and from changes in the delivery of treasury and trade finance products.

> *we are working hard to achieve a more reliable and higher-quality customer service*

Financial services

There were some highly successful results from Midland Financial Services (MFS), which manages Midland's life and general insurance activities, and personal asset management services, together with retail stockbroking and global custody.

Total fee and commission income grew by 13%, with life insurance product income 30% higher. To allow us to serve better the needs of Midland's personal customers for investment and protection products, the number of financial consultants located within the branch network was increased from 350 to 500. A further increase of 200 is planned for 1993.

Midland Stockbrokers now has 130 shareshops — 30 more than last year — located within larger branches, and continues to make a valuable contribution. For the third year in a row, an independent survey rated Midland Securities Services one of the top providers of domestic and global custody services in the UK.

Card services

Growth of Switch debit card activity continued apace and Midland Switch transactions for the year numbered 82 million, a 52% increase over 1991. To coincide with the launch of the first generic Switch advertising campaign for debit cards, we are currently undertaking sales promotions to Midland cardholders and retailers to further stimulate usage.

During the year we revised the charging structure on both Midland Access and Visa to reduce the cross subsidy made by credit card borrowers to users of the service who repay in full each month.

Some success was achieved in combating fraud involving debit and credit cards, through a number of specific initiatives. We made improvements to the security of plastic card distribution. We have also undertaken a customer and retailer education programme which has achieved a considerable increase in awareness of the implications of card fraud, and the means by which it may be mitigated.

Correspondent banking

Correspondent banking had a good year, producing excellent results in terms of net profit and, more particularly, return on capital. We reinforced our traditionally strong sterling market franchise in this area of activity.

Significant progress was achieved towards integrating the unit within the framework of the HSBC Group and capitalising upon combined strengths.

Overseas operations

Against a background of weakening economies, the results overall from the operations in continental Europe were disappointing. Good performances from Trinkaus & Burkhardt in Germany, Guyerzeller in Switzerland and the

small businesses

Midland Bank's small business specialist in Romford saw considerable growth potential for a local installer of mobile communications equipment, Nationwide Cellular Fit (NCF). He arranged an introduction to the London Enterprise Agency (LEntA). A consultant from LEntA helped NCF put together a business plan, resulting in presentations to several providers of venture capital. NCF selected Midland Growth Capital as its most suitable equity partner for the future.

branches in Greece were offset by losses sustained in the Italian and Scandinavian businesses, and by Midland Bank SA in France, the latter largely influenced by a downturn in the French property market.

We increased our representation in the emerging democracies in central Europe and are building relationships in this challenging area which will allow us to take advantage of future opportunities.

we take customer complaints very seriously, and make every effort to be prompt and responsive in investigating problems

Treasury and capital markets

The formation of Midland Global Markets brings together the treasury and capital markets operations of Midland and HongkongBank in London, New York and Tokyo, offering a 24-hour dealing service in London.

Midland Global Markets will deal in and offer advice on the full range of treasury products, including foreign exchange and money markets, to support the bank's substantial UK and international corporate customer base.

The merger of activities, which was achieved in just 90 days, combines the traditional strengths of Midland in Europe and North America with HongkongBank's expertise in Asian and Middle Eastern currencies.

Midland's treasury sales to corporate customers reached record levels in 1992. The regional treasury network, which offers foreign exchange, money market and capital market products on a regional basis, continued to grow in importance.

An increasing number of customers started subscribing to FX-direct, our PC-based direct dealing system, underlining our leading position in the market.

Our commitment to the options market remained high in a year of turbulent trading conditions. We plan further growth in our options and hedging capability, to provide customers with a variety of effective safeguards in an increasingly volatile environment.

In terms of capital markets activity, 1992 was a record year for both number and volume of issues lead managed by Samuel Montagu. In the public bond markets 13 issues were undertaken for an aggregate volume of £1·3 billion. A number are worthy of particular mention.

Samuel Montagu lead managed the first public eurobond for Cable & Wireless which, after a very successful launch, was increased from £150 million to £200 million. Another first was the financing arranged for Yorkshire Water, a £40 million five-year deal, which was placed privately with a single investor. In the sterling domestic debenture market, Samuel Montagu undertook a further two tranches of The Housing Finance Corporation's stock issue, bringing the total amount to £232 million. Other public bond issues included two denominated in US dollars.

Samuel Montagu also handled a large number of structured private placements, which brought together specialised placing power in Asia, North America and Europe, with structuring and tax capability in London.

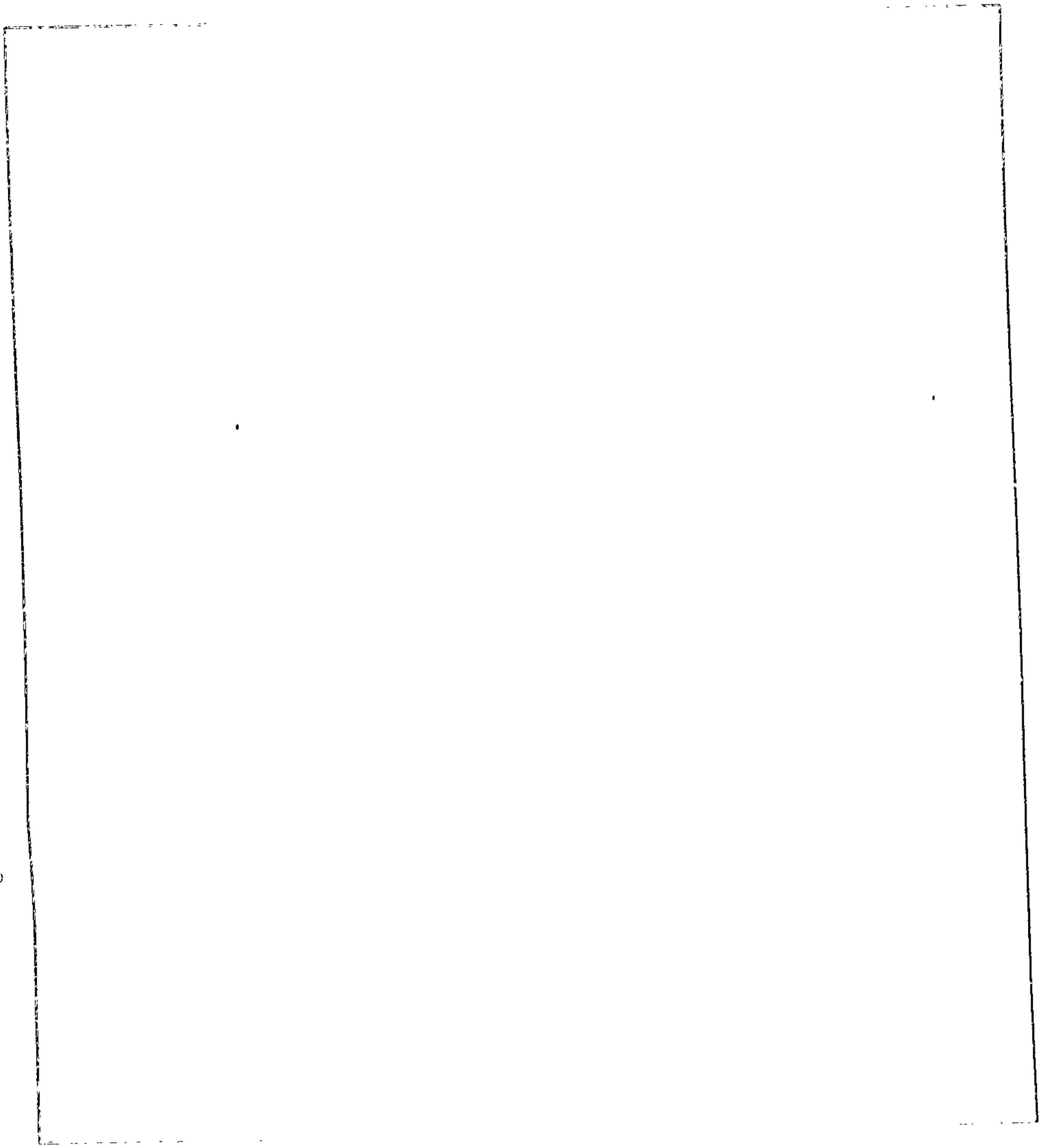
Greenwell Montagu Gilt-Edged (GMGE) held its premier position as a gilt-edged market maker and enjoyed its most profitable year since formation at Big Bang in October 1986. It continues to deal with most of the major domestic financial institutions and an increasing number outside the UK. Of particular note was the enormous growth in private individuals' gilt-edged dealings, GMGE being one of only three market makers equipped to handle large numbers of smaller sized gilt-edged bargains.

Equity-related Investment

Montagu Private Equity (MPE) is the Group's UK and European arm specialising in unquoted equity and equity-related investment. MPE consolidated its strength in the market during 1992 through arrangement of and participation in numerous sizeable management buy-outs and buy-ins; its leading position was confirmed in the

education

Midland is a sponsor of Young Enterprise, a charity which enables nearly 30,000 teenagers at colleges and schools to set up and run their own businesses each year. Pictured here is Basic Essentials, a Young Enterprise company in Gravesham, shown manufacturing their distinctive union flag bean bags



league tables. Of note were the privatisation of Clyde Port, and the management buy-outs of RJ Budge Mining, CCA Stationery and Edgemond.

Developing countries

Developing Countries Group had a very successful year, with economic improvements in several Latin American countries presenting better opportunities in the financing of foreign trade, debt trading, capital markets activities and in the management of debt/equity investments.

The developing countries provisionable exposure reduced by $1,177 million, or 21%. Significant progress was made towards debt restructuring agreements for Argentina and Brazil, including the issue of new bonds for remaining unpaid interest until the end of 1990 for Brazil. Given the general improvement in the quality of the debt portfolio, we felt able to release £98 million of country provisions.

> *Midland and HongkongBank share a deep-rooted small business ethic*

Payments transmission

This proved a difficult and highly competitive year for payments and transmission generally. Midland, however, retained market share at approximately 20%, thereby reinforcing our position as 'the money transmission bank'. It was a key year, insofar as the volume of commercial paper and cheques declined, to be replaced by electronic and automated solutions. This was true for both the corporate and personal marketplaces.

During the year, Midland took over the lea[illegible]ation for customer-generated items in the Bankers [illegible]utomated Clearing System (BACS). We also augmented an extensive range of payments products with the launch of a full, financial EDI service — badged as 'Tradepay'.

The merger brought a global electronic banking system of the foremost quality — 'Hexagon' — to Midland. I expect the introduction of Hexagon to give rise to major benefits for our corporate customers.

Firstdirect

Firstdirect, Midland's direct banking division, continued to acquire substantial numbers of new accounts; the total of 350,000 at the year end was an increase of 75% over 1991. Attitude surveys re-affirmed that 90% of Firstdirect account holders feel the service offered is better than they have received elsewhere. More than 30% of new business comes by personal recommendation from existing customers.

With increasing acceptance of the telephone as a key link to service providers, Firstdirect is strongly positioned. We are planning new initiatives to enhance its status as the UK market leader in direct banking.

FORWARD TRUST GROUP

With UK capital investment and consumer spending both depressed, Forward Trust Group (FTG) experienced lower volumes of lending but was able to maintain pre-tax profits at £43 million. This encouraging result was achieved by an improvement in margins and a reduction in bad debts. The costs of running the group were broadly in line with the previous year.

Across the constituent businesses there were mixed results. Forward Asset Finance, Griffin Factors and Concord all performed well. Forward Trust Personal Finance was successful in raising lending volumes, but profitability again suffered because of customers' payment difficulties.

Despite the long wait for better trading conditions, FTG overall continues to deliver acceptable returns.

MERCHANT BANKING

A number of structural changes were made within Samuel Montagu & Co. following the merger. Export and project finance now fall under the Samuel Montagu umbrella. Midland Montagu Asset Management and Greenwell Montagu Stockbrokers were integrated into James Capel.

> *Firstdirect customers feel the service offered is better than they have received elsewhere*

Corporate Finance and Specialised Financing

Europe is the principal focus of operations for Corporate Finance and Specialised Financing, and Samuel Montagu has established 12 dedicated continental European offices.

Corporate Finance continued to build on its success in the provision of financial advisory services to central Europe. The division undertook a number of major international assignments, among which were — advising the Italian state holding company IRI on the sale of a controlling interest in the cement company Cementir; preparation of a feasibility study for the privatisation of Neste Oy, an international oil and petrochemicals group based in Finland; and an international offering on behalf of Venprecar, a subsidiary of Venezuelan steel and engineering group Sivensa.

Amongst a number of domestic transactions, Corporate Finance acted for Lloyds Chemists in its successful offer for the Macarthy Group, for Evered Bardon in the disposal of its non-core cement operations, and for Midland Bank in the sale of the Thomas Cook Group to LTU of Germany. It also sponsored the stock exchange flotation of Taunton Cider.

Specialised Financing arranged senior and mezzanine debt financing for the acquisition, by way of management buy-out, of Continuous Coil Anodizing, a Belgian company. Equity in this transaction was provided by a group of investors led by Montagu Private Equity and Midland Montagu Investissement.

THE THOMAS COOK GROUP

Our sale of The Thomas Cook Group and Thomas Cook Inc. to the LTU Group and Westdeutsche Landesbank was completed in September. The decision was pursuant to Midland's stated strategy of concentrating on core banking business. The existing commercial links between Midland and Thomas Cook — principally involving the provision of foreign exchange and travellers' cheques through Midland branches — were maintained.

STAFF

The events of the year created a period of extreme uncertainty and some stress for all staff members. I am most grateful to them all for their sustained effort and for their manifest loyalty and resilience during those testing days.

Brian Pearse
Chief executive

IT HAS ALWAYS been the case that Midland has played a widespread community role. The activities of the bank's branches, extending as they do to almost every corner of the country, touch significantly upon the business and personal interests of a high proportion of the population. Bank employees, traditionally, have been valued and industrious members of society.

Corporately, the bank is an enthusiastic member of the Per Cent Club. It is committed to investing each year at least half a per cent of pre-tax profits to support its community programme. The commitment is made against both the awareness of social responsibility and the associated commercial benefits that derive from it.

The common function of Midland's support for the communities in which it operates is to strengthen the cement that binds the bank into its numerous constituencies, with the aim of improving the quality of life.

SUPPORT FOR CHARITIES

The bank's charitable policy has for many years been to provide support to those sections of the community least able to help themselves, increasingly emphasising the needs of young people, particularly in inner city areas. The programme has recently been expanded, to embrace education in its widest sense.

Midland has always been a sizeable donor to registered charities in the UK. Until recently this giving was carried out in a fashion that was largely anonymous. The bank is changing its stance to devote a proportion of its resources to projects likely to generate suitable recognition of its participation, thus affording the charities concerned the opportunity to work in partnership with the bank, to the increased knowledge and benefit of both parties.

Staff initiatives are a vital part of Midland's charitable programme, and one which will be given even greater encouragement in future. Through a £ for £ charity scheme, staff participated in some 700 projects in 1992, with projects involving from one to 500 participants. All members of staff are able to claim up to £50 to match their own funds raised. Projects are as diverse in their nature as in their number of participants. They range from sponsored walks and parachute jumps to charity quiz evenings and army assault courses.

Charities are direct beneficiaries of the bank's commercial activity through the issue of affinity cards. Eighteen major charities receive Midland's support through it's Care Card scheme. Holders of this credit card nominate one of the charities; the more they use the card the more the charity benefits. Save the Children, Cancer Research Campaign, the Spastics Society and Terrence Higgins Trust are among the beneficiaries.

A proportion of the cost of production of the bank's own Christmas cards goes to charity. In 1992, several thousand pounds were so distributed.

REACHING THE COMMUNITY THROUGH SPONSORSHIP

There is growing public expectation that companies will contribute more to the general quality of life than they have been perceived to in the past. Historically, there has been a view of sponsorship as relating mostly to high-profile, televised events, aimed at establishing or enhancing name awareness. Midland is redirecting its sponsorship effort away from such events to those that are more locally-based, and more closely linked with education, coaching and training, the disadvantaged and deprived.

Midland is realistic about the objectives it hopes to achieve through sponsorship — projection of an image of responsibility, contact with the community, a willingness to

environment

Volunteers [illegible] to coppice [illegible] near Reading. The project was organised by the British Trust for Conservation Volunteers, an organisation supported by Midland through the provision of start-up grants for local environmental initiatives.

give back something in return for business gained, and a degree of favourable public comment.

Each of Midland's regions is allocated a budget annually to be used to support local events, which cover a variety of community-related projects These offer the bank's staff a vehicle to establish contact in a different manner and environment from the day-to-day working relationship of banker and customer.

The numerous local community sponsorships in 1992 included a recital at the Salisbury Festival; a quiz in aid of Bacup, the cancer charity; an amateur golf tournament in aid of the Warwickshire Association of Youth Clubs; a marquee jazz night in aid of Wilmslow Mencap and a best kept village competition in Cheshire.

Sports and youth

Midland's principal sporting activity has been its longstanding support for schools tennis. This support has grown since the bank first sponsored a schools' team competition for children aged 15 years and under in 1983. Ten years on, Midland is the top sponsor of schools tennis in the UK and, additionally, its programme now includes junior events. The schools tennis team competitions, which are open to all schools, both state and private, attract in excess of 25,000 young players each year.

In close collaboration with the Lawn Tennis Association, and in conjunction with the National Heritage Department, support this year is being expanded by putting coaches and equipment into schools where tennis has not previously been played. The contribution to schools, students and junior tennis is enabling youngsters from an early age to participate in activity which in many cases would not otherwise be available to them.

Also falling under the youth banner is the Metropolitan Police Five-a-Side Youth Football Competition, said to be the world's largest soccer tournament. This competition is the biggest community relations project ever undertaken by the Metropolitan Police and has the aim of uniting police and young people (many from rough and problem areas) in a friendly, informal atmosphere. In 1992 over 4,000 teams took part, involving almost 30,000 young people with their sights set on a place in the final at Wembley Arena.

Helping the arts

Midland was the first British clearing bank to become a major sponsor of the arts when, in 1972, it joined forces with the Royal Opera House, Covent Garden to establish a series of 'promenade' performances of opera and ballet. Twenty one years later these special seasons, known as the Midland Bank Proms, continue in their original format. All 400 seats in the orchestra stalls are removed to enable 700 people, many of them students, enthusiastic enough to sit on the floor, to enjoy world class performances at greatly reduced prices.

Arts support has extended to new productions for the Royal Shakespeare Company, major projects for the Sadler's Wells (now the Birmingham) Royal Ballet, the Royal Academy and the Whitechapel Gallery as well as hundreds of smaller regional and local sponsorships.

Midland recently became the sponsor of the Royal Academy of Arts Outreach Programme. Outreach provides exciting one-day workshops in schools, centred on the life model, led by artists who have graduated from the Royal Academy schools. The workshops are provocative and challenging. They are essentially exploratory, using the act of life drawing to fire students' interest and to encourage them to take the initiative in discovering their own creative potential.

Linking in with Midland's continuing commitment to the arts, Artscard — similar in concept to Care Card — was launched in 1989, in conjunction with the Arts Council.

Since then, Artscard holders have enabled Midland to contribute over £300,000 to the arts. Eighty-seven organisations benefit from regular income which has been used in a variety of ways — backing new plays, funding concert performances, smartening theatre seats and foyers, and paying for the production of event programmes.

Beneficiaries range widely. Many of the main provincial theatres receive regular financial support through the Artscard scheme. Examples include Oldham Coliseum, the Liverpool Playhouse and the New Theatre in Cardiff.

Educating young people

Some years ago Midland developed the concept of working banks, set up in schools around the country, and run by students aged 13 to 18 years with help from teaching staff. They provide young people with the opportunity to have their own accounts, getting interest on their money and access to it either through the school bank or at Midland's network of self-service cash machines. From the school's point of view, MidBanks offer a practical addition to the curriculum, providing valuable support in areas such as mathematics, economic awareness and careers education. There are currently over 1,000 MidBanks around the country.

Midland is a major sponsor of Young Enterprise (YE), a charity which enables nearly 30,000 teenagers at colleges and schools to set up and run their own business each year. Apart from core funding, Midland provides a managerial secondee and sponsors the national competition for the best company. Brian Pearse, chief executive of Midland, is chairman of YE; over 300 members of staff act as company advisers.

Midland has recently agreed a commitment to Drive for Youth, an organisation for 18 to 24 year olds from areas of social deprivation who have experienced unemployment, drug abuse or petty crime. It provides a course of motivational training to steer them into career development.

Protecting the environment

Support for the environment has, to date, come mainly from the National Trust Card, another of the bank's affinity cards, through which Midland has contributed more than £700,000 to the National Trust. This money has been used directly by the Trust to help complete vital tasks aimed at protecting Britain's heritage. Projects include barn restoration in Wharfedale, coastlines in North Wales, footpath repairs in the Shropshire hills, and a guide for schools to the Trust's nature reserves in East Anglia.

Other initiatives have included the provision of start-up grants for local groups through the British Trust for Conservation Volunteers. Midland is also lending support to an environmental project to be staged as part of the Drive for Youth programme. By doing this, it establishes its commitment to the rehabilitation of young, unemployed people by linking it to an imaginative project that benefits the environment.

CREATING EQUAL OPPORTUNITY

Midland works actively towards being an equal opportunities employer, recognising that a diverse customer base is best served by a diverse workforce.

Perhaps the bank's most well known activity in this area is its nationwide network of 115 nurseries, augmented by 60 holiday playschemes.

Midland's nursery programme has helped the bank become joint winner of the 1992 Working Mothers' Association Employer of the Year award. Midland has supported numerous charities in a similar field — including Working for Childcare, Daycare Trust, Working Mothers

Association, Maternity Alliance, New Ways to Work, and the umbrella organisation NAWO (National Alliance of Women's Organisations)

The bank is committed to Opportunity 2000, the national campaign for increasing the quality and quantity of women's participation in the workforce. A number of projects are in train, including personal development programmes, the establishment of the Working Parents Network, expansion of Women's Networks and research into various flexible working options.

As a corollary to this work, Midland sponsored in 1992 a new production of Lorca's Blood Wedding, staged by the Women's Playhouse Trust — an organisation which aims to redress the balance between men and women working in mainstream theatre in Britain.

The bank is a board member of The Employers' Forum on Disability, and has been running its own disability training programmes. In addition it has introduced a rehabilitation policy, and provided support, including a secondee, for an employment project at Coventry's national college for disabled students.

Midland is working closely with Business in the Community on a national race initiative and is operating a fellowship programme to give work experience to ethnic minority undergraduates.

Much of the equal opportunities programme is augmented by the mainstream activities of the bank's small business unit.

ENTERPRISE — ENCOURAGING SMALL BUSINESSES

Midland has a small business unit to act as the focal point for all matters relating to small and medium sized enterprises. The bank's commitment to the sector has been widely demonstrated.

Some 6,500 loans totalling £150 million have been made under the Government's Small Firms Loan Guarantee Scheme, resulting in the creation of over 23,000 jobs.

Twenty Midland managers are currently on full-time secondment to local enterprise agencies and Training and Enterprise Councils (TECs) as small business counsellors and trainers. During the last 10 years over 150 similar secondments have been agreed. The bank also contributes approximately £200,000 each year by way of cash donations to enterprise agencies.

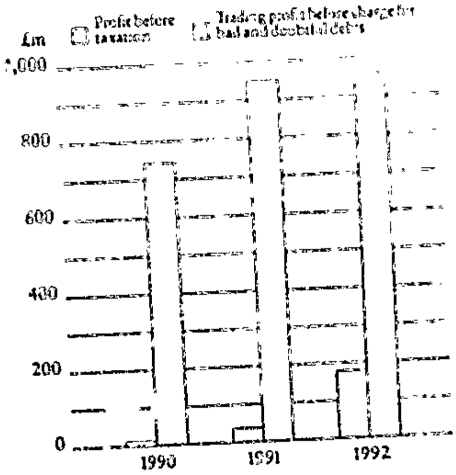
Assistance has been given in the creation of 20 local loan funds, many offering cheap rate finance to businesses in areas of high unemployment (particularly inner cities) having difficulty raising finance through conventional sources. An example is the London Business Growth Fund, which offers low cost finance to start-up and existing businesses. It addresses particularly the needs of ethnic minorities, the disabled, the long-term unemployed and women. The fund operates through a network of 18 business support agencies, which cover the whole Greater London area. To date, loans have been made totalling in excess of £600,000.

As part of the bank's Manchester Business School training programme for Enterprise Managers, research was carried out into the influence of the personal characteristics of young entrepreneurs upon the success or failure of their small businesses. To find young entrepreneurs, Midland linked up with the Prince's Youth Business Trust (PYBT) using some of the trust's clients as the basis of the research.

Midland hopes that its spectrum of activity embracing PYBT and Young Enterprise meets the dual objectives of helping young people to fulfil themselves as individuals, while increasing the number of new enterprises which succeed, through training, example and experience, to the wider benefit of the community and the national economy.

equal opportunities

[illegible] nursery [illegible] since the first [illegible] supported by 60 [illegible] is perhaps the best [illegible] the activities in the bank's equal opportunities programme.



Figures in £m	1990	1991	1992
Trading profit before charge for bad and doubtful debts	743	948	960
Charge for bad and doubtful debts	(703)	(903)	(676)
Trading profit	40	45	284
Share of profits less losses of associated undertakings	23	12	16
Profit before exceptional items and taxation	63	57	300
Exceptional items	(52)	(21)	(122)
Profit before taxation	11	36	178
Taxation charge	(188)	(69)	(87)
Profit/(loss) after taxation	(177)	(33)	91
Minority interests	(16)	(16)	(15)
Profit/(loss) before extraordinary items	(193)	(49)	76
Extraordinary items	12	10	26
Profit/(loss) attributable to shareholders	(181)	(39)	102

Midland Group profit/(loss)

Profit before taxation was £178m after charging exceptional items of £122m. Profit before taxation in 1991 was £36m, after charging exceptional items of £21m.

Trading profit before the charge for bad and doubtful debts was £960m, up £12m from 1991. The sale of Thomas Cook was completed on 30 September 1992. Its results up to the date of sale have been included in the results of the Midland Group. After excluding the results of Thomas Cook, trading profit before the charge for bad and doubtful debts was £929m, £5m lower than 1991. In the second half of 1992, trading profit was £512m, an increase of £95m (23%) over the first half.

Excluding Thomas Cook, net interest income in 1992 decreased by £31m (2%) to £1,659m in line with the reduction in interest earning assets; other operating income increased by £19m (1%) to £1,304m, with income in the second half £108m (18%) higher than the first half. Foreign exchange and other dealing income, and profits on sale of fixed interest securities increased significantly in the second half, following the merging of the Midland and HSBC treasury activities in London, New York and Tokyo. Provisions of £62m against venture capital investments have been charged against other operating income in 1992. Operating expenses, which were held in line with the previous year, include a charge of £31m for permanent diminution in the value of premises.

The bad debt charge, which reduced by £227m to £676m, included a net release of £89m of provisions relating to loans to less developed countries (LDCs). The specific charge of £765m for lending to corporate and personal customers, whilst £117m lower than last year, remained high due to the continuing recession. The 1992 second half charge of £419m, excluding the release of provisions related to loans to LDCs, was £73m higher than the first half charge. This increase reflects the delay in economic recovery and the continuing fall in property values.

An exceptional charge of £122m was made in 1992 to provide for the costs to be incurred by Midland in order to achieve the synergy benefits of the merger with the HSBC Group. This forms part of the overall cost of £200m provided by HSBC Holdings on the acquisition of Midland. The charge comprises costs associated with the disposal of a number of leasehold premises, relocations in the City of London and overseas, and redundancy payments arising from the rationalisation of support functions and certain businesses in the United Kingdom and overseas.

Profit after taxation of £91m was £124m higher than 1991. The taxation charge of £87m consists principally of taxation on the profits of overseas subsidiaries and branches, and notional grossing up of the increase in the embedded value of long-term assurance business. At 31 December 1992, Midland Bank plc had accumulated tax losses and unutilised Advance Corporation Tax credits of approximately £650m.

Extraordinary items of £26m comprise the £66m gain on the sale of Thomas Cook, less £22m losses on sale and closure of other subsidiaries, and £18m costs incurred in connection with the change in ownership.

For the year	1990	1991	1992
Average equity (incl. minority interests) (£m)	2,849	2,524	2,636
Average shareholders' funds (£m)	2,683	2,386	2,487
Pre-tax return (before exceptional items) on average equity (%)	2·2	2·3	11·4
Attributable profit/(loss) as % of average shareholders' funds	(6·7)	(1·6)	4·1
Earnings/(loss) per share (p)	(24·7)	(6·2)	9·6

Return on shareholders' funds and earnings per share

The profit attributable to shareholders in 1992 was £102m, an improvement of £141m on the loss attributable in 1991 of £39m. The return on average shareholders' funds was 4·1% compared with a negative return of 1·6% in 1991. The return in the second half of 1992 was 8·0% as against 0·4% in the first half.

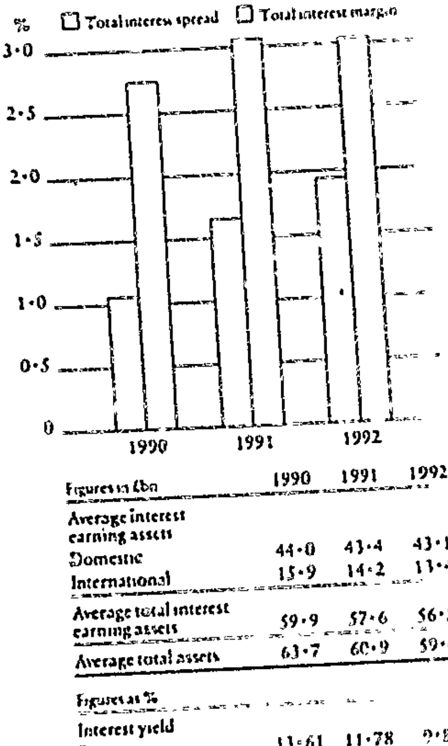
No dividends have been paid or declared in respect of 1992.

Figures in £m	1990	1991	1992
Commercial Banking	(55)	(29)	253
Merchant Banking	59	34	(26)
Forward Trust Group	31	43	43
Profit before exceptional items and taxation excluding Thomas Cook	35	48	270
Thomas Cook	28	9	30
Profit before exceptional items and taxation	63	57	300

Profit before exceptional items and taxation, by business grouping

The results of the business groupings are discussed on pages 25 to 27.

The 1990 and 1991 figures have been restated to make them comparable with the new business structure of Commercial Banking, Merchant Banking and Forward Trust Group.



Figures in £bn	1990	1991	1992
Average interest earning assets			
Domestic	44·0	43·4	43·1
International	15·9	14·2	13·4
Average total interest earning assets	59·9	57·6	56·5
Average total assets	63·7	60·9	59·6

Figures at %	1990	1991	1992
Interest yield			
Domestic	13·61	11·78	9·80
International	9·20	8·80	8·25
Total interest yield	12·60	11·17	9·54
Interest spread			
Domestic	1·37	2·02	2·32
International	0·52	0·59	0·57
Total interest spread	1·06	1·65	1·94
Interest margin			
Domestic	2·80	3·16	3·20
International	2·44	2·50	2·27
Total interest margin	2·75	3·05	3·04

(Following Midland's acquisition by HSBC Holdings plc, the allocation of businesses between domestic and international has been amended and the corresponding figures restated accordingly.)

Interest yields, spreads and margins

Domestic yields, spreads and margins principally reflect the UK based activities of Commercial Banking, including sterling and foreign currency operations booked in the United Kingdom, of Merchant Banking, and of Forward Trust Group.

International yields, spreads and margins reflect overseas based operations; UK loans to less developed countries; UK balances with foreign correspondent banks, and the worldwide activities of Thomas Cook up to its date of disposal.

Interest yield is calculated as the average interest rate earned on average interest earning assets. Interest spread is the difference between the rate of interest earned on average interest earning assets and the rate of interest paid on average interest bearing funds. Interest margin is net interest income as a percentage of average interest earning assets.

Domestic

The levels of domestic yields, spreads and margins are in part determined by the asset mix. The proportion of narrow spread short-term funds, dealing assets, investments and loans to banks included within domestic interest earning assets has risen from 30% in 1991 to 32% in 1992.

Domestic spread improved by 30 basis points to 2·32% in 1992. There was a widening of spreads on savings and deposit accounts, and an improvement in liability mix through an increase in balances on interest bearing current and savings accounts and a reduction in the level of wholesale funding. Domestic spreads benefited from the contribution from the structural sterling treasury book. Average domestic loans and overdrafts on which interest is not being accrued increased from £885m in 1991, to £1,288m in 1992. The interest foregone reduced spread by 28 basis points in 1991 and 35 basis points in 1992.

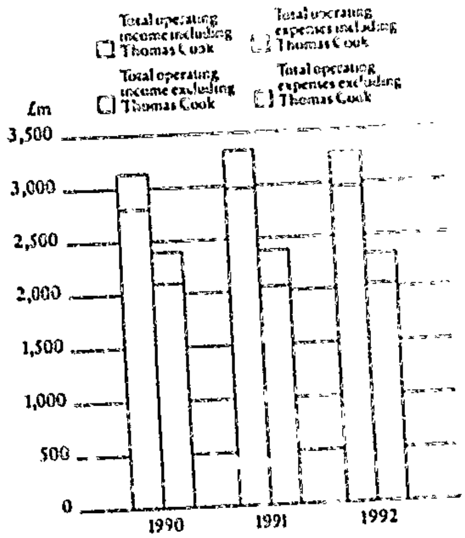
Average loans and overdrafts on which interest was accrued, and provided against in the bad debt charge, increased from £882m to £1,107m. The inclusion of the interest on these loans within net interest income increased the spread by 26 basis points in 1991 and 24 basis points in 1992.

Domestic margin has improved by 4 basis points to 3·20% reflecting wider spreads offset by a reduction in the benefit of free funds.

International

The decline in international yields reflects lower US dollar interest rates, although yields in continental Europe have remained relatively stable. Spreads have been maintained, but the international net interest margin has reduced by 23 basis points to 2·27%. The decline in US dollar short-term interest rates has adversely affected margins through its effect on US dollar denominated free funds.

Average international loans and overdrafts on which interest is not being accrued increased from £55m in 1991 to £93m in 1992. Average international loans and overdrafts on which interest was accrued, but provided against in the bad debt charge, decreased from £1,426m in 1991 to £1,355m in 1992.



Income and costs – including Thomas Cook

The results of Thomas Cook for the nine months to 30 September 1992, the date of completion of its disposal, have been included in the results of the Midland Group. Thomas Cook's profit before tax for the nine month period was £30m (1991 full year £9m).

Including Thomas Cook, total operating income decreased by £53m to £1,279m and operating expenses decreased by £65m to £2,319m.

Including Thomas Cook Figures in £m	1990	1991	1992
Net interest income	1,643	1,757	1,712
Other operating income	1,495	1,575	1,567
Total operating income	3,138	3,332	1,279
Staff costs	1,342	1,300	1,298
Premises and equipment	500	555	529
Other costs	553	529	492
Total operating expenses	2,395	2,384	2,319
Cost/income ratio (%)	76·3	71·5	70·7

Excluding Thomas Cook Figures in £m	1990	1991	1992
Net interest income	1,573	1,690	1,659
Other operating income	1,231	1,285	1,304
Total operating income	2,804	2,975	2,963
Staff costs	1,216	1,157	1,175
Premises and equipment	437	479	468
Other costs	439	405	391
Total operating expenses	2,092	2,041	2,034
Cost/income ratio (%)	74·6	68·6	68·6

Income and costs – excluding Thomas Cook

Total operating income for 1992, excluding Thomas Cook, was down £12m at £2,963m. In the second half of 1992, total income of £1,567m was £171m (12%) higher than the first half.

Net interest income declined by £31m (2%) in 1992 compared with the prior year. Average interest earning assets declined by 2%, with a reduction in UK lending being partly offset by increases in the second half of 1992 in money market and dealing assets, and in the sterling equivalent of foreign currency assets. In the United Kingdom, net interest income was flat. A small decline in net interest income from personal and corporate customers was offset by increases in treasury. International net interest income declined, primarily in lending to LDCs.

Other operating [illegible] eased by £19m (1%). Foreign [illegible] earnings were £67m higher, at [illegible] on sale of fixed rate securities increased by £22m. Income from Midland Financial Services continued to rise, but banking fee and commission income was lower. In addition, provisions of £62m against venture capital investments have been charged to other operating income.

Other operating income in 1992 constituted 44% of total operating income, compared with 43% in 1991 and 44% in 1990.

In the second half, other operating income was £93m (18%) higher than in the first half primarily due to higher dealing income, a £63m increase in foreign exchange earnings, and profits on sale of fixed rate securities £9m higher, following the merging of the Midland and HSBC treasury activities. Other operating income in Midland Financial Services and the cards businesses also increased in the second half. Provisions against venture capital investments were £32m higher in the second half.

Total operating expenses fell for the second year in succession. Staff costs increased by £18m (2%), with a 2% reduction in headcount partly offsetting the effect of the annual pay awards.

Premises and equipment costs were reduced by £11m (2%), despite a charge in 1992 of £31m for permanent diminution in the value of certain premises.

Other costs were £14m (3%) lower than 1991, due to the continuing rationalisation of operations and firm control of overhead expenditure.

The overall effect was to maintain the cost/income ratio at 68·6% for the whole of 1992, although the second half improved to 67·1% from 70·1% in the first half.

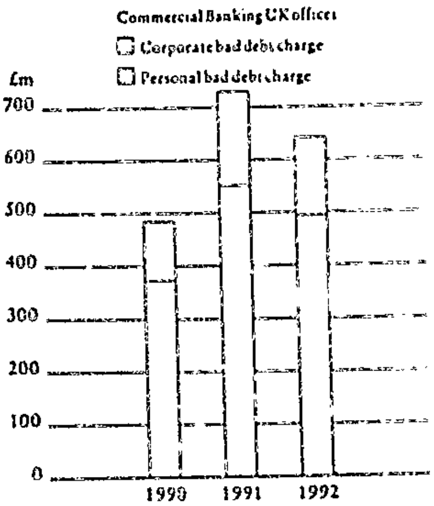
Year-end	1990	1991	1992
UK	47,043	44,570	43,564
Overseas	3,218	2,602	2,444
Total (excl Thomas Cook)	50,261	47,172	46,008
Thomas Cook	10,369	10,468	–
Total Midland Group staff numbers	60,630	57,640	46,008

Full-time equivalent staff numbers

Total staff numbers, excluding Thomas Cook, fell by 1,164 (2%) during the year. In the United Kingdom, increases to support business growth in Midland Financial Services and Firstdirect were more than offset by reductions arising from efficiency savings and closures in the branch network, and by rationalisation of support functions.

Overseas staff numbers reduced following the closure of operations in Norway and continued rationalisation of activities in continental Europe.

Figures in £m	1990	1991	1992
Commercial Banking	655	808	557
Merchant Banking	10	32	77
Forward Trust Group	35	58	41
Thomas Cook	3	5	1
Total bad and doubtful debt charge	703	903	676



Commercial Banking

Figures in £m	1990	1991	1992
Specific provisions			
UK offices corporate	373	551	494
– personal	112	179	148
Overseas offices	(2)	21	17
Less developed countries	180	21	(89)
Total specific provisions	663	772	570
General provisions	(8)	36	(13)
Total Commercial Banking bad debt charge	655	808	557

Charge for bad and doubtful debts

The total bad debt charge has fallen by £227m (25%) to £676m. The overall level of charge remains high due to the recession in the United Kingdom and lower rates of growth in continental Europe. There has been a net release of £89m from provisions against debt due from LDCs, reflecting an improvement in the quality of this debt portfolio.

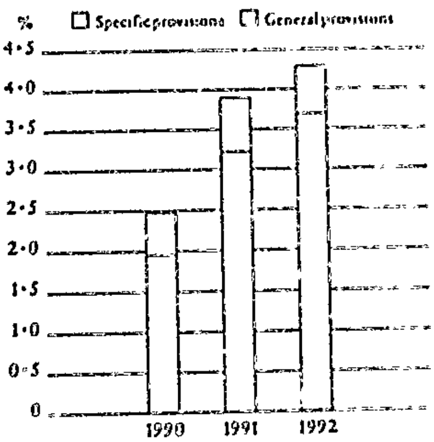
Within Commercial Banking, bad debt charges against loans to the corporate sector remained high, particularly against loans to the property and construction industries, hotels and catering, and other service industries. The South East, in particular the London area, continues to be the worst affected. The personal sector charge, whilst still high, has fallen from £179m in 1991 to £148m in 1992. Provisions required against mortgage loans remained low, with accounts three months or more in arrears still representing less than 1% of total accounts. Of the total charge of £642m for UK loans to corporate and personal customers, the second half charge of £336m was £30m higher than the first half charge.

An increased charge in continental European offices was partly offset by recoveries of previous years' bad debts in Australasia resulting in a net decrease of £4m in the bad debt charge in overseas offices.

The net release of £89m from LDC provisions included £102m (1991 £3m) for a release of provisions against principal. A £74m (1991 £103m) charge for reserved interest was offset by receipt of partial interest payments of £19m (1991 £44m) and a sale of rights to past due interest from Brazil and Argentina of £42m (1991 £33m).

The increase in the bad debt charge in Merchant Banking, from £32m in 1991 to £77m in 1992, was due to problems experienced with a small number of major accounts.

The Forward Trust Group charge of £41m was £17m lower than 1991, and the second half charge of £18m was £5m lower than the first half. This downward trend reflects active measures taken to reduce the rate of default in the personal, motor and fixed asset finance businesses.



Bad debt provisions (excluding LDC provisions) as a percentage of total lending (excluding LDC loans)

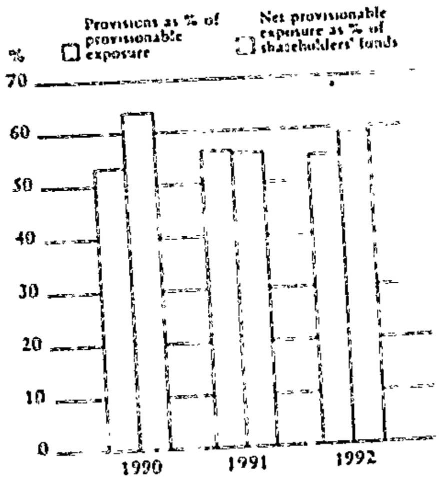
Figures at %	1990	1991	1992
Specific provisions			
Domestic	2·04	3·55	4·03
International	1·33	1·21	1·77
Total specific provisions	1·95	3·22	3·69
General provisions			
Domestic	0·56	0·73	0·63
International	0·30	0·40	0·42
Total general provisions	0·52	0·68	0·60
Total provisions	2·47	3·90	4·29

Total specific provisions (excluding those relating to LDCs) amounted to £1,343m, or 3·69% of lending (excluding LDC loans). General provisions amounted to £219m, or 0·60% of lending. If mortgage lending is excluded, total domestic provisions amounted to 5·40% of domestic lending.

Non-performing loans

Year ended 31 December Figures in £m	1990	1991	1992
Loans accounted for on a non-accrual basis			
Domestic	649	1,146	1,418
International	61	76	116
Total loans accounted for on a non-accrual basis	710	1,222	1,534
Loans on which interest has been accrued but provided against			
Domestic	886	1,055	1,093
International			
– less developed countries	1,633	1,155	1,166
– other	–	10	12
Total loans on which interest has been accrued but provided against	2,519	2,220	2,471

Non-performing loans form part of the credit risk elements published in Midland's Annual Report on Form 20-F under definitions established by the Securities and Exchange Commission in the United States. Those credit risk elements also include other loans which are contractually 90 days or more overdue as regards principal or interest payments, and 'troubled debt restructurings', which are not shown in the adjacent table. The amounts set out in the table do not reflect either security taken for the loans or any related provisions.



Less developed countries – provisionable exposure

Year-end balances Figures in US$m	1990	1991	1992
Argentina	1,308	1,241	1,120
Brazil	1,7[illegible]	1,504	1,446
Mexico	1,486	1,493	1,092
Rest of Latin America	1,052	992	718
Rest of the world	1,022	1,140	934
Gross outstandings	6,619	6,370	5,310
Contingencies and undrawn commitments	415	640	762
Voluntary short-term and fully secured items	(632)	(1,418)	(1,657)
Provisionable exposure ($m)	6,402	5,592	4,415
Provisions ($m)	3,415	3,142	2,424
Provisionable exposure (£m)	3,311	2,989	2,920
Provisions (£m)	1,767	1,679	1,601
Provisions as a % of provisionable exposure	53·3	56·2	54·9
Net provisionable exposure as % of shareholders' funds	63·8	55·7	59·2

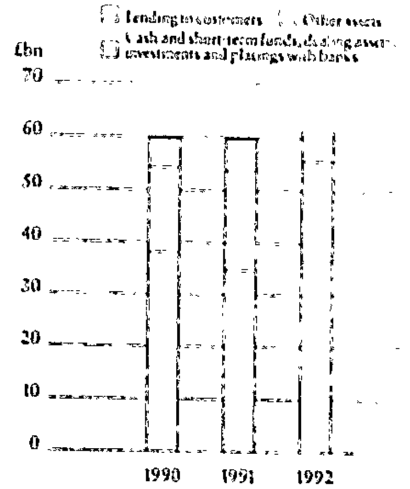
Provisionable exposure was reduced by $1,177m (21%) during 1992, following a reduction of $810m (13%) in 1991. Provisionable exposure fell by only £69m (2%) in sterling terms in 1992 due to the weakening of sterling at the end of the year.

Provisionable exposure included bonds issued by Mexico, Philippines and Venezuela with a face value of $947m (1991 $1,300m). These bonds are collateralised by US treasury zero-coupon securities which at maturity between 2017 and 2020 will have a redemption value equal to the face value of the bonds.

Debt sales amounting to $855m were achieved during 1992 as part of the policy to reduce exposure and improve the quality of the portfolio. Other reductions arose primarily because $168m of the debt of certain countries is no longer provisionable, and from $87m repayments of principal.

Provisionable exposure at 31 December 1992 included unpaid and accrued interest of $449m/£297m ($589m/£315m at 31 December 1991) and equity investments, the result of debt/equity swaps, of $362m/£239m ($456/£244m at 31 December 1991).

The absolute level of debt not being serviced has decreased from $2·2bn to $2·0bn, but as a proportion of the debt portfolio has increased from 40% at the end of 1991 to 46% at the end of 1992.



Total assets

Year-end balances figures in £bn	1990	1991	1992
Cash and short-term funds	[illegible]	11·2	10·1
Dealing assets	2·0	2·2	4·1
Investments	2·2	2·4	1·6
Placings with banks over 30 days	2·0	3·2	3·2
Lending to customers	38·2	34·9	36·7
Other assets	6·5	5·9	5·5
Total assets	59·9	59·8	61·4
Risk weighted assets	41·8	41·5	41·9

(1990 and 1991 balances have been restated to incorporate in 'Other assets' the policyholders' funds assets of Midland Life Limited.)

Total assets increased by £1·6bn during 1992, or £2·7bn after taking account of the disposal of Thomas Cook. The effect of the weakening of sterling on balances denominated in foreign currencies increased total assets by £3·5bn.

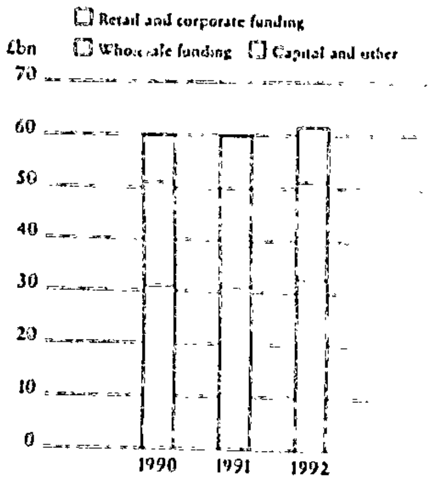
Cash and short-term funds, dealing assets and placings with banks over 30 days increased by £1·0bn to a level which represented 29% of total assets at the end of 1992, compared to 28% at the end of 1991, and 23% at the end of 1990.

The increase in dealing assets of £2·1bn reflects the effect of exchange rate translation together with higher levels of activity in the money and foreign exchange markets towards the end of the year.

The decrease in investments is mainly attributable to the disposal of Thomas Cook.

Lending to customers increased by £1·8bn (5%) to £36·7bn. The weakening of sterling against the major foreign currencies resulted in an increase in sterling terms of £1·5bn. Lending to customers increased by £0·3bn due to increased short-term loans to major corporate and institutional counterparties, which more than offset a reduction in lending to personal and other business customers particularly in the United Kingdom.

The growth in risk weighted assets of £0·4bn (1%) was less than the £1·6bn (3%) growth in total assets as a result of the change in asset mix; nil and lower-weighted risk assets, including loans to central governments and collaterised loans, increased during 1992.



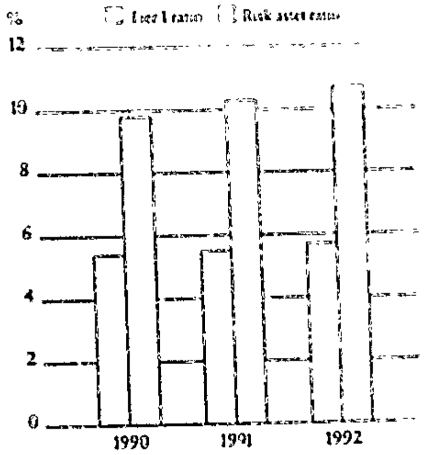
Funding

Year-end balances figures in £bn	1990	1991	1992
Retail and corporate funding			
Current accounts			
– interest free	5·3	5·4	5·8
– interest bearing	5·1	4·5	4·9
Savings and deposit accounts	20·6	21·2	22·2
Total retail and corporate funding	31·0	31·0	32·9
Wholesale funding			
UK money market	15·4	14·4	13·5
Overseas money market	4·7	4·6	4·8
Total wholesale funding	20·1	19·0	18·3
Capital and other	8·8	9·8	10·2
Total liabilities	59·9	59·8	61·4

(1990 and 1991 balances have been restated to incorporate in 'Capital and other liabilities' the policyholders' funds of Midland Life Limited, and for a reclassification of certain types of interest bearing accounts in overseas operations from current to savings and deposit accounts.)

Retail and corporate funding has increased by £1·9bn (6%) during the year, due in part to the effect of a weakening of sterling exchange rates on foreign currency balances. Savings and deposit accounts, which include the high interest cheque accounts of retail customers and the time and notice deposits of retail corporate customers, maintained steady growth during the year.

The proportion of lending to customers funded from retail and corporate sources increased to 90% at 31 December 1992, compared with 89% at the end of 1991 and 81% at the end of 1990. At the same time cash and short-term funds, dealing assets and placings with banks increased as a proportion of wholesale funding to 96% at 31 December 1992 from 87% at the end of 1991, and from 70% at the end of 1990.



Capital Ratios

Year end balances	1990	1991	1992
Capital ratios	%	%	%
Risk asset ratio	[illegible]·8	10·3	10·7
Tier 1 capital/risk weighted assets	5·4	5·5	5·7
Composition of capital	£m	£m	£m
Tier 1:			
Shareholders' funds and minorities (excluding premises revaluation surplus)	2,347	2,284	2,195
Tier 2:			
Premises revaluation surplus	232	229	–
General provisions	196	236	219
Perpetual subordinated debt	802	828	1,025
Term subordinated debt	979	1,082	1,159
Disqualified tier 2 capital	–	(91)	(8)
Total qualifying tier 2 capital	2,209	2,284	2,395
Unconsolidated investments	(247)	(281)	(113)
Total capital	4,309	4,287	4,472
Risk weighted assets			
On-balance-sheet	37,360	35,134	34,829
Off-balance-sheet	6,427	6,366	7,108
Total risk weighted assets	43,787	41,500	41,937

Tier 1 capital increased by £111m (5%) in 1992, mainly due to: profit retentions of £102m; a writeback of goodwill of £56m related to Thomas Cook and other disposals; and £53m for shares issued under share option schemes and scrip dividends; partly offset by a premises revaluation deficit of £99m included in reserves. Following the revaluation of freehold and long leasehold premises in 1992, the previous premises revaluation reserve has been eliminated from tier 2, and the current deficit on revaluation has been deducted from tier 1 capital. The bases of revaluation were open market value for existing use and, for certain specialised premises, depreciated replacement cost.

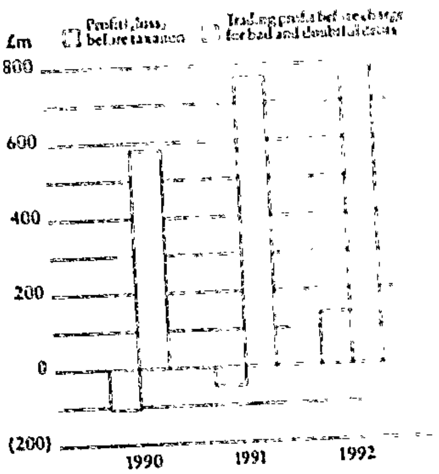
Qualifying tier 2 capital also increased by £111m. The effect of the elimination of the premises revaluation reserve was more than offset by the effect of the weaker sterling exchange rate used in translating predominantly US dollar denominated subordinated debt.

Capital measurement for Bank of England supervisory purposes does not permit qualifying tier 2 capital to exceed tier 1 capital. This results in the disqualification of £8m (£91m in 1991) of tier 2 capital in calculating the consolidated capital ratios at 31 December 1992.

Unconsolidated investments increased during the year due to profits retained in the companies concerned.

The improvement in capital ratios at the end of 1992 which resulted from an increase in total capital of £190m was partly offset by an increase of £437m in risk weighted assets. The risk asset ratio and the tier 1 ratio improved to 10·7% and 5·7% respectively.

Commercial Banking – profit/(loss) before taxation



Figures in £m	1990	1991	1992
Net interest income	1,404	1,487	1,471
Other operating income	1,105	1,163	1,205
Total operating income	2,509	2,650	2,676
Operating expenses	(1,929)	(1,883)	(1,885)
Trading profit before charge for bad and doubtful debts	580	767	791
Charge for bad and doubtful debts	(655)	(808)	(557)
Share of profits less losses of associated undertakings	20	12	19
Profit/(loss) before exceptional items and taxation	(55)	(29)	253
Exceptional items	(52)	(21)	(115)
Profit/(loss) before taxation	(107)	(50)	138

Year-end balances Figures in £bn			
Total assets	52·9	52·4	55·3
Total risk weighted assets	38·3	36·1	37·4

Commercial Banking comprises Branch Banking, Corporate and Institutional Banking, venture capital activities, Midland Financial Services, Firstdirect, Midland Global Markets, continental European subsidiaries, overseas branches, and Developing Countries activities.

Commercial Banking trading profit, before bad debts and exceptional items, of £791m was £24m (3%) higher than in 1991. The improvement arose from growth in total operating income of £26m (1%), whilst operating expenses increased by only £2m. Profit before exceptional items and taxation was £253m, up £282m over the loss of £29m in 1991.

UK based operations profit before exceptional items and taxation for 1992 was £259m, an improvement of £326m on the loss of £67m in 1991.

Overseas Commercial Banking operations recorded a loss before exceptional items and taxation of £6m in 1992 compared with a profit of £38m in 1991.

Total net interest income of £1,471m in Commercial Banking was £16m (1%) lower than 1991. Whilst average interest earning assets declined and non-accrual loans increased, liability spreads improved and spreads increased on money market assets.

Other operating income increased by £42m to £1,205m. Income in Midland Global Markets rose significantly, and higher levels of income were recorded by Midland Financial Services and in the cards businesses. Branch commission and free income reduced as a result of lower activity levels. Provisions of £59m against venture capital investments have been charged to other operating income.

Operating expenses, which include a £31m charge for permanent diminution in the value of premises, were £2m higher than 1991. This reflects the continuing firm control of costs, partly offset by the impact of the 1992 annual pay awards.

The bad debt charge decreased by £251m to £557m in 1992, including a net release of £89m of provisions relating to less developed countries. The overall level of provisions remains high as a result of recession in the United Kingdom and lower growth rates in some continental European economies.

Total operating income of the UK based operations of Commercial Banking, excluding Midland Financial Services and Developing Countries activities, increased by £88m (4%) from £2,021m in 1991 to £2,109m in 1992.

In Branch Banking and Corporate and Institutional Banking, net interest income declined due to lower lending levels and increased non-performing loans, partly offset by an improved interest spread on deposits. Branch fee and commission income also reduced, following a lower volume of transactions. Income from the card issuance and merchant acquiring activities increased, with card issuing benefiting from a full year's fee income. Income from venture capital activities fell sharply due to substantial provisions.

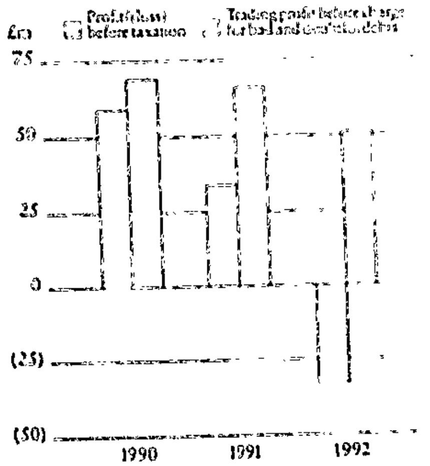
Firstdirect continued to develop successfully in line with strategic targets; the total number of customer accounts at the end of 1992 was 350,000, a 75% increase over year end 1991.

Income generated by Midland Global Markets rose sharply, particularly in the second half of the year, with higher turnover following the merging of the Midland and HSBC treasury activities.

Total operating income in Midland Financial Services increased by £15m (8%) from £193m to £208m. Life insurance product income grew by 30%, including an increase in the total embedded value of life assurance business of £55m, compared with an increase of £41m in 1991. Net interest income declined in line with interest rates.

Against a background of weakening economies the results overall from the overseas offices were disappointing. Total operating income fell by £45m (14%) from £322m in 1991 to £277m in 1992. Good performances from Trinkaus & Burkhardt in Germany, Guyerzeller in Switzerland and the branches in Greece, were offset by losses sustained in France, Italy, and Scandinavia.

Total operating income from Developing Countries activities declined by £32m (28%) to £82m in 1992, reflecting the reduction in lending and lower US dollar interest rates.



Figures in £m	1990	1991	1992
Net interest income	53	50	57
Other operating income	108	100	69
Total operating income	161	150	126
Operating expenses	(92)	(84)	(75)
Trading profit before charge for bad and doubtful debts	69	66	51
Charge for bad and doubtful debts	(10)	(32)	(77)
Profit/(loss) before exceptional items and taxation	59	34	(26)
Exceptional items	-	-	(7)
Profit/(loss) before taxation	59	34	(33)

Year-end balances Figures in £bn			
Total assets	1·4	1·9	2·1
Total risk weighted assets	0·9	1·1	1·2

Merchant Banking – profits/(loss) before taxation

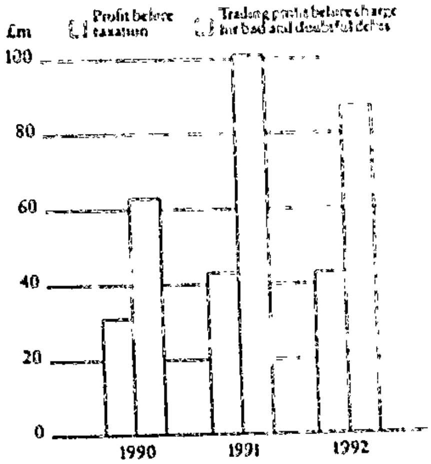
Merchant Banking's trading profit before bad debts and exceptional items was £51m, which was £15m lower than 1991. These results include Samuel Montagu, Greenwell Montagu Stockbrokers and Midland Montagu Asset Management. The latter two businesses are in the course of being integrated with other businesses in the HSBC Group. Samuel Montagu Group's trading profit, before bad debts, of £48m compares with £65m in 1991.

Net interest income increased by £7m, reflecting an increase of 11% in total assets.

Other operating income decreased by £31m as a result of reduced levels of fee income. Activity in the mergers and acquisition area has remained low, but Samuel Montagu has been able to enhance its market share, and in Specialised Financing demand for advisory services, especially in the area of debt restructuring and tax based financing, has been strong.

Operating expenses were £9m (11%) lower than 1991, reflecting continued concentration on reducing the level of overheads in a period of lower business activity and difficult market conditions.

The continuing deep recession in the United Kingdom has adversely affected Merchant Banking and has led to substantial bad debt provisions against a small number of accounts in the United Kingdom. As a result, the bad debt charge of £77m was £45m above 1991.



Forward Trust Group – profit before taxation

Figures in £m	[illegible]	[illegible]	1992
Net interest income	116	153	131
Other operating income	18	22	30
Total operating income	134	17[illegible]	161
Operating expenses	(71)	(7[illegible])	(74)
Trading profit before charge for bad and doubtful debts	63	101	87
Charge for bad and doubtful debts	(35)	(58)	(41)
Share of profits less losses of associated undertakings	1	–	(1)
Profit before taxation	[illegible]	41	41

Year end balances Figures in £bn			
Total assets	4·6	4·4	4·0
Total risk weighted assets	4·0	3·7	3·3

(A prior year adjustment of £7m has been made within the accounts of Forward Trust Group, following a change in accounting policy for joint ventures. The profit before taxation reported by Forward Trust for 1992 is £50m, the restated amounts for 1991 are £41m, and for 1990 £29m. This adjustment has been deducted from current year net interest income in the 1992 results of Midland Group.)

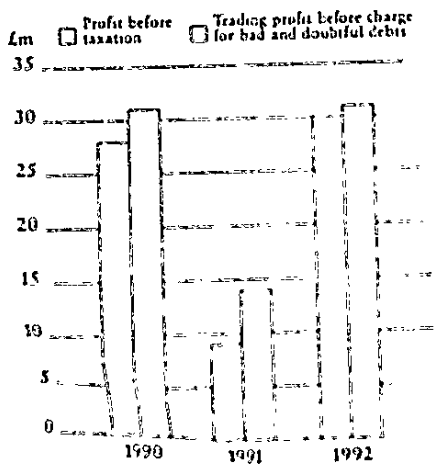
Forward Trust Group's reported trading profit before bad debts declined by £5m (5%) to £94m. Net interest income reduced in line with advances which fell due to the effect of the recession. Total assets declined by £0.4bn (9%) to £4.0bn.

Other operating income continued to grow, and was £8m (36%) higher than 1991, principally as a result of increased factoring income. Operating expenses were held at the same level as 1991.

The charge for bad debts fell by £17m (29%) compared with 1991, in response to a gradual decline in balances in default.

The share in profits of associated undertakings reflected poor trading results from Fiat Finance Limited. This business has been restructered to address the problem.

Forward Trust Group's reported profit before taxation of £50m has increased by £9m (22%).



Thomas Cook – profit before taxation

Figures in £m	1990	1991	1992 (9 months)
Net interest income	70	67	53
Other operating income	264	290	263
Total operating income	334	357	316
Operating expenses	(303)	(343)	(285)
Trading profit before charge for bad and doubtful debts	31	14	31
Charge for bad and doubtful debts	(3)	(5)	(1)
Profit before taxation	28	9	30

The sale of Thomas Cook was completed on 30 September 1992. Thomas Cook's results for 1992 are for the nine months to the date of sale. The profit before taxation of £30m was £21m higher than 1991 as a result of more normal levels of profitability being achieved in 1992, following the adverse impact of the Gulf War on the travel industry in 1991.

Board of Directors

Sir Peter Walters
Age 62 – appointed chairman in 1991, he is chairman of Blue Circle, deputy chairman of HSBC Holdings and Thorn EMI, a director of SmithKline Beecham and a former chairman of British Petroleum.

G Maitland Smith
Age 60 – a director since 1986 and deputy chairman since October 1992, he is chairman of Sears and a director of HSBC Holdings and Hammerson.

B H Asher
Age 57 – appointed a director in 1991, he is a director of HSBC Holdings and is chairman of James Capel and Wardley.

J R H Bond
Age 51 – appointed a director in January 1993, he is a director and group chief executive officer, HSBC Holdings and a director of The Hongkong and Shanghai Banking Corporation, and Marine Midland Banks.

R Delbridge
Age 50 – appointed a director in 1989, he is group finance director, HSBC Holdings.

Sir Archibald Forster
Age 65 – a director since 1986, he is a director of Trafalgar House, Lloyd's Register of Shipping and United Newspapers. He retired recently from his position as chairman and chief executive of Esso UK.

C D Mackay
Age 52 – appointed a director in November 1992, he is chief executive of Inchcape and a director of HSBC Holdings.

Sir Colin Marshall
Age 59 – a director since 1989, he is chairman of British Airways and a director of HSBC Holdings, IBM (UK), Grand Metropolitan and US Air.

Sir Wilfrid Newton CBE
Age 64 – appointed a director in December 1992, he is chairman and chief executive of London Regional Transport, chairman of London Underground and a director of HSBC Holdings.

Baroness O'Cathain OBE
Age 55 – a director since 1984, she is managing director of The Barbican Centre and a director of Sears and Tesco.

****B G Pearse***
Age 59 – appointed a director and chief executive in 1991, he is a director of HSBC Holdings.

Sir William Purves CBE DSO
Age 61 – a director since 1987, he is chairman of HSBC Holdings and The British Bank of the Middle East and a director of The Hongkong and Shanghai Banking Corporation, and Marine Midland Banks.

J E Strickland
Age 53 – appointed a director in January 1993, he is a director of HSBC Holdings, The Hongkong and Shanghai Banking Corporation, and Marine Midland Banks.

****K R Whitson***
Age 50 – appointed a director in July 1992, he is deputy chief executive.

*executive directors

Results for the year

The consolidated profit of the bank and its subsidiary and associated undertakings is shown on page 35, together with particulars of the appropriations therefrom.

No dividend has been paid or is proposed in respect of 1992 (3·4p for 1991).

Principal activities and business review

The bank and its subsidiary undertakings, operating in the UK and in other parts of the world, provide a comprehensive range of banking, financial and related services.

In March 1992 the bank purchased 500,000 shares in Euromobiliare SpA from three Euromobiliare directors for a total consideration of approximately £1·3 million, which increased the bank's holding to 56·6%. The purchase followed exercise by the directors of an option granted to them in December 1991. In June 1992, as part of the arrangements for Vitale, the managing director of Euromobiliare SpA, to leave its employment, it was agreed that Euromobiliare SpA would purchase for approximately £0·35 million his 1% shareholding in its 99% owned subsidiary undertaking, Banca Euromobiliare.

In May 1992 the stockbroking business and related assets of Sundal Collier Montagu AS, a wholly owned subsidiary of Midland Montagu AS, itself a wholly owned subsidiary undertaking of the bank, were sold to a company owned by D F Sundal and J P Collier, who were directors of Midland Montagu AS, for a consideration of approximately £3·5 million.

In September 1992, Midland disposed of its 100% interest in Thomas Cook to Westdeutsche Landesbank and the LTU Group for £209·6 million.

The chairman's statement and accompanying reviews report on the business during the year and on future developments.

Share capital

During the year the issued ordinary share capital of the bank was increased from 784,909,378 shares to 796,902,954 shares as follows:

– 10,211,514 shares issued under the Midland Bank Group Savings-Related and Executive Share Option Schemes at prices ranging from £1·6130 to £3·3310 per share.

– 1,782,062 shares issued in lieu of cash by way of scrip dividend.

The effect of these increases on the capital of the bank is detailed in note 23 on page 53.

During the year Midland Bank plc became a wholly owned subsidiary of HSBC Holdings plc.

Premises valuation

Midland Group's freehold and long leasehold premises were formerly subject to valuation on a quinquennial basis, for the purpose of updating their balance sheet value. Following the acquisition of Midland by HSBC Holdings plc, such valuations will in future be held triennially, commencing with 1992.

The freehold and long leasehold premises of Midland Group were revalued at the end of 1992. As a result of the generally depressed state of the UK property market, and of certain overseas markets, a substantial deficit on revaluation arose. The value of each of the premises has been reviewed to identify those where a permanent diminution in value has occurred, and a charge of £31 million has been included in the profit and loss account as a result. After eliminating the surplus arising on previous revaluations of £212 million, and after deducting the net surplus attributable to minority interests, the remaining deficit on revaluation of £99 million, which is considered temporary, is included in reserves.

Further details are included in note 16 on page 48.

Directors

The names of the directors of the bank serving at the date of this report and brief biographical notes are set out on page 28.

During the year C D Mackay, Sir Wilfrid Newton and K R Whitson were appointed directors. J R H Bond and J E Strickland were appointed directors in January 1993. In accordance with the articles of association of the bank, these five directors will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

R Delbridge and Baroness O'Cathain retire by rotation in accordance with the articles of association of the bank and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

G Maitland Smith, who was appointed to the board in September 1986, was appointed deputy chairman of the bank in October 1992.

During the year T J Cunningham, Sir Peter Leslie, G F Loudon, H E Lockhart and Sir Eric Pountain resigned from the board. B L Goldthorpe also resigned during the year but sadly he died in November 1992.

Regretfully Sir Patrick Meaney, a deputy chairman, died in July 1992.

Directors' interest in contracts

No director had a material interest at any time during the year in any contract of significance with the bank, its subsidiaries or its holding company, other than a service contract.

Directors' and officers' liability insurance

During the year, the bank maintained liability insurance for its directors and officers.

Audit Committee

The Audit Committee meets regularly with Midland's senior financial, internal control and compliance management to consider the nature and scope of audit reviews and the effectiveness of internal control and compliance.

The members of the Audit Committee are G Maitland Smith (chairman), Sir Archibald Forster and Baroness O'Cathain — all non-executive directors.

Employees

At 31 December 1992 there were 46,008 persons employed by Midland, on a worldwide basis, of whom 43,564 were employed in the UK. The average number of staff employed each week, in the UK, was 53,588 (48,402 excluding Thomas Cook) and their annual aggregate remuneration was £857 million (£790 million excluding Thomas Cook).

Employee communication and involvement

A wide variety of communication methods is used to keep employees in touch with developments within Midland. These methods are also used to find out the views and opinions of our employees. We have carried out a large-scale employee survey on a proposed new staff appraisal system. This is now being piloted in selected areas. 1992 has also seen the publication of career guides and a career development diary — to provide the bank with a framework within which managerial employees may be trained and developed in a consistent and professional way.

Regular discussions and consultations take place with the Banking Insurance and Finance Union and good industrial relations exist throughout the areas covered by collective bargaining agreements.

Employment of disabled persons

Midland plays a leading role in the Employers' Forum on Disability and supports the Secretariat to the European Parliament's All Party Disablement Group. The bank has continued its Disability Equality Training and established a Disability Action Group comprising employees with disabilities who meet to consider issues affecting employment and development.

Midland has developed and implemented a rehabilitation policy. The policy involves consultation and professional employment assessment and allows newly disabled employees the opportunity to explore a return to work.

Donations

During the year Midland and its subsidiary undertakings made donations in the UK for charitable purposes amounting to £468,899. Included in this sum is an amount of £106,543 which relates to the £1 for £1 staff charity scheme.

Additional community support was provided through sponsorship projects and by means of secondments aimed at improving the performance of small businesses, particularly in inner city areas

No donations were made for political purposes.

Auditors

A resolution appointing KPMG Peat Marwick auditors of the bank for the year ending 31 December 1993, in place of Ernst & Young, will be proposed at the annual general meeting, which will also authorise the directors to fix the remuneration of the auditors (special notice having been received).

Ernst & Young have confirmed that there are no matters concerned with their retirement as auditors which should be brought to the attention of shareholders and have indicated their willingness not to seek re-appointment at the forthcoming annual general meeting.

The directors would like to place on record their appreciation of the services rendered to the bank by Ernst & Young over many years.

By order of the board

J R Skae, secretary

Poultry
London EC2P 2BX
2 March 1993

Report of the Auditors

To the members of Midland Bank plc

We have audited the accounts set out on pages 32 to 59 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the Midland Group at 31 December 1992 and of the profit and cash flow of the Midland Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor

London
2 March 1993

Principal Accounting Policies

Accounting policies adopted by Midland Bank plc and its subsidiary and associated undertakings, the 'Midland Group', are set out below and are consistent with those adopted in 1991.

(a) Accounting convention

The accounts are prepared in accordance with applicable accounting standards under the historical cost convention modified by the revaluation of freehold and long leasehold premises and certain investments.

(b) Basis of consolidation

The consolidated accounts are prepared in accordance with sections 255 and 255A of, and Schedule 9 to, the Companies Act 1985 and deal with the state of affairs and profits and losses of Midland Bank plc and its subsidiary undertakings and the share of profits and net assets of its associated undertakings.

Under the exemption provided by section 230 of the Companies Act 1985, Midland Bank plc's profit and loss account is not presented.

(c) Bad and doubtful debts

Specific and general provisions for bad and doubtful debts are based on the year-end appraisal of advances. The specific element relates to individual banking relationships; the general element relates to other positions not separately identified but known from experience to exist in any portfolio of banking relationships.

Interest on bad and doubtful loans continues to be charged to customers' accounts and credited to interest income where insolvency law permits, although in most instances a corresponding specific provision is made. When it becomes apparent that recovery is unlikely, interest ceases to be accrued.

Specific provisions are made against loans to and interest due from borrowers in developing countries. The level of such provisions is reviewed against exposure on a country by country basis and adjusted when the economic, political or regional circumstances of a country change, assessed by a scoring system consistent with Bank of England guidelines. In addition, interest on these loans is normally provided for when it is more than 90 days overdue.

When there is no prospect of recovery, the outstanding debt is written off.

(d) Instalment finance

Balances receivable under instalment finance agreements are included under 'Advances and other accounts'. Income from fixed rate instalment finance business, after deduction of certain initial expenses, is credited to the profit and loss account in proportion to the outstanding reducing balance.

(e) Equipment leased to customers under finance leases

Amounts receivable under finance leases are included under 'Advances and other accounts'.

Leasing balances are stated in the balance sheet after deduction of unearned charges, provision for reduced future rentals, tax credit equalisation and grant equalisation.

Income from leasing contracts, other than those with major recourse or similar agreements, is credited to the profit and loss account so as to give a constant rate of return on the net cash invested over each period, after taking account of the effects of taxation.

Where leasing contracts are covered by major recourse or other similar agreements, income is released to maintain the book amount of the asset at a value consistent with the contractual arrangements.

(f) Premises and equipment

Certain specialised premises are depreciated on an individual basis having regard to their anticipated useful lives. Other than these, no depreciation is provided on freehold or long leasehold premises (50 years and over unexpired). These premises are maintained to a high standard and it is considered that their residual values, based on prices prevailing at the time of the latest valuation, are such that depreciation is not significant. Any permanent diminution in the value of these premises is charged to the profit and loss account when it occurs. Any temporary change in value is recognised at regular periodic revaluations and included in the revaluation reserve. Other leasehold land and buildings are written off on the straight-line basis over ten years, or the period of the lease, whichever is the shorter. Provision is made for costs associated with the disposal of premises for which there is no further business use.

Furniture, fittings and equipment are depreciated on the straight-line basis over their estimated useful lives at rates ranging from 5% to 50% per annum.

(g) Dealing assets

Where assets are acquired with the intention of reselling them in the short term at a profit, they are stated in the balance sheet at market value. Income from dealing assets is analysed between 'Interest income' and 'Other operating income'.

(h) Investments (other than those included in dealing assets)

Investments are included in the balance sheet at cost less provision for any permanent diminution in value.

Where dated investments have been purchased at a premium or discount, these premiums and discounts are amortised through the profit and loss account over the period from date of purchase to date of maturity. If the date of maturity is at the borrower's option within a specified range of years, the maturity date which gives the more conservative result is adopted. These investments are included in the balance sheet at cost adjusted for the amortisation of premiums and discounts arising on acquisition. Any profit or loss on realisation of these investments is recognised in the profit and loss account as it arises.

Investments in subsidiary and associated undertakings are stated at share of net tangible assets and, where appropriate, embedded value as explained in (i) below.

(i) Embedded value

The embedded value of the long-term assurance business includes the surplus retained in long-term assurance funds and the net present value of policies in force, which are determined on a post-tax basis and included in debtors. The remaining part of embedded value, being the net tangible assets of Midland Life Limited, including policyholders' funds, are consolidated in the Midland Group accounts. Changes in embedded value are recognised in the profit and loss account and, for the purpose of presentation, are grossed up at the prevailing rates of taxation.

(j) Retirement benefits

Annual contributions are made to UK pension schemes, on the advice of actuaries, for funding of retirement benefits in order to build up reserves for each scheme member during the employee's working life in order to pay to the employee or dependant a pension after retirement. The costs of providing these benefits are charged to the profit and loss account on a regular basis. Overseas subsidiaries make provisions for pensions in accordance with local law and practice.

The cost of providing other post-retirement benefits is recognised as an expense in the year in which the claims are made.

(k) Deferred taxation

The provision for deferred taxation is calculated, using the liability method, on all timing differences to the extent that they are likely to crystallise in the future.

(l) Currency translation

Assets, liabilities and results of subsidiary and associated undertakings denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

Translation differences arising on the application of year-end rates of exchange to opening net assets of overseas subsidiary and associated undertakings and to related foreign currency borrowings are taken to reserves.

Other translation differences are recognised in the profit and loss account.

(m) Premiums and discounts on acquisition of shares in subsidiary and associated undertakings

Premiums and discounts on acquisition of shares in subsidiary and associated undertakings are taken to reserves in the year of acquisition.

On disposal, such premiums or discounts are included in determining the gain or loss to be reported in the profit and loss account.

(n) Off-balance-sheet financial instruments

Accounting for off-balance-sheet financial instruments is based on whether contracts have been undertaken to serve customers, for dealing, to hedge risk, or as part of the management of asset and liability portfolios.

Transactions to serve customers or for dealing are marked to market and the results are recognised in the profit and loss account as they arise.

In general, transactions designated as hedges are required to satisfy hedging criteria, in default of which they are classified as dealing. Hedging transactions are valued on an equivalent basis to the assets, liabilities or positions which they are hedging. Any profit or loss is recognised at the same time as any profit or loss arising from the related assets, liabilities or positions. Currency or interest rate swap transactions undertaken as part of the management of asset and liability portfolios are separately identified and income or expense is accrued as an adjustment to net interest income.

Analysis of Interest Income, Interest Expense, Other Operating Income and Operating Expenses

	1992 £m	1991 £m
INTEREST INCOME		
Short-term funds (excluding placings with banks	455	494
Dealing assets	195	187
British Government securities (listed)	21	68
Other investments — listed	67	67
unlisted	55	55
Advances to customers	3,549	4,310
Placings with banks	623	748
Lease financing and instalment finance	418	502
	5,383	6,431
INTEREST EXPENSE		
Deposits	3,462	4,455
Perpetual subordinated loan capital, term subordinated loan capital and long-term borrowings wholly repayable — within 5 years	55	28
other	154	191
	3,671	4,674
OTHER OPERATING INCOME		
Service charges, fees and other banking income	1,205	1,218
Foreign exchange income	223	162
Travel income	149	174
Income from trade investments	1	1
Profit/(loss) on sale, and diminution in value, of investments — fixed interest	34	9
other	(44)	8
(Loss)/profit on disposal of fixed assets	(1)	3
	1,567	1,575
OPERATING EXPENSES		
Staff		
Salaries and other staff costs	1,202	1,209
Pension costs	96	91
	1,298	1,300
Premises and equipment		
Depreciation	148	152
Hire of computers and other equipment	19	23
Rents payable	95	106
Other	267	274
	529	555
Other*	492	529
	2,319	2,384

*including audit fees of £3·1m (1991 £3·8m) and £2·6m paid to the auditors of the parent company in respect of worldwide non-audit services; a further payment of £0·4m to the auditors in respect of worldwide non-audit services is included in 'Extraordinary items'.

Consolidated Profi. and Loss Account

	Notes	1992 £m	1991 £m
Interest income		5,383	6,431
Interest expense		(3,671)	(4,674)
Net interest income		1,712	1,757
Other operating income		1,567	1,575
Operating income		3,279	3,332
Operating expenses		(2,319)	(2,384)
Trading profit before charge for bad and doubtful debts		960	948
Charge for bad and doubtful debts		(676)	(903)
Trading profit		284	45
Share of profits less losses of associated undertakings	3	16	12
Profit before exceptional items and taxation		300	57
Exceptional item	4	(122)	(21)
Profit before taxation		178	36
Taxation charge	5	(87)	(69)
Profit/(loss) after taxation		91	(33)
Profit attributable to minority interests		(15)	(16)
Profit/(loss) before extraordinary items		76	(49)
Extraordinary items	6	26	10
Profit/(loss) attributable to shareholders		102	(39)
Dividends	7	–	(26)
Retained profit/(loss)		102	(65)
Earnings/(loss) per share — net distribution basis	8	9·6p	(6·2)p

Movements in reserves are set out in note 25.

Consolidated Balance Sheet

	Notes	1992 £m	1991 £m
ASSETS			
Cash and short-term funds	26	10,137	11,210
Items in course of collection		888	595
Dealing assets	10	4,338	2,221
Investments	11	1,612	2,353
Debtors	12	1,706	2,106
Advances and other accounts	13	41,044	39,586
Balances due from fellow subsidiary undertakings		317	–
		60,042	58,071
Trade investments and investments in associated undertakings	14	234	217
Premises and equipment	16	1,078	1,508
		61,354	59,796
LIABILITIES AND SHAREHOLDERS' FUNDS			
Current, deposit and other customer accounts	17	51,977	51,337
Other liabilities	18	3,965	3,382
Balances due to parent company		12	–
Balances due to fellow subsidiary undertakings		134	–
		56,088	54,719
Deferred taxation	19	155	174
Long-term borrowings	20	507	407
Term subordinated loan capital	21	1,183	1,129
Perpetual subordinated loan capital	22	1,026	851
Minority interests		171	166
Shareholders' funds			
Share capital	23	797	785
Share premium	24	1,063	1,047
Reserves	25	364	518
		2,224	2,350
		61,354	59,796

Brian Pearse, chief executive and director
K R Whitson, deputy chief executive and director
Richard Delbridge, director
John Skae, secretary

2 March 1993

Balance Sheet

31 December 1992

	Notes	1992 £m	1991 £m
ASSETS			
Cash and short-term funds		7,605	9,117
Items in course of collection		864	578
Dealing assets	10	1,928	405
Investments	11	594	1,006
Debtors		526	354
Advances and other accounts	13	30,852	29,387
Balances due from fellow subsidiary undertakings		260	–
Balances due from subsidiary undertakings		3,786	3,497
		46,415	44,344
Trade investments and investments in associated undertakings	14	129	166
Investments in subsidiary undertakings	15	1,642	1,622
Premises and equipment	16	826	1,114
		49,012	47,246
LIABILITIES AND SHAREHOLDERS' FUNDS			
Current, deposit and other customer accounts	17	40,963	39,635
Other liabilities	18	1,149	700
Balances due to parent company		12	–
Balances due to fellow subsidiary undertakings		132	–
Balances due to subsidiary undertakings		3,118	3,344
		45,374	43,679
Deferred taxation	19	2	3
Term subordinated loan capital	21	386	386
Perpetual subordinated loan capital	22	1,026	828
Shareholders' funds			
Share capital	23	797	785
Share premium	24	1,063	1,047
Reserves	25	364	518
		2,224	2,350
		49,012	47,246

Brian Pearse, chief executive and director

K R Whitson, deputy chief executive and director

Richard Delbridge, director

John Skae, secretary

2 March 1993

Consolidated Cash Flow Statement

	Notes	1992 £m	1991 £m
Net cash (outflow)/inflow from operating activities	26	(652)	2,332
Returns on investments and servicing of finance			
Dividends received from associated undertakings, net of tax credits		7	7
Ordinary dividends paid		(8)	(25)
Dividends paid to minority shareholders in subsidiary undertakings		(2)	(5)
Interest paid on loan capital		(209)	(222)
Net cash outflow from returns on investments and servicing of finance		(212)	(245)
Taxation			
UK corporation tax paid		(2)	(19)
Overseas tax paid		(21)	(46)
Total tax paid		(23)	(65)
Investing activities			
Purchase of trade investments		(3)	(22)
Sale of trade investments		2	15
Investment in associated undertakings		(3)	–
Sale of investments in associated undertakings		4	39
Purchase of premises and equipment		(135)	(185)
Sale of premises and equipment		30	34
Net cash (outflow)/inflow from disposal of subsidiary undertakings	26	(280)	12
Net cash outflow from investing activities		(385)	(107)
Net cash (outflow)/inflow before financing		(1,272)	1,915
Financing			
Increase in share capital and share premium	26	28	1
Issue of loan capital and long-term borrowings	26	51	102
Redemption of loan capital and long-term borrowings	26	(111)	(62)
Net cash (outflow)/inflow from financing		(32)	41
(Decrease)/increase in cash and cash equivalents	26	(1,304)	1,956

1 TURNOVER

Revenues result mainly from the business of banking and related activities. Non-banking turnover, which arises primarily in the UK, consists of commissions on travel arrangements and sales in respect of tour operations relating to Thomas Cook, amounting to £366m (1991 £418m). Thomas Cook was sold on 30 September 1992 (see note 6).

Aggregate rentals from finance leases were £668m (1991 £712m). Aggregate hire purchase instalments were £590m (1991 £447m).

2 RETIREMENT BENEFITS

Within Midland Group, the principal pension scheme is the Midland Bank Pension Scheme, the assets of which are held in a separate trust fund, which covers 88% of UK employees. The Midland Bank Pension Scheme is a funded 'defined benefit scheme'.

Actuarial valuations of the assets and liabilities of the scheme are carried out triennially by external professional actuaries, using the projected unit method, to determine the financial position of the scheme and to enable the bank to determine the level of contributions to be made to the scheme.

The latest valuation of the Midland Bank Pension Scheme was made as at 31 December 1990. The market value of the scheme's assets at that date was £2 295m and the actuarial value of the assets was sufficient to cover 108% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

On the basis of the actuaries' recommendations, contributions were reduced to 11% of pensionable salary in 1991, to remain at that percentage at least until the next actuarial valuation due to be carried out at 31 December 1993.

The main financial assumptions used in the latest valuation were

	Percentage per annum
Long-term investment return	10
General salary increases	7·5
Equity dividend increases	5·5
Post-retirement pension increases	5

Other pension schemes in the UK are constituted and funded similarly to the Midland Bank Pension Scheme.

Midland Group also provides post-retirement health care benefits for certain pensioners and approximately 3,400 employees, together with their dependent relatives. An independent actuarial valuation as at 31 December 1992 estimated the present value of the accumulated post-retirement benefit obligation at £124m (August 1991 £99m) for Midland Group and at £112m (August 1991 £82m) for Midland Bank plc, for which no provision has been made; these amounts are subject to material uncertainties inherent in both future health care costs and claims experience. When paid, the costs of meeting this liability are expected to attract tax relief at the then prevailing rates of taxation.

Operating expenses include £3m (1991 £2m) in respect of claims made during 1992. It is estimated that if an accruals basis of accounting had been adopted, then this charge would have increased by £15m (1991 £15m).

3 DIVIDENDS RECEIVABLE FROM ASSOCIATED UNDERTAKINGS

Dividends receivable from associated undertakings, all of which are unlisted, amounted to £7m (1991 £9m).

4 **EXCEPTIONAL ITEMS**

	1992 £m	1991 £m
Exceptional items comprise		
Charge for restructuring costs	(122)	(55)
Share of release of provisions by associated undertaking	–	34
	(122)	(21)

The exceptional charge of £122m relates to those costs to be incurred within Midland Group as part of the overall cost of achieving the synergy benefits of the merger with the HSBC Group (see note 6). It comprises costs associated with the disposal of a number of leasehold premises, relocations in the City of London and overseas, and redundancy payments arising from the rationalisation of support functions and certain business functions in the United Kingdom and overseas.

5 **TAXATION CHARGE**

	1992 £m	1991 £m
The charge for taxation comprises		
UK corporation tax including deferred tax credit of £21m (1991 credit £8m)	(58)	(18)
Relief for overseas tax	12	1
	(46)	(17)
Advance Corporation Tax written off	–	(5)
Adjustments in respect of prior years	–	6
Corporation tax rate changes	–	(6)
	(46)	(22)
Overseas tax including deferred charge of £3m (1991 charge £4m)	(39)	(48)
	(85)	(70)
Associated undertakings	(2)	1
	(87)	(69)

The UK tax charge assumes a rate of 33% for the year (1991 33·25%).

The UK tax charge includes £28m (1991 £16m) which relates primarily to grossing up for notional tax on the increase in value of long-term assurance business and on franked investment income.

6 EXTRAORDINARY ITEMS

Extraordinary items comprise

	1992 £m	1991 £m
Gain on sale of Thomas Cook	66	–
(Loss)/profit on sale and closure of subsidiary and associated undertakings	(22)	10
Costs incurred in connection with the change of ownership	(18)	–
	26	10

On 30 September 1992, The Thomas Cook Group and Thomas Cook Inc. (Thomas Cook) were sold to Westdeutsche Landesbank and the LTU Group for £210m. The disposal resulted in a gain of £66m, after taking into account premiums on acquisition written off of £36m.

During the year Midland Bank plc became a wholly owned subsidiary of HSBC Holdings plc.

7 DIVIDENDS

No dividend has been paid or is proposed in respect of 1992 (1991 first interim dividend 1·7p, £13m; second interim dividend 1·7p, £13m; 3·4p, £26m in total)

8 EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share on the net distribution basis has been calculated on the profit before extraordinary items of £76m (1991 loss £49m) related to the weighted average of 791m shares (1991 784m shares) in issue during the year.

9 SEGMENTAL REPORTING

As part of the rationalisation of business following the acquisition of Midland Group by HSBC Holdings plc, the former UK Banking, Midland Montagu and Developing Countries Group business segments have been reorganised into three new business segments, Commercial Banking, Merchant Banking and Forward Trust Group.

In the analysis of geographical segments below, net assets include an appropriate amount of shareholders' funds, based on the proportion of risk weighted assets in each segment. Similarly, profit before taxation has been adjusted to reflect the value of shareholders' funds included in each segment. The UK segment includes the Channel Islands, which were reported under continental Europe in the 1991 accounts, the comparative analysis has been restated accordingly.

	1992 £m Profit before taxation	1992 £m Net assets	1992 £m Total assets	1991 £m Profit before taxation	1991 £m Net assets	1991 £m Total assets
Business segments						
Commercial Banking	138	1,760	55,237	(50)	1,791	52,461
Merchant Banking	(33)	189	2,084	34	202	1,866
Forward Trust Group	43	275	4,033	43	274	4,353
Thomas Cook	30	–	–	9	83	1,116
Midland Group total	178	2,224	61,354	36	2,350	59,796
Geographical segments						
United Kingdom	162	1,904	50,707	(25)	1,987	48,566
Continental Europe	(5)	275	8,457	28	272	8,139
United States	13	33	1,709	23	65	1,935
Rest of the world	8	12	481	10	26	1,156
Midland Group total	178	2,224	61,354	36	2,350	59,796

10 DEALING ASSETS

	Midland Group 1992 £m	Midland Group 1991 £m	Midland Bank plc 1992 £m	Midland Bank plc 1991 £m
Bullion other than gold	55	41	–	–
Bills	469	249	200	62
Certificates of deposit	315	404	10	80
Investments				
Listed				
Securities of, or guaranteed by, the British Government	1,084	322	428	–
Others listed in Great Britain	197	201	44	10
Others listed elsewhere	1,259	935	353	196
	2,540	1,458	825	206
Unlisted	959	69	893	57
	3,499	1,527	1,718	263
	4,338	2,221	1,928	405

Listed investments are valued at middle market prices and unlisted investments at directors' valuation.

11 INVESTMENTS

	1992 £m Book amount	1992 £m Valuation	1991 £m Book amount	1991 £m Valuation
Midland Group				
Listed				
Securities of, or guaranteed by, the British Government	243	251	346	351
Others listed in Great Britain	59	67	80	84
Others listed elsewhere	747	751	723	707
	1,049	1,069	1,149	1,142
Unlisted				
United States authorities and agencies	154	154	726	745
Other	409	451	478	520
	1,612	1,674	2,353	2,407
Midland Bank plc				
Listed				
Securities of, or guaranteed by, the British Government	226	234	336	341
Others listed in Great Britain	41	41	17	17
Others listed elsewhere	63	64	41	41
	330	339	394	399
Unlisted				
United States authorities and agencies	152	152	588	599
Other	112	111	24	24
	594	602	1,006	1,022

Dated investments, which amount to £1,433m (1991 £2,170m) for Midland Group and £594m (1991 £987m) for Midland Bank plc, are stated at cost adjusted for the amortisation of premiums and discounts arising on acquisition.

Listed investments are valued at middle market prices and unlisted investments at directors' valuation.

12 DEBTORS AND EMBEDDED VALUE

Debtors includes the surplus retained in long-term assurance funds and the net present value of policies in force, which form part of the embedded value as follows

	1992	1991
	£m	£m
Net tangible assets of Midland Life Limited	41	21
Surplus retained in long-term assurance funds and net present value of policies in force	53	36
Total embedded value	94	57

The net tangible assets, including policyholders' funds, and results of Midland Life Limited, are consolidated in the Midland Group accounts. The policyholders' funds of Midland Life Limited amounting to £541m (1991 £388m) have been included in the consolidated balance sheet for 1992, which represents a change from previous years. Prior year figures have been restated accordingly.

The net present value of policies in force is determined in consultation with independent actuaries, using a discount rate of 15%. The increase in the total embedded value included in the consolidated profit and loss account amounts to £55m (1991 £41m) before tax and £37m (1991 £28m) after tax.

Debtors also includes securities trading assets arising in market-making subsidiary undertakings; related liabilities are included under 'Other liabilities' (see note 18).

13 ADVANCES AND OTHER ACCOUNTS

	Midland Group		Midland Bank plc	
	1992	1991	1992	1991
	£m	£m	£m	£m
Loans to customers				
Advances	36,428	34,246	30,622	28,936
Instalment finance	1,271	1,280	–	–
	37,699	35,526	30,622	28,936
Lease financing	2,199	2,431	–	–
Total loans and lease financing	39,898	37,957	30,622	28,936
Less provisions	3,165	3,026	2,851	2,762
	36,733	34,931	27,771	26,174
Placings with banks (over 30 days)	3,160	3,239	2,359	2,037
Accrued interest and other customer accounts	1,151	1,416	722	1,176
	41,044	39,586	30,852	29,387
Of which				
Sterling	26,604	27,451	21,878	22,352
Currency	14,440	12,135	8,974	7,035
	41,044	39,586	30,852	29,387

Advances are stated after deduction of amounts refinanced with the Export Credit Guarantee Department and the Department of Trade and Industry.

Included in instalment finance above are amounts in respect of hire purchase contracts amounting to £603m (1991 £653m).

The cost of assets acquired in 1992 for the purpose of letting under lease financing and hire purchase contracts amounted to £486m (1991 £682m) and £352m (1991 £451m), respectively.

13 ADVANCES AND OTHER ACCOUNTS (continued)

Movements on provisions for bad and doubtful debts were as follows

	1992 £m Specific	1992 £m General	1992 £m Total	1991 £m Specific	1991 £m General	1991 £m Total
Midland Group						
Provisions at 1 January	2,790	236	3,026	2,497	196	2,693
Effect of foreign exchange rate movements	320	(2)	318	60	-	60
Charge/(release) for the year	691	(15)	676	863	40	903
Amounts written off	(876)	-	(876)	(640)	-	(640)
Less recoveries of amounts written off in previous years	21	-	21	10	-	10
	(855)	-	(855)	(630)	-	(630)
Provisions at 31 December	2,946	219	3,165	2,790	236	3,026
Midland Bank plc						
Provisions at 1 January	2,586	176	2,762	2,314	142	2,456
Effect of foreign exchange rate movements	328	1	329	64	-	64
Charge/(release) for the year	519	(19)	500	756	34	790
Amounts written off	(755)	-	(755)	(556)	-	(556)
Less recoveries of amounts written off in previous years	15	-	15	8	-	8
	(740)	-	(740)	(548)	-	(548)
Provisions at 31 December	2,693	158	2,851	2,586	176	2,762

14	TRADE INVESTMENTS AND INVESTMENTS IN ASSOCIATED UNDERTAKINGS	1992 £m Book amount	1992 £m Valuation	1991 £m Book amount	1991 £m Valuation
	Midland Group				
	Trade investments				
	Listed elsewhere than in Great Britain	7	7	5	5
	Unlisted	26	36	22	35
		33	43	27	40
	Associated undertakings (unlisted)				
	Equity	195	213	184	185
	Other	6	6	6	6
		234	262	217	231
	Midland Bank plc				
	Trade investments (unlisted)	2	11	2	12
	Associated undertakings (unlisted)				
	Equity	121	130	158	157
	Other	6	6	6	6
		129	147	166	175

Listed investments are valued at middle market prices and unlisted investments at directors' valuation.

The principal associated undertakings at 31 December 1992 were

	Country of registration and operation	Accounts made up to	Interest of Midland Bank plc Direct	Interest of Midland Bank plc Indirect
3i Group plc#	England and Wales	30.9.1992*		
Issued share capital £236m			12%	6%
UBAF Bank Limited	England and Wales	31.12.1992		
US$ share capital $174m			25%	
Sterling share capital £46m of which £15m is 67% paid up			25%	
Subordinated unsecured loan stock US$28·7m			25%	
Subordinated loan stock £10m			12%	

#3i Group plc is owned by a consortium of UK clearing banks and the Bank of England and, accordingly, is treated as an associated undertaking

*interim accounts

15 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	1992 £m	1991 £m
Midland Bank plc		
Shares in subsidiary undertakings at bank's share of net tangible assets	1,163	1,158
and embedded value	479	464
Loans to subsidiary undertakings	1,642	1,622

The principal subsidiary undertakings at 31 December 1992 were

	Country of registration/incorporation and operation	Percentage of equity capital held by Midland Bank plc Direct	Indirect
Euromobiliare SpA*	Italy		57%
Forward Trust Limited	England and Wales		100%
Greenwell Montagu Gilt-Edged	England and Wales		100%
Griffin Factors Limited	England and Wales		100%
Guyerzeller Bank AG	Switzerland		75%
Midland Bank SA*	France		99%
Midland Bank Trust Company Limited	England and Wales	100%	
Midland Bank Trust Corporation (Jersey) Limited	Jersey		100%
Samuel Montagu & Co. Limited	England and Wales		100%
Trinkaus & Burkhardt KGaA*#	Germany		70%
Midland Life Limited —	England and Wales		
£1 ordinary A shares		100%	
£1 ordinary B shares		0%	
£1 ordinary C shares		100%	
£1 ordinary D shares		96%	

All the above subsidiary undertakings prepare accounts to 31 December, with the exception of Midland Life Limited, which prepares accounts to 31 August, and are engaged in the business of banking and financial services.

*minority shareholding listed

#partnership limited by shares

16 PREMISES AND EQUIPMENT	Freehold land and buildings	Leasehold land and buildings: 50 years and over unexpired	Leasehold land and buildings: Under 50 years unexpired	Furniture, fittings and equipment	Total
	£m	£m	£m	£m	£m
Midland Group					
Cost or valuation					
At 1 January 1992	863	166	211	952	2,192
Effect of foreign exchange rate and other movements	(3)	11	3	1	12
Additions	13	5	22	95	135
Disposals — Thomas Cook	(30)	–	(18)	(110)	(158)
other	(9)	(1)	(10)	(75)	(95)
Deficit on revaluation	(279)	(75)	–	–	(354)
At 31 December 1992	555	106	208	863	1,732
Accumulated depreciation	–	–	(114)	(540)	(654)
Net book amount					
At 31 December 1992	555	106	94	323	1,078
At 31 December 1991	851	162	96	399	1,508
Midland Bank plc					
Cost or valuation					
At 1 January 1992	617	158	159	699	1,633
Additions	8	1	19	66	94
Disposals	(10)	(1)	(7)	(53)	(71)
Deficit on revaluation	(219)	(63)	–	–	(282)
At 31 December 1992	396	95	171	712	1,374
Accumulated depreciation	–	–	(94)	(454)	(548)
Net book amount					
At 31 December 1992	396	95	77	258	826
At 31 December 1991	609	154	71	280	1,114

	Midland Group	Midland Bank plc
	£m	£m
Cost or valuation of premises and equipment at 31 December 1992 comprises		
Land and buildings — at valuation 1992	661	491
at cost	208	171
	869	662
Furniture, fittings and equipment, at cost	863	712
	1,732	1,374

At the end of 1992, the freehold and long leasehold (50 years and over unexpired) premises of Midland Group were revalued by professional external and internal valuers, all of whom are members of the Royal Institution of Chartered Surveyors. The basis of valuation was open market value for existing use, except for certain specialised premises which were valued on the basis of depreciated replacement cost.

The directors have reviewed the results of the 1992 premises revaluation to identify premises where a permanent diminution in value has occurred. This review took into account the expected future business use and the likely timescales for recovery of values over the longer term, based on the advice of external valuers. The net deficit on revaluation, after allowing for writeback of accumulated depreciation, amounted to £335m, of which permanent diminutions in value amounting to £31m have been identified and charged to the profit and loss account. After eliminating the surplus arising on previous revaluations of £212m, and after allowing for the net surplus attributable to minority interests of £7m, the remaining deficit on revaluation of £99m for Midland Group, which is considered temporary, is included in reserves.

The net book amount for furniture, fittings and equipment includes assets held under lease financing of £26m (1991 £41m) and £26m (1991 £37m) for Midland Group and Midland Bank plc respectively, on which the depreciation charges were £14m (1991 £16m) and £14m (1991 £15m) respectively.

17 CURRENT, DEPOSIT AND OTHER CUSTOMER ACCOUNTS	Midland Group 1992 £m	Midland Group 1991 £m	Midland Bank plc 1992 £m	Midland Bank plc 1991 £m
Sterling				
Current and demand accounts	20,429	19,135	18,528	17,744
Deposit and savings accounts	5,030	4,750	3,234	3,151
Money market and other time deposits	7,836	9,901	6,457	7,820
Accrued interest and other customer accounts	754	513	138	313
	33,549	34,299	28,357	29,028
Currency				
Current and demand accounts	4,994	4,585	4,063	2,660
Deposit and savings accounts	3,888	2,025	1,485	502
Money market and other time deposits	9,100	9,536	6,973	7,348
Accrued interest and other customer accounts	446	892	85	97
	18,428	17,038	17,606	10,607
	51,977	51,337	40,963	39,635

18 OTHER LIABILITIES	Midland Group 1992 £m	Midland Group 1991 £m	Midland Bank plc 1992 £m	Midland Bank plc 1991 £m
Taxation	180	143	63	101
Creditors and securities trading liabilities	3,785	3,226	1,086	586
Dividend	–	13	–	13
	3,965	3,382	1,149	700

Securities trading liabilities arise in market-making subsidiary undertakings and reflect the level of activity in the securities markets. The related assets are included under 'Debtors' (see note 12).

Obligations under lease financing included within 'Creditors and securities trading liabilities' were as follows

	Midland Group 1992 £m	Midland Group 1991 £m	Midland Bank plc 1992 £m	Midland Bank plc 1991 £m
Payable within 1 year	64	28	14	23
1–5 years	172	36	24	29
	236	64	38	52
Less: future finance charges	(49)	(14)	(12)	(11)
	187	50	26	41

19 DEFERRED TAXATION

	Midland Group £m	Midland Bank plc £m
Movements during the year were as follows		
At 1 January 1992	174	3
Effect of foreign exchange rate movements	2	–
Credit to profit and loss account	(21)	(1)
At 31 December 1992	155	2

	1992 £m Unprovided deferred tax/(relief)	1992 £m Provided in accounts	1991 £m Unprovided deferred tax/(relief)	1991 £m Provided in accounts
Midland Group				
Short-term timing differences	(10)	37	(1)	43
Accelerated capital allowances	(6)	(1)	(8)	4
Leasing transactions	88	204	88	220
Trading losses carried forward	(228)	(22)	(224)	(44)
Advance Corporation Tax	(55)	(76)	(85)	(83)
Other items	28	13	32	34
	(183)	155	(198)	174
Midland Bank plc				
Short-term timing differences	(10)	2	(1)	3
Accelerated capital allowances	(6)	–	(8)	–
Trading losses carried forward	(228)	–	(207)	–
Advance Corporation Tax	(1)	–	(39)	–
Other items	31	–	31	–
	(214)	2	(224)	3

It is not considered necessary to provide for taxation on capital gains which might arise on the disposal of subsidiary or associated undertakings at their balance sheet amounts, or for taxation on capital gains which might arise on the disposal of premises, as it is anticipated that any liability will be covered by capital losses or other reliefs, or for any liability to UK taxation on overseas earnings which are not expected to be remitted.

20 LONG-TERM BORROWINGS	1992 £m	1991 £m
Subsidiary undertakings		
Borrowings at fixed and variable rates between 8·1% and 11·6% repayable 1994/98 FrFrs 1,400m*	168	144
6% Bonds repayable 1993 DM 75m	31	26
5½% Bonds repayable 1993 DM 75m	31	26
4% Guaranteed Note 1986/1993 Ecu 8·7m (1991 Ecu 9·4m)	7	7
10% Bonds repayable 1986/1993 Lire 13·9bn	6	7
Multicurrency loan facility 1993 US$ 25m*#	2	5
6% Bonds repayable 1996 DM 100m	41	35
Guaranteed Floating Rate Notes 1997 FrFrs 900m#	108	93
Floating Rate Note 1999 SKr 200m#	19	19
£52·5m 6¾% Deep Discount First Mortgage Bonds 2006†	38	37
£15·33m Deep Discount Loan Stock 1998	8	8
DAX-linked certificate 1997 DM 89m	36	–
Mortgage loan 1998 Lire 2·4bn*	1	–
Adjustable loan facility 2004 Chilean Pesos 6·7bn*	11	–
	507	407
Repayable within 1 year	77	–
1 – 2 years	48	71
2 – 5 years	269	148
over 5 years	113	188
	507	407

*repayable by instalments

#interest rates on floating rate borrowings are related to local market rates

†secured on freehold premises

21 TERM SUBORDINATED LOAN CAPITAL	1992	1991
	£m	£m
Midland Bank plc		
7½% Subordinated Unsecured Loan Stock 1983/93	5	5
10¾% Subordinated Unsecured Loan Stock 1993/98	31	31
Subordinated Unsecured Floating Rate Notes 2001#	250	250
14% Subordinated Unsecured Loan Stock 2002/07	100	100
	386	386
Subsidiary undertakings		
11½% Guaranteed Bonds 1992 US$ 150m*	–	80
6½% Guaranteed Bonds 1986/96 DM 200m*	82	70
Guaranteed Floating Rate Notes 1986/98 DM 300m#*	123	106
7·55% Guaranteed Loan 1998 Yen 6·3bn*	34	27
9·25% Notes 1991/1996 LuxFr 500m	10	8
Guaranteed Floating Rate Notes 1999 US$ 200m#*	132	107
7·25% Guaranteed Loan 1999 Yen 3·1bn*	16	13
7·41% Guaranteed Loan 1999 Yen 10·0bn*	53	43
7¾% Dual Currency Guaranteed Bonds 1999 Yen 5·0bn*	26	21
Guaranteed Floating Rate Notes 1989/99 DM 200m#*	82	70
6·99% Guaranteed Loan 1999 Yen 5·0bn*	26	21
Borrowings at fixed and variable rates repayable 2000/2004 DM 266m (1991 DM 264m)	109	92
Guaranteed Floating Rate Unsecured Loan Stock 2001#	5	5
12¾% Guaranteed Notes 2003 US$ 150m*	99	80
	797	743
	1,183	1,129
Repayable within 1 year	5	80
1–2 years	–	5
2–5 years	82	70
over 5 years	1,096	974
	1,183	1,129

Subordinated loan capital is repayable at par at maturity but some is repayable prior to maturity at the option of the borrower, in certain cases at a premium over par.

#the interest rates on the floating rate loan capital are related to London Interbank Offered Rates

*issued by a subsidiary undertaking under the bank's subordinated guarantee and on-lent to the bank on a subordinated basis

22 PERPETUAL SUBORDINATED LOAN CAPITAL

	1992 £m	1991 £m
Midland Bank plc		
Undated Floating Rate Primary Capital Notes US$ 750m	497	401
Undated Floating Rate Primary Capital Notes US$ 500m	331	267
Undated Floating Rate Primary Capital Notes (Series 3) US$ 300m	198	160
	1,026	828
Subsidiary undertakings		
Convertible Undated Floating Rate Subordinated Notes FrFrs 3m (1991 FrFrs 221m)	–	23
	1,026	851

The Undated Floating Rate Primary Capital Notes have characteristics which render them similar in certain circumstances to preference shares.

The interest rates on the Undated Floating Rate Primary Capital Notes are related to London Interbank Offered Rates.

23 SHARE CAPITAL

The movements in authorised and issued share capital were as follows:

	Non-cumulative preference shares of £1 each £m	Non-cumulative preference shares of US$25 each £m	Ordinary shares of £1 each £m	Total £m
Authorised				
At 1 January 1992	150	267	1,000	1,417
Effect of foreign exchange rate movements	–	63	–	63
At 31 December 1992	150	330	1,000	1,480
Issued				
At 1 January 1992	–	–	785	785
Shares issued under share option schemes	–	–	10	10
Shares issued in lieu of dividends	–	–	2	2
At 31 December 1992	–	–	797	797

24 SHARE PREMIUM	1992 £m	1991 £m
At 1 January	1,047	1,066
Shares issued under share option schemes	18	1
Shares issued in lieu of cash dividends	(2)	(20)
At 31 December	1,063	1,047

25 RESERVES	Midland Bank plc and subsidiary undertakings £m	Associated undertakings £m	Midland Group £m	Midland Bank plc £m
At 1 January 1992	391	127	518	518
Effect of foreign exchange rate and other movements	9	(18)	(9)	–
Retained profit	97	5	102	92
Deficit on revaluation of premises	(311)	–	(311)	(209)
Shares issued in lieu of cash dividends	5	–	5	5
Discount on acquisition of subsidiary undertakings	3	–	3	–
Disposal of subsidiary undertakings	56	–	56	–
Net decrease in net tangible assets of subsidiary and associated undertakings	–	–	–	(42)
At 31 December 1992	250	114	364	364

The cumulative amount of premiums on acquisition, net of discounts on acquisition, written off in Midland Group's reserves, is £102m (1991 £161m).

The reserves of Midland Bank plc include distributable reserves of £244m (1991 £107m).

At 31 December 1992, a deficit of £99m on the revaluation of premises is included in the reserves of Midland Group, and a deficit of £25m is included in the reserves of Midland Bank plc.

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(1) Reconciliation of trading profit to net cash inflow from operating activities

	1992 £m	1991 £m
Trading profit	284	45
Decrease in accrued interest receivable	9	111
Decrease in accrued interest payable	(114)	173
Charge for bad and doubtful debts	676	903
Net advances written off	(855)	(630)
Increase in value of long-term assurance funds and net present value of policies in force	(34)	(29)
Interest on loan capital	209	219
Depreciation	148	152
Charge for permanent diminution in value of premises	31	–
Profit on sale of trade investments	(1)	(2)
Loss/(profit) on sale of premises and equipment	1	(3)
Net cash flow from trading activities	354	593
(Increase)/decrease in loans to customers	(206)	3,456
Decrease in deposits	(1,170)	(1,476)
Net decrease in lease financing receivables	232	51
Decrease/(increase) in placings with banks	555	(469)
Increase in net balance due from parent and fellow subsidiary undertakings	(171)	–
Increase in dealing assets	(2,076)	(516)
Decrease/(increase) in investments	512	(167)
Decrease/(increase) in accrued income and other debit balances	419	(550)
Increase in accrued expenses and other credit balances	1,040	1,607
Amounts paid out on exceptional provisions	(23)	(34)
Amounts paid out on extraordinary provisions	(18)	–
Increase in short-term funds balances with original maturity over three months	(101)	(145)
Other non-cash movements	1	(18)
Net cash (outflow)/inflow from operating activities	(652)	2,332

(2) Analysis of changes in cash and cash equivalents during the year

	1992 £m	1991 £m
Balance at 1 January	12,630	10,501
Effect of foreign exchange rate movements	727	173
Net cash (outflow)/inflow	(1,304)	1,956
Balance at 31 December	12,053	12,630

(3) Analysis of cash and short-term funds, as shown in the balance sheet, and reconciliation with cash and cash equivalents

	1992 £m	1991 £m	Change in year £m
Gold bullion	42	150	(108)
Coin, bank notes and balances with central banks	499	648	(149)
Monies at call and short notice	6,353	6,786	(433)
Marketable bills of exchange	2,544	3,171	(627)
Certificates of deposit	699	455	244
Total cash and short-term funds	10,137	11,210	(1,073)
Less balances included in cash and short-term funds with original maturity over three months	(1,237)	(1,067)	(170)
Add balances not included in cash and short-term funds with original maturity under three months	3,153	2,487	666
Total cash and cash equivalents	12,053	12,630	(5[illegible])

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(4) Analysis of changes in financing during the year	Share capital (including share premium) 1992	1991	Loan capital 1992	1991
	£m	£m	£m	£m
Balance at 1 January	1,832	1,850	2,387	2,290
Effect of foreign exchange rate movements	–	–	389	57
Issue of loan capital	–	–	51	102
Redemption of loan capital	–	–	(111)	(62)
Other non-cash movements	–	(19)	–	–
Share options	28	1	–	–
Balance at 31 December	1,860	1,832	2,716	2,387

(5) Disposal of subsidiary undertakings	1992	1991
	£m	£m
Net assets disposed of during the period		
Cash and cash equivalents	367	–
Short-term funds with original maturity over three months	43	–
Net inter-group balances settled on disposal	106	–
Dealing assets	–	277
Investments	547	35
Debtors	209	10
Advances and other accounts	17	49
Placings with banks	157	–
Premises and equipment	89	2
Associated undertakings	1	–
Deposits	(63)	(186)
Other liabilities	(1,356)	(177)
Deferred taxation	(4)	2
Minority interests	(9)	–
	104	12
Premiums on acquisition previously written off to reserves	45	–
Extraordinary gain on sale of Thomas Cook	66	–
Extraordinary loss on sale of other subsidiary undertakings	(22)	–
Proceeds of disposal	193	12

Analysis of net cash (outflow)/inflow from disposal	1992	1991
	£m	£m
Proceeds of disposal	193	12
Cash and cash equivalents	(367)	–
Net inter-group balances settled on disposal	(106)	–
Net cash (outflow)/inflow from disposal	(280)	12

27 CONTINGENT LIABILITIES	Midland Group 1992	Midland Group 1991	Midland Bank plc 1992	Midland Bank plc 1991
	£m	£m	£m	£m
There were the following contingent liabilities in respect of				
Acceptances	321	976	321	931
Engagements	5,091	5,246	4,344	4,483

In addition there were outstanding financial contracts, agreements and other financial instruments entered into in the normal course of business. Midland Bank plc has guaranteed the performance of certain subsidiary undertakings in respect of some of these items, and certain exposures to banks by a subsidiary undertaking.

	1992	1991
	£m	£m
Midland Bank plc has guaranteed		
Term subordinated loan capital and long-term and short-term borrowings of certain subsidiary undertakings	786	808
Loans to customers by certain subsidiary undertakings	1,063	910

Proceedings were commenced in 1988 against one of the bank's subsidiaries, Samuel Montagu & Co. Limited, by British & Commonwealth Holdings PLC (B&C) in connection with the proposed purchase by Quadrex Holdings Inc. of the Wholesale Broking Division of Mercantile House from B&C. Samuel Montagu has been held liable and has appealed against the Judgement. A further hearing dealing with the amount of any damages which may be awarded which commenced in June 1992, is drawing to a close and judgement is expected later this year. Taking into account all relevant circumstances, the directors are of the opinion that no provision is required.

Midland continues vigorously to defend the claim brought against it by the Secretary of State for Trade and Industry claiming as assignee of certain individuals who were investors with Barlow Clowes. The further particulars of the claim which were served in late 1992 do not change Midland's view of the claim's legal merits. On the basis of the information and advice currently available, the directors remain of the opinion that no specific provision against this claim is required.

28 CAPITAL COMMITMENTS	Midland Group 1992	Midland Group 1991	Midland Bank plc 1992	Midland Bank plc 1991
	£m	£m	£m	£m
Contracts for outstanding capital expenditure not provided for in these accounts amounted to				
Committed	15	31	13	29
Authorised by the board, but not committed	36	58	35	57

29 OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases were

	Midland Group 1992	Midland Group 1991	Midland Bank plc 1992	Midland Bank plc 1991
	£m	£m	£m	£m
Premises				
Expiring within 1 year	1	12	1	9
1–5 years	7	10	6	3
over 5 years	58	70	55	47
	66	92	62	59
Equipment				
Expiring within 1 year	1	1	1	1
1–5 years	13	16	13	15
	14	17	14	16

30 DIRECTORS' AND OFFICERS' LOANS

The aggregate amounts outstanding at 31 December 1992 from those who were directors (including connected persons) or officers of the bank during the year, and the number of persons concerned, were

	Aggregate amount outstanding	Number of persons
	£	
Directors		
Loans	223,831	6
Quasi-loans and guarantees	54,214	12
Officers		
Loans	761,473	10
Quasi-loans and guarantees	16,770	10

31 DIRECTORS' INTERESTS

The disclosable interests, all beneficial, of those persons who were directors on 31 December 1992 (excluding those who were also directors of HSBC Holdings plc) in the share and loan capital of HSBC Group companies were

	At 31 December 1992 HSBC Holdings plc		At 1 January 1992 Midland Bank plc
	Ordinary shares of 75p each	Subordinated bonds of £1 each	Ordinary shares of £1 each
R Delbridge	7,298	3,900	1,000
Sir Archibald Forster	3,877	2,072	3,168
G Maitland Smith	1,702	910	1,406
Sir Colin Marshall	1,800	975	1,500
Baroness O'Cathain	3,847	2,056	3,144

K R Whitson held 1,456 HSBC Holdings plc ordinary shares of HK$10 each on the date of his appointment during the year. At 31 December 1992 he held 1,475 such shares.

R Delbridge held options over 322,414 Midland Bank plc ordinary £1 shares at 1 January 1992. During the year he exercised 320,000 of the options, leaving a balance of 2,414. These were exchanged for options over 3,312 HSBC Holdings plc ordinary shares of 75p which he continued to hold at 31 December 1992.

No changes in any of the above interests occurred between 31 December 1992 and 2 March 1993.

32 DIRECTORS' EMOLUMENTS

The aggregate emoluments of the directors of the bank amounted to £2,175,115 (1991 £2,520,644) and consisted of fees £84,115 (1991 £112,500) and other emoluments £2,091,000 (1991 £2,408,144). In addition, pensions in respect of past services of £231,104 (1991 £205,840) were paid.

The chairman's emoluments totalled £200,000 (1991 £262,367). The emoluments of the highest paid director amounted to £342,393 (1991 £398,128).

In addition, sums of £735,658 (including £265,873 as a contribution to a bank pension scheme) and £720,000 were paid in respect of the termination of the service agreements of two executive directors of the bank.

Two directors have waived fees accruing to them for their services in 1992 totalling £30,000 (1991 £37,382).

The adjacent table shows the number of directors whose emoluments receivable from the bank and its subsidiary undertakings, fell within the bands stated.

£	1992	1991
0 – 5,000	4	4
10,001 – 15,000	2	3
15,001 – 20,000	2	3
20,001 – 25,000	1	2
30,001 – 35,000	2	–
35,001 – 40,000	–	1
40,001 – 45,000	1	–
45,001 – 50,000	–	1
50,001 – 55,000	–	1
120,001 – 125,000	–	1
150,001 – 155,000	–	1
160,001 – 165,000	1	–
165,001 – 170,000	1	–
190,001 – 195,000	–	1
195,001 – 200,000	1	–
215,001 – 220,000	1	–
255,001 – 260,000	–	1
295,001 – 300,000	1	1
325,001 – 330,000	1	–
340,001 – 345,000	1	–
390,001 – 395,000	–	1
395,001 – 400,000	–	1

33 ULTIMATE HOLDING COMPANY

The ultimate holding company of Midland Bank plc is HSBC Holdings plc which is incorporated in the UK and registered in England and Wales.

Copies of the Report and Accounts of HSBC Holdings plc can be obtained, when issued, from its registered office at 10 Lower Thames Street, London EC4R 6AE.

Five Year Summary

		1992	1991	1990	1989	1988
		£m	£m	£m	£m	£m
Profit before exceptional items and taxation		300	57	63	616	693
Exceptional items		(122)	(21)	(52)	(877)	—
Profit/(loss) before taxation		178	36	11	(261)	693
Taxation (charge)/credit		(87)	(69)	(188)	57	(273)
Profit/(loss) before extraordinary items		76	(49)	(193)	(219)	412
Profit/(loss) attributable to shareholders		102	(39)	(181)	(219)	412
Shareholders' funds		2,224	2,350	2,422	2,685	3,039
Minority interests		171	166	161	166	141
Perpetual subordinated loan capital		1,026	851	824	997	888
Term subordinated loan capital		1,183	1,129	1,012	1,183	970
Total capital resources		4,604	4,496	4,419	5,031	5,038
Current, deposit and other customer accounts		51,977	51,337	52,881	54,680	47,983
Advances and other accounts		41,044	39,586	42,125	45,530	40,273
Total assets		61,354	59,796	59,869	62,619	55,741
Capital ratios						
— risk asset ratio		10·7%	10·3%	9·8%	10·0%	11·8%
tier 1 capital to total risk weighted assets		5·7%	5·5%	5·4%	5·4%	6·5%
total equity to total assets		3·9%	4·2%	4·3%	4·6%	5·7%
Return on average shareholders' funds						
— profit/(loss) attributable		4·1%	(1·6)%	(6·7)%	(7·7)%	15·0%
Return on average equity						
— profit before exceptional items and taxation		11·4%	2·3%	2·2%	20·7%	24·3%
profit/(loss) before taxation		6·7%	1·4%	0·4%	(8·8)%	24·3%
Return on average total assets						
— profit before exceptional items and taxation		0·50%	0·09%	0·10%	0·90%	1·27%
profit/(loss) before taxation		0·30%	0·06%	0·02%	(0·38)%	1·27%
Average shares in issue (millions)	a	791	784	781	774	768
Net assets per share	a	279p	299p	309p	345p	395p
Earnings/(loss) per share — net basis	a	9·6p	(6·2)p	(24·7)p	(28·3)p	53·6p
Average base rate		9·6%	11·7%	14·8%	13·9%	10·1%

a 1988 adjusted for 1989 capitalisation issue

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Printed by Westerham Press.
The works of L S Lowry on pages 12, 14, 15 and 16 have been
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Subsidiary Chain Report as at 20/01/93
* - Jointly owned by more than one group company

Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
HSBC Holdings Plc			
-Midland Bank Public Limited Company	England (GB)	/	Clearing Bank And Holding Company
(Parental Ownership, Above)			
Midland Bank Public Limited Company			
(Subsidiaries Owned, Below)			
--117 Old Broad Street Limited	England (GB)	100.00/100.00	Dormant/Non-Trading
--Campania Limited*	England (GB)	62.27/ 73.60	Film Production, Distribution & Exhibition
---ITC Entertainment Group, Inc*	Delaware (US)	65.40/ 73.60	Holding Company
----Bell Media, Inc	Delaware (US)	100.00/ 73.60	Television Distribution
----Eye Tee Cee Music, Inc	California (US)	100.00/ 73.60	Music Publisher
----ITC Distribution, Inc	Delaware (US)	100.00/ 73.60	Television, Home Video and Thearical Distribution
-----ITC Television/Cinema Distribution Inc	Canada (CA)	100.00/ 73.60	Canadian Theatrical, Television and Home Video Distribut
-----Independent Television Corporation	Delaware (US)	100.00/ 73.60	Dormant; Production and Distribution of Product For Thea
----ITC Films, Inc	Delaware (US)	100.00/ 73.60	Production of Motion Pictures and Programmes
----ITC Productions, Inc	California (US)	100.00/ 73.60	Production of Theatrical and Television Programming
----Perth Music, Inc	California (US)	100.00/ 73.60	Music Publisher
-----Oakwood Films, Inc	Delaware (US)	100.00/ 73.60	Production of Theatrical and Television Programming
---ITC Entertainment Holdings Limited	England (GB)	100.00/ 73.60	Holding Company
----ITC Entertainment Group Limited	England (GB)	100.00/ 73.60	UK Operating Company:Producing and Distributing Programm
-----ITC Distribution Limited	England (GB)	100.00/ 73.60	Dormant-Formerly Television Distribution
-----ITC Entertainment Group, Inc*	Delaware (US)	29.50/ 73.60	Holding Company
------Bell Media, Inc	Delaware (US)	100.00/ 73.60	Television Distribution
------Eye Tee Cee Music, Inc	California (US)	100.00/ 73.60	Music Publisher
------ITC Distribution, Inc	Delaware (US)	100.00/ 73.60	Television, Home Video and Thearical Distribution
-------ITC Television/Cinema Distribution Inc	Canada (CA)	100.00/ 73.60	Canadian Theatrical, Television and Home Video Distribut
-------Independent Television Corporation	Delaware (US)	100.00/ 73.60	Dormant; Production and Distribution of Product For Thea
------ITC Films, Inc	Delaware (US)	100.00/ 73.60	Production of Motion Pictures and Programmes
------ITC Productions, Inc	California (US)	100.00/ 73.60	Production of Theatrical and Television Programming
------Perth Music, Inc	California (US)	100.00/ 73.60	Music Publisher
-------Oakwood Films, Inc	Delaware (US)	100.00/ 73.60	Production of Theatrical and Television Programming
-----ITC Productions Limited	England (GB)	100.00/ 73.60	Production of Television Programming and Motion Pictures

Subsidiary Chain Report as at 20/01/93
* - Jointly owned by more than one group company

Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
-----UK Channel Limited	England (GB)	100.00/ 73.60	Cable Television Licensee
----ITC Entertainment Group, Inc*	Delaware (US)	5.10/ 73.60	Holding Company
-----Bell Media, Inc	Delaware (US)	100.00/ 73.60	Television Distribution
-----Eye Tee Cee Music, Inc	California (US)	100.00/ 73.60	Music Publisher
-----ITC Distribution, Inc	Delaware (US)	100.00/ 73.60	Television, Home Video and Thearical Distribution
------ITC Television/Cinema Distribution Inc	Canada (CA)	100.00/ 73.60	Canadian Theatrical, Television and Home Video Distribut
------Independent Television Corporation	Delaware (US)	100.00/ 73.60	Dormant; Production and Distribution of Product For Thea
-----ITC Films, Inc	Delaware (US)	100.00/ 73.60	Production of Motion Pictures and Programmes
-----ITC Productions, Inc	California (US)	100.00/ 73.60	Production of Theatrical and Television Programming
-----Perth Music, Inc	California (US)	100.00/ 73.60	Music Publisher
------Oakwood Films, Inc	Delaware (US)	100.00/ 73.60	Production of Theatrical and Television Programming
----International Television Services Limited	England (GB)	100.00/ 73.60	Dormant-Formerley Film Distribution Throughout The World
-----ITC Film Distributors Limited	England (GB)	100.00/ 73.60	Dormant-Formerly Film and Television Production and Dist
--Church Street Holdings Limited	England (GB)	100.00/100.00	Holding Company
---Church Street Securities (No 1) Plc	England (GB)	100.00/100.00	Securitisation of Mortgages
---ME (No 93) Limited	England (GB)	100.00/100.00	Securitisation of Mortgages
--Cirflex SA*	Spain (ES)	56.75/ 61.70	Printed Circuits
---Cirflexdos SA	Spain (ES)	100.00/ 61.70	Printed Circuits
--Developing Countries Investment Limited	England (GB)	100.00/100.00	Holding Company
---DCI Celpac Limited	Cayman Islands (KY)	100.00/100.00	Holding Company
---DCI Cointel (Inv) Limited	Cayman Islands (KY)	100.00/100.00	Holding Company
---DCI Nortel (A) Limited	Cayman Islands (KY)	100.00/100.00	Holding Company
---DCI Nortel (B) Limited	Cayman Islands (KY)	100.00/100.00	Holding Company
---DCI Nortel (Notes) Limited	Grand Cayman (KY)	100.00/100.00	Holding Company
---Developing Countries Investement (Cayman Islands) Limited	Cayman Islands BWI (KY)	100.00/100.00	Investment Company
----The Venezuelan Investment Company	Cayman Islands (KY)	69.50/ 69.50	Holding Company
---Lauder Holdings Limited	Cayman Islands (KY)	100.00/100.00	Holding Company
--Forward Trust Group Limited	England (GB)	100.00/100.00	Holding Company
---Concord Leasing (UK) Limited	England (GB)	100.00/100.00	Leasing, Instalment Credit and Related Services
----Assetfinance Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Concord Asset Finance Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Concord Computer Finance Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Concord Equipment Finance Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Concord Leasing December (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Concord Leasing December (B) Limited	England (GB)	100.00/100.00	Leasing and Related Services

Subsidiary Chain Report as at 20/01/93
* - Jointly owned by more than one group company

Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
----Concord Leasing June (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Concord Leasing June (B) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Concord Leasing Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Concord Leasing March (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Concord Leasing March (B) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Concord Leasing September (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Concord Leasing September (B) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Concord Print Finance Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Jungheinrich Leasing Limited	England (GB)	100.00/100.00	Contract Hire and Fleet Management Services
---Crown Vehicle Contracts Plc	England (GB)	100.00/100.00	Leasing and Related Services
----CVC Leasing December (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----CVC Leasing June (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----CVC Leasing March (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----CVC Leasing September (A) Limited	England (GB)	100.00/100.00	Contract Hire
----CVC Vehicle Contracts Limited	England (GB)	100.00/100.00	Instalment Credit, Banking and Related Services
---Forward Trust Limited	England (GB)	100.00/100.00	Dormant Company
----Comfort Finance Limited	England (GB)	100.00/100.00	Leasing and Related Services
----FMF Leasing December (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----FMF Leasing December (C) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----FMF Leasing December (D) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----FMF Leasing June (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----FMF Leasing March (B) Limited	England (GB)	100.00/100.00	Leasing, Instalment Credit and Related Services
----Forward Asset Finance Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing June (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing June (C) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing June (D) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing June (E) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing March (C) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing March (D) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing March (E) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing September (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing September (B) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing September (C) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing September (D) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing September (E) Limited	England (GB)	100.00/100.00	Leasing and Related Services

Subsidiary Chain Report as at 20/01/93
* - Jointly owned by more than one group company

Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
----Forward Motor Finance Limited	England (GB)	100.00/100.00	Leasing, Instalment Credit and Related Services
-----FMF Leasing December (B) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing December (E) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing December (F) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing June (B) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing June (C) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing June (D) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing June (E) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing June (F) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing March (C) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing March (E) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing March (F) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing September (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing September (B) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing September (C) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing September (D) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing September (E) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing September (F) Limited	England (GB)	100.00/100.00	Leasing and Related Services
----Forward Trust Moneymarket Limited	England (GB)	100.00/100.00	Treasury Services
----Forward Trust (Inventory Services) Limited	England (GB)	100.00/100.00	Finance Facilities for Motor Dealers
----Forward Trust (Scotland) Limited	England (GB)	100.00/100.00	Dormant
----F.T.G. Limited	Scotland (GB)	100.00/100.00	Business Services
----Griffin Discount Limited	England (GB)	100.00/100.00	Block Discounting Facilities
----Guardian Capital Limited	England (GB)	100.00/100.00	Arrangement and Guarantee of Second Mortgage Loans
----Midland Montagu Leasing Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----EquityLease Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing March (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----FMF Leasing March (D) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing December (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing December (B) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing December (C) Limited	England (GB)	100.00/100.00	Leasing and Related Services
------Forward Asset Leasing December (D) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing June (B) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing March (A) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Asset Leasing March(B) Limited	England (GB)	100.00/100.00	Leasing and Related Services

Subsidiary Chain Report as at 20/01/93

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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
-----Forward Leasing (AF) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Leasing (B) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Leasing (C) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Leasing (D) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Leasing (GB) Limited	England (GB)	100.00/100.00	Leasing and Related Services
------Midland Montagu Industrial Leasing (UK) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Forward Trust Northern Ireland Limited	Northern Ireland (GB)	100.00/100.00	Leasing, Instalment Credit and Related Services
------Forward Trust Northern Ireland (A) Limited	Northern Ireland (GB)	100.00/100.00	Leasing and Related Services
------Forward Trust Northern Ireland (B) Limited	Northern Ireland (GB)	100.00/100.00	Leasing and Related Services
------Forward Trust Northern Ireland (C) Limited	Northern Ireland (GB)	100.00/100.00	Leasing and Related Services
------Forward Trust Northern Ireland (D) Limited	Northern Ireland (GB)	100.00/100.00	Leasing and Related Services
-----F.T. Limited	England (GB)	100.00/100.00	Nominee Holding Company
-----M H Shipping Company	England (GB)	80.00/ 80.00	Leasing Partnership
-----MML Investments (Holdings) Limited	England (GB)	100.00/100.00	Investment Holding Company
------MML City Investments	England (GB)	100.00/100.00	Investments
------MML Investments	England (GB)	100.00/100.00	Investments
------MML Property Investments Limited	England (GB)	100.00/100.00	Investments
-----Metropolitan Collection Services Limited	England (GB)	100.00/100.00	Debt Collection Services
-----Midland Gillett Leasing (North) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Midland Montagu Equipment Finance (UK) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Midland Montagu Industrial Leasing Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Midland Montagu Leasing (AF) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Midland Montagu Leasing (B) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Midland Montagu Leasing (C) Limited*	England (GB)	50.00/100.00	Leasing and Related Services
-----Midland Montagu Leasing (GB) Limited	England (GB)	100.00/100.00	Leasing and Related Services
------Midland Montagu Leasing (B.S.H.) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-------Midland Montagu Leasing (C) Limited*	England (GB)	50.00/100.00	Leasing and Related Services
-----Midland Montagu Leasing (UK) Limited	England (GB)	100.00/100.00	Leasing and Related Services
-----Midland-ICL Leasing Limited	England (GB)	85.00/ 85.00	Leasing and Related Services
---Forward Trust Personal Finance Limited	England (GB)	100.00/100.00	Consumer Finance and Related Services
---Griffin Factors Limited	England (GB)	100.00/100.00	Factoring Services and Invoice Discounting
----Griffin Commercial Services Limited	England (GB)	100.00/100.00	Dormant Company
----Griffin Financial Services Limited	England (GB)	100.00/100.00	Dormant
----Griffin International Limited	England (GB)	100.00/100.00	Dormant
----Griffin Receivables Financing Limited	England (GB)	100.00/100.00	Dormant

Subsidiary Chain Report as at 20/01/93
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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
---Griffin Nominees Limited	England (GB)	100.00/100.00	Nominee Holding Company
--Greenwell Montagu Stockbrokers	England (GB)	100.00/100.00	Stockbroker
---Cutler Nominees Limited	England (GB)	100.00/100.00	Nominee Company
---Greensward Nominees Limited	England (GB)	100.00/100.00	Nominee Company
---Greenwell Montagu Financial Services Limited	England (GB)	100.00/100.00	Leasing Vehicle
---Greenwell Nominees Limited	England (GB)	100.00/100.00	Nominee Company
---Greenwell Unit Trust Managers Limited	England (GB)	100.00/100.00	Dormant/non-trading
---Javelin Securities Limited	England (GB)	100.00/100.00	Dormant/Non-Trading
---HE (No 12) Limited	England (GB)	100.00/100.00	Dormant/Non-Trading
---Shenfield Nominees Limited	England (GB)	100.00/100.00	Nominee Company
--Griffin Energy Management Limited	England (GB)	100.00/100.00	Energy Management
--Griffin Nominees (Gibraltar) Limited	Gibraltar (GI)	100.00/100.00	Nomineeship
--International Debt Consultants Limited	England (GB)	100.00/100.00	Debt Recoveries
--MSS Nominees Limited	England (GB)	100.00/100.00	Nominee Company For MSS
--MSS (Depository) Nominees Limited	England (GB)	100.00/100.00	Nominee Company
--MidAval Limited	England (GB)	100.00/100.00	Dormant
--Midcorp Public Limited Company	England (GB)	100.00/100.00	Property Holding Company
---Billingsgate City Securities Plc*	England (GB)	0.00/100.00	Property Owning
---Billingsgate Properties Limited	England (GB)	100.00/100.00	Property Investment & Development
----Billingsgate City Securities Plc*	England (GB)	100.00/100.00	Property Owning
----Preduke Limited	England (GB)	100.00/100.00	Property & Investment Holding Company
--Midland American Capital Corporation	USA (US)	100.00/100.00	Finance
--Midland Atlantic (in voluntary liquidation)	Ireland (IE)	100.00/100.00	Aircraft Leasing
--Midland Bank Aval Limited	England (GB)	100.00/100.00	Trade Finance
--Midland Bank Capital Holdings Limited	England (GB)	100.00/100.00	Holding Company
---Floracano Finance AG	ZUG (CH)	100.00/100.00	Finance Company
---Griffin Insurance Company Limited	Guernsey (GG)	100.00/100.00	Captive Insurance
---Midland Capital Services Jersey Limited	Jersey (JE)	100.00/100.00	Finance Company
---Midland Financing Services Jersey Limited	Jersey (JE)	100.00/100.00	Finance Company
---Midland International Financial Services BV	Amsterdam (NL)	100.00/100.00	Finance Company
--Midland Bank Executive Trust Limited	Wales (GB)	100.00/100.00	Trustee For Midland Executive Pension Plan
--Midland Bank Group International Trade Services Limited	England (GB)	100.00/100.00	Dormant
--Midland Bank Insurance Services Limited	England (GB)	100.00/100.00	Insurance Broker
--Midland Bank International Aerospace Developments Limited	England (GB)	100.00/100.00	Holding
--Midland Bank No 2 Pension Trust Limited	England (GB)	100.00/100.00	Trustee of The Midland Bank No 2 Pension Scheme

Subsidiary Chain Report as at 20/01/93

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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
--Midland Bank Pension Trust Limited	England (GB)	100.00/100.00	Trustee of The Midland Bank Pension Plan
---Poplar Estates Limited	Wales (GB)	100.00/100.00	Farming
--Midland Bank Pension Trust (Ireland) Limited	Ireland (IE)	100.00/100.00	Corporate Trustee
--Midland Bank Plc, Helsinki Branch	Finland (FI)	100.00/100.00	Bank Branch
---Montagu Rahoitus Oy (Montagu Finance Limited) (In Liquidat)	Finland (FI)	100.00/100.00	Investment Holding Company
---Samuel Montagu & Co. Oy	Finland (FI)	100.00/100.00	Corporate Finance
--Midland Bank Trust Company Limited	England (GB)	100.00/100.00	Executor, Trustee and Personal Asset Management
---Midland Bank Trust Company (HK) Limited	England (GB)	100.00/100.00	Investment Management
---Midland Bank (Branch Nominees) Limited	England (GB)	100.00/100.00	Nominee Company
---Midland Nominees Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Bank Trust Corporation (Gibraltar) Limited	Gibraltar (GI)	100.00/100.00	Trustee Company
--Midland Bank (Bennetts Hill, Birmingham) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company
--Midland Bank (Castle Street, Liverpool) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company
--Midland Bank (Church Street, Sheffield) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company
--Midland Bank (City, Leeds) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company
--Midland Bank (Cloth Hall Street, Huddersfield) Nominees Ltd	England (GB)	100.00/100.00	Branch Nominee Company
--Midland Bank (Coleman Street) Nominees Limited	England (GB)	160.00/100.00	Branch Nominee Company
--Midland Bank (Corn Street, Bristol) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company
--Midland Bank (Cornhill) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company (Threadneedle St)
--Midland Bank (Custodian) Nominees Limited	England (GB)	100.00/100.00	Nominee Company For MSS
--Midland Bank (Dale Street, Liverpool) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company
--Midland Bank (Finch Lane) Nominees Limited	England (GB)	100.00/100.00	Nominee Company For MSS
--Midland Bank (Grey Street, Newcastle-upon-Tyne) Nominees Ltd	England (GB)	100.00/100.00	Branch Nominee Company
--Midland Bank (Guernsey) Nominees Limited	Guernsey (GB)	100.00/100.00	Nominee Company
--Midland Bank (Head Office) Nominees Limited	England (GB)	100.00/100.00	Holding Co For Investments of Midland Bank Pension Schem
--Midland Bank (Jersey) Nominees Limited	Jersey (GB)	100.00/100.00	Nominee Company
--Midland Bank (King Street, Manchester) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company
--Midland Bank (New Street, Birmingham) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company
--Midland Bank (Newmans Court) Nominees Limited	England (GB)	100.00/100.00	Nominee Company For MSS
--Midland Bank (Old Broad Street) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company (Threadneedle St)
--Midland Bank (Overseas) Nominees Limited	England (GB)	100.00/100.00	Nominee Company For MSS
--Midland Bank (Pall Mall) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company
--Midland Bank (Poultry) Nominees Limited	England (GB)	100.00/100.00	Nominee Company Group Treasury Re Bank
--Midland Bank (Princes Street) Nominees Limited*	England (GB)	98.00/100.00	Nominee Company for MSS
--Midland Bank (Queen Street, Cardiff) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company

Subsidiary Chain Report as at 20/01/93
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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
--Midland Bank (Retail) Nominees Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Bank (St Magnus) Nominees Limited	England (GB)	100.00/100.00	Nominee Company For Mss
--Midland Bank (Stock Exchange) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company
--Midland Bank (Threadneedle Street) Nominees Limited	England (GB)	100.00/100.00	Nominee Company For MSS
---Midland Bank (Princes Street) Nominees Limited*	England (GB)	2.00/100.00	Nominee Company for MSS
--Midland Bank (West Yorkshire) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company
--Midland Bank (Whitefriargate, Hull) Nominees Limited	England (GB)	100.00/100.00	Branch Nominee Company
--Midland California Holdings Limited	England (GB)	100.00/100.00	Dormant/Non Trading
--Midland Career Services Limited	England (GB)	100.00/100.00	Dormant Shelf Nominee Company
--Midland Development Properties Limited	England (GB)	100.00/100.00	Property Company
--Midland Electronic Broking Services Limited	England (GB)	100.00/100.00	Investment
--Midland Electronic Broking Services(General Partner) Limited	England (GB)	100.00/100.00	Management
--Midland Enterprise Investment Company Limited	England (GB)	100.00/100.00	Reg Investment Funds
--Midland Equity (Newhouse) Limited	England (GB)	100.00/100.00	Property Development
--Midland Equity (Nominees Number 1) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 2) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 4) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 7) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 11) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 15) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 16) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 31) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 33) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 34) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 35) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 37) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 47) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 53) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 64) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Nominees Number 65) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Equity (Participations) Limited	England (GB)	100.00/100.00	Holding Company
---Midland Montagu (Holdings) Limited*	England (GB)	32.00/100.00	Holding Company
----Euromobiliare International (Cayman) Limited	Cayman Islands (KY)	100.00/100.00	Holding Company
----Midland Bank International Financial Services Limited	England (GB)	100.00/100.00	Holding
-----Euromobiliare S.p.A.	Italy (IT)	56.61/ 56.61	Holding Company

Subsidiary Chain Report as at 20/01/93

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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
------Banca Euromobiliare S.p.A.	Italy (IT)	100.00/ 56.61	Merchant Banking
------Cofimedit S.I.M. S.p.A.	Italy (IT)	100.00/ 56.61	Stockbroker
------Euromobiliare Fiduciaria S.p.A.	Italy (IT)	100.00/ 56.61	Trustee
------Euromobiliare Gestioni S.p.A.	Italy (IT)	100.00/ 56.61	Mutual Funds
------Euromobiliare Investimenti S.I.M. S.p.A	Italy (IT)	100.00/ 56.61	Finance Company
------Euromobiliare Limited	England (GB)	100.00/ 56.61	Dormant
------Euromobiliare Montagu S.p.A.	Italy (IT)	100.00/ 56.61	Corporate Finance
-------Data Engineering S.r.l.	Italy (IT)	97.00/ 54.91	Manufacturer
-------Euromobiliare Mutui S.p.A.*	Italy (IT)	1.00/ 56.61	Mortgage Lending
------Euromobiliare Mutui S.p.A.*	Italy (IT)	99.00/ 56.61	Mortgage Lending
------Euromobiliare Nominees Limited (In Liquidation)	England (GB)	100.00/ 56.61	Dormant
------Euromobiliare S.I.M. S.p.A.	Italy (IT)	99.00/ 56.04	Investment Adviser
------Euromobiliare (Guernsey) Limited	Guernsey, CI (GB)	100.00/ 56.61	Nominee
-----James Capel Midland Agencia De Valores SA	Spain (ES)	70.00/ 70.00	Stock Agency
-----MBIFS Sarl	France (FR)	100.00/100.00	Holding Company
------MBI SA	Argentina (AR)	100.00/100.00	Holding Company
-----Midland Bank AS	Turkey (TR)	100.00/100.00	Wholesale Corporate & Investment Banking
-----Midland Bank Fund Managers (Guernsey) Limited	England (GB)	100.00/100.00	Fund Managers
-----Midland Bank Fund Managers (Jersey) Limited	Jersey, CI (GB)	100.00/100.00	Fund Management
-----Midland Bank SA	France (FR)	99.46/ 99.46	Private Banking
------Midland Valeurs Gestion SA	France (FR)	100.00/ 99.46	Holding Company For Fund Management
------SOFARI & Cie SNC (favoriser la Recherche dans L'Immobilier)	France (FR)	100.00/ 99.46	Property Linked With Mortgage Book
------Samuel Montagu Finance SA	France (FR)	100.00/ 99.46	Holding Company
-------Financiere Duret	France (FR)	100.00/ 99.46	Nominee
-------INFOFI SA	France (FR)	100.00/ 99.46	Shell Company
-------Investment & Insurance Brokers France & Cie SNC	France (FR)	100.00/ 99.46	Insurance Brokers
-------Midland Finance SA	France (FR)	99.00/ 98.47	Dormant
-------Turinvest SA	France (FR)	100.00/ 99.46	Nominee Company
------Samuel Montagu & Cie SNC*	France (FR)	65.00/ 99.65	Corporate Finance Advisory Services
------Societe Immobiliere Jean-Pierre SA	France (FR)	100.00/ 99.46	Holding Company For Other Property Subsidiaries
-------Alta SNC	France (FR)	100.00/ 99.46	Property
--------Sovereign SA Ingenierie et Investissements Immobiliers*	France (FR)	24.00/ 98.47	Property
-------CECEA Sarl Centre Europeen de Conseil d'Etudes pour l'Assur.	France (FR)	96.00/ 95.48	Property
-------CEPRO SA Centrale Immobiliere De Promotion	France (FR)	99.00/ 98.47	Property
-------FIPROMI & Cie SNC	France (FR)	99.00/ 98.47	Property

Subsidiary Chain Report as at 20/01/93

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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
-------Frabel SA*	Belgium (BE)	40.00/ 99.32	Property
--------Fonciere Rue De France SA	Belgium (BE)	88.00/ 87.40	Property
-------Midland Immobilier SNC	France (FR)	85.00/ 84.54	Property
--------Sigma Immobilier Sarl	France (FR)	66.00/ 55.80	Property
-------Promotion et Confort SARL (I/L)*	France (FR)	99.00/ 99.46	Property Prom.
-------SFAIP SA Soc. Pour Favoriser L'Accession Immobiliere Paris	France (FR)	99.76/ 99.22	Property
--------Bonne Terrasse Orgageco & Cie SNC	France (FR)	99.00/ 98.23	Property
--------Collioure Orgageco & Cie SNC	France (FR)	99.00/ 98.23	Property
--------Frabel SA*	Belgium (BE)	60.00/ 99.32	Property
---------Fonciere Rue De France SA	Belgium (BE)	88.00/ 87.40	Property
--------Promotion et Confort SARL (I/L)*	France (FR)	1.00/ 99.46	Property Prom.
-------SIIF SA	France (FR)	100.00/ 99.46	Property
-------SOFIE SA	France (FR)	67.00/ 66.64	Property
-------Societe du Grand Magasin de Cherbourg	France (FR)	100.00/ 99.46	Property
-------Soc. d'Admin. et de Controle de Gestion Immobiliere Sarl	France (FR)	99.50/ 98.96	Construction Finance
-------Sovereign SA Ingenierie et Investissements Immobiliere*	France (FR)	75.00/ 98.47	Property
-----Midland Bank Trust Corporation (Cayman) Limited	Cayman Islands (KY)	100.00/100.00	Bank, Trust Company And Underwriting Manager
-----Midland Bank Trust Corporation (Guernsey) Limited	Guernsey (GG)	100.00/100.00	Trusteeship
-----Midland Bank Trust Corporation (Isle Of Man) Limited	Douglas (GB)	100.00/100.00	Private Banking, Corporate and Trustee
------Griffin (Isle Of Man) Nominees Limited	Isle of Man (GB)	100.00/100.00	Nominee Share Holding
------Meridian (Isle Of Man) Nominees Limited	Isle of Man (GB)	100.00/100.00	Nominee Shareholding
-----Midland Bank Trust Corporation (Jersey) Limited	Jersey (JE)	100.00/100.00	Banking & Trustee
------Hilbre Limited	Jersey (JE)	100.00/100.00	Property Holding
------Samuel Montagu & Co. Holdings (Jersey) Limited	Jersey (JE)	100.00/100.00	Nominee
-------Samuel Montagu & Co. (Jersey) Limited	Jersey (JE)	100.00/100.00	Nominee
--------Midland Montagu Services (Jersey) Limited	Jersey (JE)	100.00/100.00	Nominee Company
--------Montagu Management Services (Jersey) Limited	Jersey (CI) (JE)	100.00/100.00	Inactive
--------Montagu Nominees (Jersey) Limited	Jersey (JE)	100.00/100.00	Nominee Company
--------Montagu Trust Company (Jersey) Limited	Jersey (JE)	100.00/100.00	Nominee Company
-----Midland Holdings Germany GmbH	Germany (DE)	100.00/100.00	Holding Company
------Trinkaus & Burkhardt KGaA	Germany (DE)	70.76/ 70.76	Holding Company
-------Burkhardt & Co. Grundstucks-Kommanditgesellschaft (Ltd Ptns)	Germany (DE)	98.39/ 69.62	Property Management
-------Dr. Helfer Verwaltungsgebaude Luxemburg KG*	Germany (DE)	93.33/ 70.76	Owner of The Building in Luxemburg
-------Gesellschaft Fur Industrielle Beteiligungen Und Finanzierung	Germany (DE)	100.00/ 70.76	Financial Services
--------Brookwood Investment Associates Limited Partnership	USA (US)	75.90/ 53.71	Real Estate Funds

Subsidiary Chain Report as at 20/01/93

* - Jointly owned by more than one group company

Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
--------Dr. Helfer Verwaltungsgebaude Luxemburg KG*	Germany (DE)	6.67/ 70.76	Owner of The Building in Luxemburg
--------Trinkaus Consult GmbH*	Germany (DE)	10.00/ 70.76	Not Active
--------Trinkaus Montagu Equity GmbH*	Germany (DE)	35.00/ 89.77	Aquisitions of Equity Participation in not Quoted Compan
--------Trinkaus Montagu GmbH*	Germany (DE)	15.00/ 80.94	M&a Business
-------Grundstuckgesellschaft Trinkausstrasse Kommandigesellschaft	Germany (DE)	96.45/ 68.25	Property Management
-------J.H. Vogeler GmbH & Co. KG*	Germany (DE)	76.00/ 70.76	Administration of Long Term Loans (Schuldscheinarlehen)
-------TGS Vermogensverwaltungs Gesellschaft mbH	Germany (DE)	100.00/ 70.76	Managing Company of J.H. Vogeler GmbH & Co. KG
--------J.H. Vogeler GmbH & Co. KG*	Germany (DE)	24.00/ 70.76	Administration of Long Term Loans (Schuldscheinarlehen)
-------Trinkaus Capital Management America GmbH	Germany (DE)	100.00/ 70.76	Not Active
-------Trinkaus Capital Management GmbH	Germany (DE)	100.00/ 70.76	Portfolio Management, Research and Consulting.
--------Trinkaus Luxembourg Investment Managers SA*	Luxembourg (LU)	98.67/ 70.76	Investment Trust
-------Trinkaus Consult GmbH*	Germany (DE)	90.00/ 70.76	Not Active
-------Trinkaus Montagu GmbH*	Germany (DE)	50.20/ 80.94	M&a Business
-------Trinkaus & Burkhardt Finance NV	The Netherlands (NL)	100.00/ 70.76	Finance Company (Issue, Purchase and Sale of Securities,
-------Trinkaus & Burkhardt Gesellschaft Fur Bankbeteiligungen mbH	Germany (DE)	100.00/ 70.76	Holding Company of TB(Int) SA & TB(Schweiz) AG
--------Trinkaus & Burkhardt (International) SA	Luxembourg (LU)	99.99/ 70.75	Banking Business
---------Pinecastle Holdings	Republic of Ireland (IE)	100.00/ 70.75	Project Finance
---------Trinkaus Luxembourg Investment Managers SA*	Luxembourg (LU)	1.33/ 70.76	Investment Trust
--------Trinkaus & Burkhardt (Schweiz) AG	Switzerland (CH)	100.00/ 70.76	Banking Business
---------Trinkaus Interinvestments Limited	Switzerland (CH)	100.00/ 70.76	Not Active
-------Trinkaus & Burkhardt Immobilien GmbH	Germany (DE)	100.00/ 70.76	Real Estate Sevices - Management, Development, Agent For
-----Midland Montagu Fininter Holdings SGPS, SA	Portugal (PT)	85.30/ 85.30	Evaluation of Business Opportunitues in The Portuguese F
------Midland Montagu Fininter - Servicos Financieros SA	Portugal (PT)	100.00/ 85.30	Financial Advisory Services
-----Midland Servicios Financieros SA	Spain (ES)	100.00/100.00	Holding Company For Other Group Subsidiaries In Spain
------Cirflex SA*	Spain (ES)	4.95/ 61.70	Printed Circuits
-------Cirflexdos SA	Spain (ES)	100.00/ 61.70	Printed Circuits
-----Montagu International Finance BV	The Netherlands (NL)	100.00/100.00	Finance Company
-----Samuel Montagu & Co. BV	The Netherlands (NL)	100.00/100.00	Investment
------Guyerzeller Bank AG	Switzerland (CH)	74.80/ 74.80	Private Banking
-------Comfina AG	Switzerland (CH)	100.00/ 74.80	Holding Company
--------Guyerzeller Verwaltungs AG	Lichtenstein (CH)	100.00/ 74.80	Management of Companies
--------Guymont Services SA	Lichtenstien (CH)	100.00/ 74.80	Trustees
--------Lacim Revisions AG	Switzerland (CH)	100.00/ 74.80	Audit Company
--------Overseas Management Services	Lichtenstein (CH)	100.00/ 74.80	Management of Companies
--------Partnership Trust SA	Luxembourg (LU)	100.00/ 74.80	Investment Fund For Employees of Guyerzeller Bank AG

Subsidiary Chain Report as at 20/01/93

* - Jointly owned by more than one group company

Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
--------Tempus Management Co. SA	Switzerland (CH)	100.00/ 74.80	Management Co. of Apollo Fund
--------Toedi-Immobilien AG	Switzerland (CH)	100.00/ 74.80	Dormant
-------Guyerzeller Trust Company	Grand Cayman (KY)	100.00/ 74.80	Trustees
-------S.I. Rue Charles Galland	Switzerland (CH)	100.00/ 74.80	Real Estate Company
------Midland Montagu Int. Financial Services (Ireland) Limited	Ireland (IE)	100.00/100.00	Fund Management, Asset Financing, International Lending
-------FIDO Limited	Ireland (IE)	100.00/100.00	Investment Company
-------Logan Investment Co	Ireland (IE)	100.00/100.00	Investment Holding Company
-------Serrata Limited	Ireland (IE)	100.00/100.00	Holding Company
-------Stannary Holdings	Ireland (IE)	100.00/100.00	Holding Company
-------Star Investments	Ireland (IE)	100.00/100.00	Investment Holding Company
-------Trinkaus Irish Investment Company	Ireland (IE)	100.00/100.00	Investment Holding Company
------Midland Pantelakis Securities SA	Greece (GR)	58.00/ 58.00	Stockbrokers
------Samuel Montagu Investment BV	The Netherlands (NL)	100.00/100.00	Holding Company
-------Samuel Montagu (Suisse) SA*	Switzerland (CH)	56.00/100.00	Finance
------Samuel Montagu (Suisse) SA*	Switzerland (CH)	44.00/100.00	Finance
-----Trinkaus Montagu GmbH*	Germany (DE)	34.80/ 80.94	M&a Business
----Midland Montagu Asset Management	England (GB)	100.00/100.00	Fund Management
----Montagu Mining Finance Limited	England (GB)	100.00/100.00	Advice
----Montagu Pension Trustees Limited	England (GB)	100.00/100.00	Trustee of Samuel Montagu Pension Scheme
----Montagu Trust Limited	England (GB)	100.00/100.00	Holding Company
-----Billingsgate Nominees Limited	England (GB)	100.00/100.00	Nominee Company
-----Drayton Corporation (Nominees) Limited	England (GB)	100.00/100.00	Dormant
-----Montagu ICMD Nominees Limited	England (GB)	100.00/100.00	Nominee
-----SM Nominees Limited	England (GB)	100.00/100.00	Nominee
-----Samuel Montagu International Limited	England (GB)	100.00/100.00	Calling Card Company
-----Samuel Montagu & Co (Nominees) Limited	England (GB)	100.00/100.00	Nominee
-----Samuel Montagu & Co. (Money Trading) Limited	England (GB)	100.00/100.00	Nominee
-----Square Mile Nominees Limited	England (GB)	100.00/100.00	Nominee
----Samuel Montagu & Co. Limited	England (GB)	100.00/100.00	Merchant Banking
-----Crewfleet Limited	England (GB)	100.00/100.00	Property Holding
-----Diesel Motori Limited*	England (GB)	31.30/100.00	Special Purpose Holding Co.
------VM Motori S.p.A.*	Italy (IT)	83.80/ 90.20	Diesel Engineering Manufacturer
-----Greenwell Montagu Securities Limited	England (GB)	100.00/100.00	Name Protection
-----Indural Holdings Limited	England (GB)	100.00/100.00	Finance Company
-----Inveraray Investments Limited	England (GB)	100.00/100.00	Property Holding

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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
-----Law 190 Limited	England (GB)	100.00/100.00	Property Holding
-----Lower Thames Street Investments Limited	England (GB)	100.00/100.00	Property Holding
-----Midsummer Lodge Investments Limited	England (GB)	100.00/100.00	Property Holding
-----Northwest Prime Investments Limited	England (GB)	100.00/100.00	Property Holding
-----Outten Coach Leasing Limited	England (GB)	75.00/ 75.00	Coach Leasing
-----Porter Lodge Investments Limited	England (GB)	100.00/100.00	Property Holding
-----Samuel Montagu & Cie SNC*	France (FR)	35.00/ 99.65	Corporate Finance Advisory Services
-----Specfin Nominees Limited	England (GB)	100.00/100.00	Nominee Company
-----Speedcalm Limited	England (GB)	100.00/100.00	Leasing
-----Standexpand Limited	England (GB)	100.00/100.00	Dormant
-----The London Mortgage Trust Limited	England (GB)	100.00/100.00	Investment Holding
------Montagu Mining Investments Limited	England (GB)	100.00/100.00	Mining Investments
-----Totalflag Limited	England (GB)	100.00/100.00	Property Holding
-----Tower Land Investors Limited	England (GB)	100.00/100.00	Property Holding
-----Wardcare Investments Limited	England (GB)	100.00/100.00	Property Holding
-----Winter Lodge Investments Limited	England (GB)	100.00/100.00	Dormant
--Midland General Limited	England (GB)	100.00/100.00	Scheme Insurance
--Midland Global Markets Limited	England (GB)	100.00/100.00	Employing Company
--Midland Holding Participacao, Administracao E Rep Limitada*	Brazil (BR)	99.95/100.00	Holding Company
--Midland International Trade Services Limited	England (GB)	100.00/100.00	Holding
---Midland International Trade Services (Switzerland) SA	Switzerland (CH)	100.00/100.00	Export Finance
---Midland International Trade Services (UK) Limited	England (GB)	100.00/100.00	Export Finance
----Euro Dollar Credits Limited	England (GB)	100.00/100.00	Export Finance
--Midland International Trade Services (Germany) GmbH	Germany (DE)	100.00/100.00	Export Finance
--Midland Life Limited	England (GB)	72.50/ 72.50	Life Assurance
--Midland Montagu AS	Norway (NO)	100.00/100.00	Treasury, Capital Markets and Corporate Finance
--Midland Montagu Australia Limited	Australia (AU)	100.00/100.00	Merchant Banking
---Midland Australia Limited (In Mem Vol Liquid)	Australia (AU)	100.00/100.00	Non-Trading
---Midland International Holdings Limited (In Mem Vol Liquid)	Australia (AU)	100.00/100.00	Non-Trading
---Midland International Securities Limited (In Mem Vol Liquid)	Australia (AU)	100.00/100.00	Secirties Dealer
---Poyele Pty Limited (In Mem Vol Liquid)	Australia (AU)	100.00/100.00	Holding Company
---Samuel Montagu (NSW) Pty Limited (In Mem Vol Liquid)	Australia (AU)	100.00/100.00	Holding Company
--Midland Montagu Bank AB	Sweden (SE)	100.00/100.00	Holding
---Montagu Capital AB	Sweden (SE)	100.00/100.00	Investment
--Midland Montagu Limited	England (GB)	100.00/100.00	Name Protection

Subsidiary Chain Report as at 20/01/93

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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
--Midland Montagu (Asia) Limited	Hong Kong (HK)	100.00/100.00	Holding Company
--Midland Montagu (Holdings) Limited*	England (GB)	68.00/100.00	Holding Company
---Euromobiliare International (Cayman) Limited	Cayman Islands (KY)	100.00/100.00	Holding Company
---Midland Bank International Financial Services Limited	England (GB)	100.00/100.00	Holding
----Euromobiliare S.p.A.	Italy (IT)	56.61/ 56.61	Holding Company
-----Banca Euromobiliare S.p.A.	Italy (IT)	100.00/ 56.61	Merchant Banking
-----Cofimedit S.I.M. S.p.A.	Italy (IT)	100.00/ 56.61	Stockbroker
-----Euromobiliare Fiduciaria S.p.A.	Italy (IT)	100.00/ 56.61	Trustee
-----Euromobiliare Gestioni S.p.A.	Italy (IT)	100.00/ 56.61	Mutual Funds
-----Euromobiliare Investimenti S.I.M. S.p.A	Italy (IT)	100.00/ 56.61	Finance Company
-----Euromobiliare Limited	England (GB)	100.00/ 56.61	Dormant
-----Euromobiliare Montagu S.p.A.	Italy (IT)	100.00/ 56.61	Corporate Finance
------Data Engineering S.r.l.	Italy (IT)	97.00/ 54.91	Manufacturer
------Euromobiliare Mutui S.p.A.*	Italy (IT)	1.00/ 56.61	Mortgage Lending
-----Euromobiliare Mutui S.p.A.*	Italy (IT)	99.00/ 56.61	Mortgage Lending
-----Euromobiliare Nominees Limited (In Liquidation)	England (GB)	100.00/ 56.61	Dormant
-----Euromobiliare S.I.M. S.p.A.	Italy (IT)	99.00/ 56.04	Investment Adviser
-----Euromobiliare (Guernsey) Limited	Guernsey, CI (GB)	100.00/ 56.61	Nominee
---James Capel Midland Agencia De Valores SA	Spain (ES)	70.00/ 70.00	Stock Agency
----MBIFS Sarl	France (FR)	100.00/100.00	Holding Company
-----MBI SA	Argentina (AR)	100.00/100.00	Holding Company
----Midland Bank AS	Turkey (TR)	100.00/100.00	Wholesale Corporate & Investment Banking
----Midland Bank Fund Managers (Guernsey) Limited	England (GB)	100.00/100.00	Fund Managers
----Midland Bank Fund Managers (Jersey) Limited	Jersey, CI (GB)	100.00/100.00	Fund Management
----Midland Bank SA	France (FR)	99.46/ 99.46	Private Banking
-----Midland Valeurs Gestion SA	France (FR)	100.00/ 99.46	Holding Company For Fund Management
-----SOFARI & Cie SNC (favoriser la Recherche dans L'Immobilier)	France (FR)	100.00/ 99.46	Property Linked With Mortgage Book
-----Samuel Montagu Finance SA	France (FR)	100.00/ 99.46	Holding Company
------Financiere Duret	France (FR)	100.00/ 99.46	Nominee
------INFOFI SA	France (FR)	100.00/ 99.46	Shell Company
------Investment & Insurance Brokers France & Cie SNC	France (FR)	100.00/ 99.46	Insurance Brokers
------Midland Finance SA	France (FR)	99.00/ 98.47	Dormant
------Turinvest SA	France (FR)	100.00/ 99.46	Nominee Company
-----Samuel Montagu & Cie SNC*	France (FR)	65.00/ 99.65	Corporate Finance Advisory Services
-----Societe Immobiliere Jean-Pierre SA	France (FR)	100.00/ 99.46	Holding Company For Other Property Subsidiaries

Subsidiary Chain Report as at 20/01/93
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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
------Alta SNC	France (FR)	100.00/ 99.46	Property
-------Sovereign SA Ingenierie et Investissements Immobiliers*	France (FR)	24.00/ 98.47	Property
------CECEA Sarl Centre Europeen de Conseil d'Etudes pour l'Assur.	France (FR)	96.00/ 95.48	Property
------CEPRO SA Centrale Immobiliere De Promotion	France (FR)	99.00/ 98.47	Property
------FIPROMI & Cie SNC	France (FR)	99.00/ 98.47	Property
------Frabel SA*	Belgium (BE)	40.00/ 99.32	Property
-------Fonciere Rue De France SA	Belgium (BE)	88.00/ 87.40	Property
------Midland Immobilier SNC	France (FR)	85.00/ 84.54	Property
-------Sigma Immobilier Sarl	France (FR)	66.00/ 55.80	Property
------Promotion et Confort SARL (I/L)*	France (FR)	99.00/ 99.46	Property Prom.
------SFAIP SA Soc. Pour Favoriser L'Accession Immobiliere Paris	France (FR)	99.76/ 99.22	Property
-------Bonne Terrasse Orgageco & Cie SNC	France (FR)	99.00/ 98.23	Property
-------Collioure Orgageco & Cie SNC	France (FR)	99.00/ 98.23	Property
-------Frabel SA*	Belgium (BE)	60.00/ 99.32	Property
--------Fonciere Rue De France SA	Belgium (BE)	88.00/ 87.40	Property
-------Promotion et Confort SARL (I/L)*	France (FR)	1.00/ 99.46	Property Prom.
------SIIF SA	France (FR)	100.00/ 99.46	Property
------SOFIE SA	France (FR)	67.00/ 66.64	Property
------Societe du Grand Magasin de Cherbourg	France (FR)	100.00/ 99.46	Property
------Soc. d'Admin. et de Controle de Gestion Immobiliere Sarl	France (FR)	99.50/ 98.96	Construction Finance
------Sovereign SA Ingenierie et Investissements Immobiliers*	France (FR)	75.00/ 98.47	Property
----Midland Bank Trust Corporation (Cayman) Limited	Cayman Islands (KY)	100.00/100.00	Bank, Trust Company And Underwriting Manager
----Midland Bank Trust Corporation (Guernsey) Limited	Guernsey (GG)	100.00/100.00	Trusteeship
----Midland Bank Trust Corporation (Isle Of Man) Limited	Douglas (GB)	100.00/100.00	Private Banking, Corporate and Trustee
-----Griffin (Isle Of Man) Nominees Limited	Isle of Man (GB)	100.00/100.00	Nominee Share Holding
-----Meridien (Isle Of Man) Nominees Limited	Isle of Man (GB)	100.00/100.00	Nominee Shareholding
----Midland Bank Trust Corporation (Jersey) Limited	Jersey (JE)	100.00/100.00	Banking & Trustee
-----Hilbre Limited	Jersey (JE)	100.00/100.00	Property Holding
-----Samuel Montagu & Co. Holdings (Jersey) Limited	Jersey (JE)	100.00/100.00	Nominee
------Samuel Montagu & Co. (Jersey) Limited	Jersey (JE)	100.00/100.00	Nominee
-------Midland Montagu Services (Jersey) Limited	Jersey (JE)	100.00/100.00	Nominee Company
-------Montagu Management Services (Jersey) Limited	Jersey (CI) (JE)	100.00/100.00	Inactive
-------Montagu Nominees (Jersey) Limited	Jersey (JE)	100.00/100.00	Nominee Company
-------Montagu Trust Company (Jersey) Limited	Jersey (JE)	100.00/100.00	Nominee Company
----Midland Holdings Germany GmbH	Germany (DE)	100.00/100.00	Holding Company

Subsidiary Chain Report as at 20/01/93
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-----Trinkaus & Burkhardt KGaA	Germany (DE)	70.76/ 70.76	Holding Company
------Burkhardt & Co. Grundstucks-Kommanditgesellschaft (Ltd Ptns)	Germany (DE)	98.39/ 69.62	Property Management
------Dr. Helfer Verwaltungsgebaude Luxemburg KG*	Germany (DE)	93.33/ 70.76	Owner of The Building in Luxemburg
------Gesellschaft Fur Industrielle Beteiligungen Und Finanzierung	Germany (DE)	100.00/ 70.76	Financial Services
-------Brookwood Investment Associates Limited Partnership	USA (US)	75.90/ 53.71	Real Estate Funds
-------Dr. Helfer Verwaltungsgebaude Luxemburg KG*	Germany (DE)	6.67/ 70.76	Owner of The Building in Luxemburg
-------Trinkaus Consult GmbH*	Germany (DE)	10.00/ 70.76	Not Active
-------Trinkaus Montagu Equity GmbH*	Germany (DE)	35.00/ 89.77	Aquisitions of Equity Participation in not Quoted Compan
-------Trinkaus Montagu GmbH*	Germany (DE)	15.00/ 80.94	M&a Business
------Grundstuckgesellschaft Trinkausstrasse Kommandigesellschaft	Germany (DE)	95.45/ 68.25	Property Management
------J.H. Vogeler GmbH & Co. KG*	Germany (DE)	76.00/ 70.76	Administration of Long Term Loans (Schuldscheinarlehen)
------TGS Vermogensverwaltungs Gesellschaft mbH	Germany (DE)	100.00/ 70.76	Managing Company of J.H. Vogeler GmbH & Co. KG
-------J.H. Vogeler GmbH & Co. KG*	Germany (DE)	24.00/ 70.76	Administration of Long Term Loans (Schuldscheinarlehen)
------Trinkaus Capital Management America GmbH	Germany (DE)	100.00/ 70.76	Not Active
------Trinkaus Capital Management GmbH	Germany (DE)	100.00/ 70.76	Portfolio Management, Research and Consulting.
-------Trinkaus Luxembourg Investment Managers SA*	Luxembourg (LU)	98.67/ 70.76	Investment Trust
------Trinkaus Consult GmbH*	Germany (DE)	90.00/ 70.76	Not Active
------Trinkaus Montagu GmbH*	Germany (DE)	50.20/ 80.94	M&a Business
------Trinkaus & Burkhardt Finance NV	The Netherlands (NL)	100.00/ 70.76	Finance Company (Issue, Purchase and Sale of Securities,
------Trinkaus & Burkhardt Gesellschaft Fur Bankbeteiligungen mbH	Germany (DE)	100.00/ 70.76	Holding Company of TB(Int) SA & TB(Schweiz) AG
-------Trinkaus & Burkhardt (International) SA	Luxembourg (LU)	99.99/ 70.75	Banking Business
--------Pinecastle Holdings	Republic of Ireland (IE)	100.00/ 70.75	Project Finance
--------Trinkaus Luxembourg Investment Managers SA*	Luxembourg (LU)	1.33/ 70.76	Investment Trust
-------Trinkaus & Burkhardt (Schweiz) AG	Switzerland (CH)	100.00/ 70.76	Banking Business
--------Trinkaus Interinvestments Limited	Switzerland (CH)	100.00/ 70.76	Not Active
------Trinkaus & Burkhardt Immobilien GmbH	Germany (DE)	100.00/ 70.76	Real Estate Sevices - Management, Development, Agent For
----Midland Montagu Fininter Holdings SGPS, SA	Portugal (PT)	85.30/ 85.30	Evaluation of Business Opportunitues in The Portuguese F
-----Midland Montagu Fininter - Servicos Financieros SA	Portugal (PT)	100.00/ 85.30	Financial Advisory Services
-----Midland Servicios Financieros SA	Spain (ES)	100.00/100.00	Holding Company For Other Group Subsidiaries In Spain
-----Cirflex SA*	Spain (ES)	4.95/ 61.70	Printed Circuits
------Cirflexdos SA	Spain (ES)	100.00/ 61.70	Printed Circuits
----Montagu International Finance BV	The Netherlands (NL)	100.00/100.00	Finance Company
----Samuel Montagu & Co. BV	The Netherlands (NL)	100.00/100.00	Investment
-----Guyerzeller Bank AG	Switzerland (CH)	74.80/ 74.80	Private Banking
------Comfine AG	Switzerland (CH)	100.00/ 74.80	Holding Company

Subsidiary Chain Report as at 20/01/93
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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
-------Guyerzeller Verwaltungs AG	Lichtenstein (CH)	100.00/ 74.80	Management of Companies
-------Guymont Services SA	Lichtenstien (CH)	100.00/ 74.80	Trustees
-------Lacim Revisions AG	Switzerland (CH)	100.00/ 74.80	Audit Company
-------Overseas Management Services	Lichtenstein (CH)	100.00/ 74.80	Management of Companies
-------Partnership Trust SA	Luxembourg (LU)	100.00/ 74.80	Investment Fund For Employees of Guyerzeller Bank AG
-------Tempus Management Co. SA	Switzerland (CH)	100.00/ 74.80	Management Co. of Apollo Fund
-------Toedi-Immobilien AG	Switzerland (CH)	100.00/ 74.80	Dormant
------Guyerzeller Trust Company	Grand Cayman (KY)	100.00/ 74.80	Trustees
------S.I. Rue Charles Galland	Switzerland (CH)	100.00/ 74.80	Real Estate Company
-----Midland Montagu Int. Financial Services (Ireland) Limited	Ireland (IE)	100.00/100.00	Fund Management, Asset Financing, International Lending
------FIDO Limited	Ireland (IE)	100.00/100.00	Investment Company
------Logan Investment Co	Ireland (IE)	100.00/100.00	Investment Holding Company
------Serrata Limited	Ireland (IE)	100.00/100.00	Holding Company
------Stannary Holdings	Ireland (IE)	100.00/100.00	Holding Company
------Star Investments	Ireland (IE)	100.00/100.00	Investment Holding Company
------Trinkaus Irish Investment Company	Ireland (IE)	100.00/100.00	Investment Holding Company
-----Midland Pantelakis Securities SA	Greece (GR)	58.00/ 58.00	Stockbrokers
-----Samuel Montagu Investment BV	The Netherlands (NL)	100.00/100.00	Holding Company
------Samuel Montagu (Suisse) SA*	Switzerland (CH)	56.00/100.00	Finance
---- Samuel Montagu (Suisse) SA*	Switzerland (CH)	44.00/100.00	Finance
----Trinkaus Montagu GmbH*	Germany (DE)	34.80/ 80.94	M&a Business
---Midland Montagu Asset Management	England (GB)	100.00/100.00	Fund Management
---Montagu Mining Finance Limited	England (GB)	100.00/100.00	Advice
---Montagu Pension Trustees Limited	England (GB)	100.00/100.00	Trustee of Samuel Montagu Pension Scheme
---Montagu Trust Limited	England (GB)	100.00/100.00	Holding Company
----Billingsgate Nominees Limited	England (GB)	100.00/100.00	Nominee Company
----Drayton Corporation (Nominees) Limited	England (GB)	100.00/100.00	Dormant
----Montagu ICMD Nominees Limited	England (GB)	100.00/100.00	Nominee
----SM Nominees Limited	England (GB)	100.00/100.00	Nominee
----Samuel Montagu International Limited	England (GB)	100.00/100.00	Calling Card Company
----Samuel Montagu & Co (Nominees) Limited	England (GB)	100.00/100.00	Nominee
----Samuel Montagu & Co. (Money Trading) Limited	England (GB)	100.00/100.00	Nominee
----Square Mile Nominees Limited	England (GB)	100.00/100.00	Nominee
---Samuel Montagu & Co. Limited	England (GB)	100.00/100.00	Merchant Banking
----Crewfleet Limited	England (GB)	100.00/100.00	Property Holding

Subsidiary Chain Report as at 20/01/93
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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
----Diesel Motori Limited*	England (GB)	31.30/100.00	Special Purpose Holding Co.
-----[illegible] otori S.p.A.*	Italy (IT)	83.80/ 90.20	Diesel Engineering Manufacturer
----Greenwell Montagu Securities Limited	England (GB)	100.00/100.00	Name Protection
----Indural Holdings Limited	England (GB)	100.00/100.00	Finance Company
----Inveraray Investments Limited	England (GB)	100.00/100.00	Property Holding
----Law 190 Limited	England (GB)	100.00/100.00	Property Holding
----Lower Thames Street Investments Limited	England (GB)	100.00/100.00	Property Holding
----Midsummer Lodge Investments Limited	England (GB)	100.00/100.00	Property Holding
----Northwest Prime Investments Limited	England (GB)	100.00/100.00	Property Holding
----Outten Coach Leasing Limited	England (GB)	75.00/ 75.00	Coach Leasing
----Porter Lodge Investments Limited	England (GB)	100.00/100.00	Property Holding
----Samuel Montagu & Cie SNC*	France (FR)	35.00/ 99.65	Corporate Finance Advisory Services
----Specfin Nominees Limited	England (GB)	100.00/100.00	Nominee Company
----Speedcalm Limited	England (GB)	100.00/100.00	Leasing
----Standexpand Limited	England (GB)	100.00/100.00	Dormant
----The London Mortgage Trust Limited	England (GB)	100.00/100.00	Investment Holding
-----Montagu Mining Investments Limited	England (GB)	100.00/100.00	Mining Investments
----Totalflag Limited	England (GB)	100.00/100.00	Property Holding
----Tower Land Investors Limited	England (GB)	100.00/100.00	Property Holding
----Wardcare Investments Limited	England (GB)	100.00/100.00	Property Holding
----Winter Lodge Investments Limited	England (GB)	100.00/100.00	Dormant
--Midland Network Services Limited	England (GB)	100.00/100.00	Telecommunications Services & Systems
---Fastrak Limited	England (GB)	100.00/100.00	Dormant/Non-Trading
--Midland Overseas Holdings Limited	England (GB)	100.00/100.00	Holding Company
---Midland Holding Participacao, Administracao E Rep Limitada*	Brazil (BR)	0.05/100.00	Holding Company
---Midland Montagu Administracao e Participacoes Limitada	Brazil (BR)	100.00/100.00	Holding Company
----Itamari Empreendimentos Comerciais Limitada	Brazil (BR)	100.00/100.00	Dormant
----Midland Administracao Limitada	Brazil (BR)	100.00/100.00	Non Trading
----Midland Investimentos e Participacoes Limitada	Brazil (BR)	100.00/100.00	Non Trading
----Midpar Investimentos e Participacoes Limitada	Brazil (BR)	100.00/100.00	Not Trading
----Timburi Comercial De Maquinas Agricolas Limitada	Brazil (BR)	100.00/100.00	Dormant
---Midland Montagu Inc.	USA (US)	100.00/100.00	Holding Company
----Bracton Corporation	USA (US)	100.00/100.00	Loan Management
-----Bracton-DJR Corporation	USA (US)	100.00/100.00	Management Company
-----JLA Limited*	USA (US)	99.00/100.00	Real Property Owners

Subsidiary Chain Report as at 20/01/93
* - Jointly owned by more than one group company

Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
-----MJL Corporation	USA (US)	100.00/100.00	Real Property Owners
------JLA Limited*	USA (US)	1.00/100.00	Real Property Owners
------MJL Limited*	USA (US)	1.00/100.00	Real Property Owners
-----MJL Limited*	USA (US)	99.00/100.00	Real Property Owners
-----Orlando Towers Inc.	USA (US)	100.00/100.00	Real Property Owners
----MM Project 1 Corporation	USA (US)	100.00/100.00	Loan Services
----Midland International Trade Services (USA) Corp.	USA (US)	100.00/100.00	Export Finance
----Midland Montagu Capital Markets Inc.	USA (US)	100.00/100.00	Foreign Securities
----Midland Montagu Private Equity Inc.	USA (US)	100.00/100.00	Foreign Securities
----Samuel Montagu Inc.	USA (US)	100.00/100.00	Broker Dealer
---Midland Servicios Financieros (Chile) SA	Chile (CL)	100.00/100.00	Financial Services
----Investment Management Company Chile SA	Chile (CL)	68.00/ 68.00	Stock Market Fund Management
----Midland Inversiones Limitada	Chile (CL)	100.00/100.00	Holding Company
---Midland Servicos e Representacao Limitada	Brazil (BR)	100.00/100.00	Dormant
---Midland do Brasil Participacoes S/C Limitada	Brazil (BR)	100.00/100.00	Dormant
---Mistinbus Limited	Jersey (JE)	100.00/100.00	Investment Holding Company
---Montagu Currency Services AS	Norway (NO)	100.00/100.00	Holding Company
----AMS Kloverhuset	Norway (NO)	99.00/ 99.00	Owning Shopping Centre in Bergen
----Midland Montagu Invest AS	Norway (NO)	100.00/100.00	Dormant
----Montagu Securities AS	Norway (NO)	100.00/100.00	Dormant
----SCM Securities AS	Norway (NO)	100.00/100.00	Dormant
--Midland Personal Financial Services Limited	England (GB)	100.00/100.00	Dormant Name Protection Nominee Company
--Midland Stockbrokers	England (GB)	100.00/100.00	Stockbroking For Retail Bank Branches
---Deltadean Limited	England (GB)	100.00/100.00	Dormant/Non-Trading
---ME (No 9) Plc	England (GB)	100.00/100.00	Dormant/Non-Trading
---ME (No 10) Limited	England (GB)	100.00/100.00	Dormant/Non-Trading
---Midland (Standby Nominees) Limited	England (GB)	100.00/100.00	Nominee Vehicle Re Stockbroking Activity
---Turnsonic (Nominees) Limited	England (GB)	100.00/100.00	Nominee Company
--Midland Unit Trusts Limited	England (GB)	100.00/100.00	Unit Trust Management
--Midland (TS) Limited	England (GB)	100.00/100.00	Procuror of Custody Services
--Midland/Montagu Investment Company	England (GB)	100.00/100.00	Dormant/Non-Trading
--Montagu Holdings	England (GB)	100.00/100.00	Investment Holding
---Drayton Corporation Limited	England (GB)	100.00/100.00	Merchant Bank
---Galmont Holdings Limited	England (GB)	100.00/100.00	Holding Company
---MMAM Holdings	England (GB)	100.00/100.00	Holding Company

Subsidiary Chain Report as at 20/01/93
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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
---Montagu International Holdings	England (GB)	100.00/100.00	Holding Company
----Midland Montagu Financial Services Poland sp. z.o.o.	Poland (PL)	100.00/100.00	Corporate Finance
----Samuel Montagu & Co Limited AB	Sweden (SE)	100.00/100.00	Dormant
---Montagu & Co. Limited	England (GB)	100.00/100.00	Name Protection
---Samuel Montagu Leasing Services Limited	England (GB)	100.00/100.00	Leasing
----Montagu Equipment Services Limited	England (GB)	100.00/100.00	Leasing Company
----Samuel Montagu Leasing Limited	England (GB)	100.00/100.00	Leasing
---Samuel Montagu Participations (Holdings) Limited	England (GB)	100.00/100.00	Holding Company
----Greenwell Montagu Gilt-Edged	England (GB)	100.00/100.00	Gilts Market Maker
-----G.M. Gilt-Edged Nominees Limited	England (GB)	100.00/100.00	Nominee Company
---Tuodeknoc (DBSM) Limited	England (GB)	100.00/100.00	Dormant
---Vector Securities Limited	England (GB)	100.00/100.00	Investment Dealers
---W. Greenwell & Co. Limited	England (GB)	100.00/100.00	Name Protection
--Montagu Private Equity Limited	England (GB)	100.00/100.00	Venture Capital
---ME (No 13) Limited	England (GB)	100.00/100.00	Holding
---Management Buy-Ins Limited	England (GB)	100.00/100.00	Investment Dealing
---Management Buy-Outs Limited	England (GB)	100.00/100.00	Investment Dealing
---Midland Montagu Ventures BV	The Netherlands (NL)	100.00/100.00	Equity Finance
----Atlanta de Alimentacion SA	Spain (ES)	100.00/100.00	Holding Company
-----Nueva Somosierra SA*	Spain (ES)	47.40/ 73.70	Chain of Food Stores
----Italmotori (Holdings) BV	Italy (IT)	83.50/ 83.50	Holding Company
----Nueva Somosierra SA*	Spain (ES)	26.30/ 73.70	Chain of Food Stores
----VM Motori S.p.A.*	Italy (IT)	6.40/ 90.20	Diesel Engineering Manufacturer
---Midland Montagu Ventures SA	Spain (ES)	100.00/100.00	Operating Subsidiary
---Montagu Audio Visual Distribution Holdings Limited	England (GB)	100.00/100.00	Aud/Vis Prod.
---Montagu Audio Visual Distribution Limited	England (GB)	100.00/100.00	Aud/Vis Prod.
---Montagu Equity Limited	England (GB)	100.00/100.00	Equity Holding
----Campania Limited*	England (GB)	11.33/ 73.60	Film Production, Distribution & Exhibition
-----ITC Entertainment Group, Inc*	Delaware (US)	65.40/ 73.60	Holding Company
------Bell Media, Inc	Delaware (US)	100.00/ 73.60	Television Distribution
------Eye Tee Cee Music, Inc	California (US)	100.00/ 73.60	Music Publisher
------ITC Distribution, Inc	Delaware (US)	100.00/ 73.60	Television, Home Video and Thearical Distribution
-------ITC Television/Cinema Distribution Inc	Canada (CA)	100.00/ 73.60	Canadian Theatrical, Television and Home Video Distribut
-------Independent Television Corporation	Delaware (US)	100.00/ 73.60	Dormant; Production and Distribution of Product For Thea
------ITC Films, Inc	Delaware (US)	100.00/ 73.60	Production of Motion Pictures and Programmes

Subsidiary Chain Report as at 20/01/93

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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
------ITC Productions, Inc	California (US)	100.00/ 73.60	Production of Theatrical and Television Programming
------Perth Music, Inc	California (US)	100.00/ 73.60	Music Publisher
-------Oakwood Films, Inc	Delaware (US)	100.00/ 73.60	Production of Theatrical and Television Programming
-----ITC Entertainment Holdings Limited	England (GB)	100.00/ 73.60	Holding Company
------ITC Entertainment Group Limited	England (GB)	100.00/ 73.60	UK Operating Company:Producing and Distributing Programm
-------ITC Distribution Limited	England (GB)	100.00/ 73.60	Dormant-Formerly Television Distribution
-------ITC Entertainment Group, Inc*	Delaware (US)	29.50/ 73.60	Holding Company
--------Bell Media, Inc	Delaware (US)	100.00/ 73.60	Television Distribution
--------Eye Tee Cee Music, Inc	California (US)	100.00/ 73.60	Music Publisher
--------ITC Distribution, Inc	Delaware (US)	100.00/ 73.60	Television, Home Video and Thearical Distribution
---------ITC Television/Cinema Distribution Inc	Canada (CA)	100.00/ 73.60	Canadian Theatrical, Television and Home Video Distribut
---------Independent Television Corporation	Delaware (US)	100.00/ 73.60	Dormant; Production and Distribution of Product For Thea
--------ITC Films, Inc	Delaware (US)	100.00/ 73.60	Production of Motion Pictures and Programmes
--------ITC Productions, Inc	California (US)	100.00/ 73.60	Production of Theatrical and Television Programming
--------Perth Music, Inc	California (US)	100.00/ 73.60	Music Publisher
---------Oakwood Films, Inc	Delaware (US)	100.00/ 73.60	Production of Theatrical and Television Programming
-------ITC Productions Limited	England (GB)	100.00/ 73.60	Production of Television Programming and Motion Pictures
-------UK Channel Limited	England (GB)	100.00/ 73.60	Cable Television Licensee
------ITC Entertainment Group, Inc*	Delaware (US)	5.10/ 73.60	Holding Company
-------Bell Media, Inc	Delaware (US)	100.00/ 73.60	Television Distribution
-------Eye Tee Cee Music, Inc	California (US)	100.00/ 73.60	Music Publisher
-------ITC Distribution, Inc	Delaware (US)	100.00/ 73.60	Television, Home Video and Thearical Distribution
--------ITC Television/Cinema Distribution Inc	Canada (CA)	100.00/ 73.60	Canadian Theatrical, Television and Home Video Distribut
--------Independent Television Corporation	Delaware (US)	100.00/ 73.60	Dormant; Production and Distribution of Product For Thea
-------ITC Films, Inc	Delaware (US)	100.00/ 73.60	Production of Motion Pictures and Programmes
-------ITC Productions, Inc	California (US)	100.00/ 73.60	Production of Theatrical and Television Programming
-------Perth Music, Inc	California (US)	100.00/ 73.60	Music Publisher
--------Oakwood Films, Inc	Delaware (US)	100.00/ 73.60	Production of Theatrical and Television Programming
------International Television Services Limited	England (GB)	100.00/ 73.60	Dormant-Formerley Film Distribution Throughout The World
-------ITC Film Distributors Limited	England (GB)	100.00/ 73.60	Dormant-Formerly Film and Television Production and Dist
---Montagu Private Equity Investments Limited	England (GB)	100.00/100.00	Venture Capital
----Diesel Motori Limited*	England (GB)	68.70/100.00	Special Purpose Holding Co.
-----VM Motori S.p.A.*	Italy (IT)	83.80/ 90.20	Diesel Engineering Manufacturer
----Fiscal Estates Limited*	England (GB)	49.00/ 64.56	Buying and selling of Government real estate
---Montagu Smaller Investments Limited	England (GB)	100.00/100.00	Venture Capital

Subsidiary Chain Report as at 20/01/93

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Name of Company	Place of Incorporation	Percentage of Share Held by Sub/Target	Nature of Business
---Moracrest Finance Limited	England (GB)	100.00/100.00	Finance
---Moracrest Investments Limited	England (GB)	100.00/100.00	Equity Holding
---The Venture Catalysts Limited	England (GB)	100.00/100.00	Venture Capital
---Trinkaus Montagu Equity GmbH*	Germany (DE)	65.00/ 89.77	Aquisitions of Equity Participation in not Quoted Compan
--Samuel Montagu Export and Project Finance Limited	England (GB)	100.00/100.00	Export Finance
--Santa Maria Investments Limited	Cayman Islands (KY)	100.00/100.00	Investment Company
---Oura Investimentos e Participacoes Limitada	Brazil (BR)	100.00/100.00	Investment
---Pacatuba Investimentos Participacoes Limitada*	Brazil (BR)	99.00/100.00	Investment
---RCAC Investimentos e Participacoes Limitada	Brazil (BR)	100.00/100.00	Investment
---Sargo Investimentos e Participacoes Limitada	Brazil (BR)	100.00/100.00	Investment
----Pacatuba Investimentos Participacoes Limitada*	Brazil (BR)	1.00/100.00	Investment
--Shelfco (No 435) Limited	England (GB)	100.00/100.00	Property Company
--Tenet Limited	England (GB)	100.00/100.00	Dormant/Non-Trading
--Tuodeknoc (SMFIN) Limited	England (GB)	100.00/100.00	Investment Dealing

List of Associated Companies of Midland Bank Plc Directly Owned as at 29/01/93

Company	Equity % Owned
Access Brand Limited	30.00
Cambridge Telephones Limited	30.00
Carrycroft Limited	50.00
ICCH Limited	20.00
International Investment Company of Chile SA	25.00
Jacques Marisa Limited	37.50
LEntA Properties Limited	25.00
Mastercard/Europay Limited	26.70
Midland-Hellenobretanniki Mutal Funds Management Company SA	40.00
Nationwide Cellular Fit (1990) Limited	25.00
Pen Holdings Limited	30.00
Switch Card Services Limited	33.33
The Chile Investment Company SA	25.00
UBAF Bank Limited	24.77
Westminster Scaffolding Group Plc	24.80

Alphabetical Listing of Companies Report as at 29/01/93 Associated Companies of Midland Bank Plc Directly Owned

Name of Company	Place of Incorporation	Percentage of Share Held by Sub/HSBCH.	Nature of Business	Group Structure List Report Page Reference
Access Brand Limited	England (GB)	30.00/ 30.00	Marketing	1
Cambridge Telephones Limited	England (GB)	30.00/ 30.00	The Assembly, Marketing and Sales of Payp	1
Carrycroft Limited	England (GB)	50.00/ 50.00	Property	3
ICCH Limited	England (GB)	20.00/ 20.00	Futures Trading	9
International Investment Company of Chile SA	Chile (CL)	25.00/ 25.00	Investment	9
Jacques Marisa Limited	England (GB)	37.50/ 37.50	Supplier of Bathroom Accessories	9
LEntA Properties Limited	England (GB)	25.00/ 25.00	Aquisition/Development of Urban Renewal P	9
Mastercard/Europay Limited	England (GB)	26.70/ 26.70	Credit Cards	9
Midland-Hellenobretanniki Mutal Funds Management Company SA	Greece (GR)	40.00/ 40.00	Mutual Funds Management	28
Nationwide Cellular Fit (1990) Limited	England (GB)	25.00/ 25.00	Mobile Telephones In Vehicles	35
Pen Holdings Limited	England (GB)	30.00/ 30.00	Holding Company	35
Switch Card Services Limited	England (GB)	33.33/ 33.33	Administrative Services To Card Schemes	35
The Chile Investment Company SA	Chile (CL)	25.00/ 25.00	Investment Fund	36
UBAF Bank Limited	England (GB)	24.77/ 24.77	Commercial Banking	36
Westminster Scaffolding Group Plc	England (GB)	24.80/ 24.80	Provision Erection & Maintenance of Scaff	36

Group Structure List as at 29/01/93

Associated Companies of Midland Bank Plc Directly Owned

* - Jointly owned by more than one group company

Name of Company	Place of Incorporation	Percentage of Share Held by Sub/HSBCH.	Nature of Business
HSBC Holdings Plc			
--Access Brand Limited	England (GB)	30.00/ 30.00	Marketing
--Cambridge Telephones Limited	England (GB)	30.00/ 30.00	The Assembly, Marketing and Sales of Payphones and Busin
--Carrycroft Limited	England (GB)	50.00/ 50.00	Property
--ICCH Limited	England (GB)	20.00/ 20.00	Futures Trading
--International Investment Company of Chile SA	Chile (CL)	25.00/ 25.00	Investment
--Jacques Marisa Limited	England (GB)	37.50/ 37.50	Supplier of Bathroom Accessories
--LEntA Properties Limited	England (GB)	25.00/ 25.00	Aquisition/Development of Urban Renewal Projects
--Mastercard/Europay Limited	England (GB)	26.70/ 26.70	Credit Cards
--Midland-Hellenobretanniki Mutal Funds Management Company SA	Greece (GR)	40.00/ 40.00	Mutual Funds Management
--Nationwide Cellular Fit (1990) Limited	England (GB)	25.00/ 25.00	Mobile Telephones In Vehicles
--Pen Holdings Limited	England (GB)	30.00/ 30.00	Holding Company
--Switch Card Services Limited	England (GB)	33.33/ 33.33	Administrative Services To Card Schemes
--The Chile Investment Company SA	Chile (CL)	25.00/ 25.00	Investment Fund
--UBAF Bank Limited	England (GB)	24.77/ 24.77	Commercial Banking
--Westminster Scaffolding Group Plc	England (GB)	24.80/ 24.80	Provision Erection & Maintenance of Scaffolding