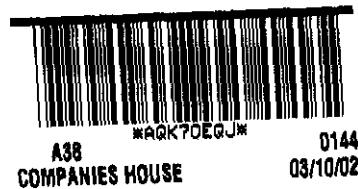


4

HSBC Actuaries and Consultants Limited
Directors' Report and Consolidated Financial Statements
31st December 2001
(Registered Number: 676122)



HSBC Actuaries and Consultants Limited

**The Directors present their annual report and the audited financial statements
for the year ended 31 December 2001**

Principal Activities

The principal activities of the Company are financial management services, in particular pensions consultancy.

Business Review

During the year an additional provision of £5 million was made in respect of the SIB Pension Transfer Review, further details of which are given in Note 15 to the Financial Statements. The Directors believe that all the cases will have been offered by the end of 2002 and that this provision will cover all expected payments. Excluding this additional provision the results of the Company were deemed satisfactory.

Results

The results for the year ended 31st December 2001 are incorporated within the accompanying profit and loss account.

The Directors do not recommend the payment of a dividend (2000 nil).

Directors

The Directors who served during the year were as follows:-

A M M Dixon (Chairman)
A S Fishman (Chief Executive)
J A C Bonnett
D E Clare
D A Clow
C M Johnstone
D Lackenby
R A R Mattingly
A Meikle
D G Parker

HSBC Actuaries and Consultants Limited

Report of the Directors for the Year Ended 31st December 2001

Directors' Interests

All Directors' interests in the share and loan capital of HSBC Holdings plc, the ultimate parent undertaking, required to be disclosed under the Companies Act 1985, are set out below, with the exception of those of the chairman, whose interests are disclosed in the Directors' Report and Financial Statements of HSBC Insurance Holdings Limited.

	HSBC Holdings plc	
	Ordinary Shares of US\$0.50 each	
	31 December 2001	1 January 2001
J A C Bonnett	5,726	-
D E Clare	4,784	4,703
D A Clow	15	-
A S Fishman	15	-
D Lackenby	7,173	6,895
R A R Mattingly	5	700
A Meikle	10,042	9,650

During the year options over HSBC Holdings plc ordinary shares of US\$0.50 each were granted/exercised as follows:

	Ordinary Shares of US\$0.50 each	
	Granted	Exercised
J A C Bonnett	3,684	5,637
D E Clare	2,250	-
D A Clow	2,250	-
A S Fishman	4,000	-
C M Johnstone	2,250	-
D Lackenby	3,249	-
R A R Mattingly	2,823	-
A Meikle	2,250	-
D G Parker	2,250	-

Employment of disabled persons

The Company is committed to providing equal opportunities to employees. The employment of disabled persons is included in this commitment and the recruitment, training, career development and promotion of disabled persons is based on the aptitudes and abilities of the individual. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

Employment policy

The Company continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Company's performance through management channels, regular newsletters and by way of attendance at internal seminars. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance. All staff participate in bonus schemes which are, in part, based on the performance of the Company.

HSBC Actuaries and Consultants Limited

Report of the Directors for the Year Ended 31st December 2001

Statement of Directors' Responsibilities in relation to the Financial Statements

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give true and fair view of the state of affairs of the Company and of the Group and its subsidiary undertakings as at the end of the financial year and of the profit or loss for the financial year. The directors are required to prepare these financial statements on the ongoing concern basis unless it is not appropriate. Since the directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the ongoing concern basis.

The directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Supplier Payment Policy

The Company subscribes to the Better Payment Practice Code, the four principles of which are to agree payment terms at the outset and stick to them; explain payment procedures to suppliers; pay bills in accordance with any contract agreed with the supplier or as required by law; and tell suppliers without delay when an invoice is contested and settle disputes quickly. Copies of, and information about, the code is available from:

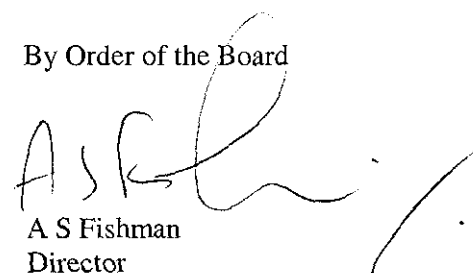
The Department of Trade and Industry
No. 1 Victoria Street
London SW1H 0ET

The amount due to the Company's trade creditors at 31st December represents 30 days' (2000: 30 days') average daily purchases of goods and services received from those creditors, calculated in accordance with the Companies Act 1985, as amended by Statutory Instrument 1997/571.

Registered Office:
10 Lower Thames Street
London
EC3R 6AE

Date: 14/2/ 2002

By Order of the Board


A S Fishman
Director

Independent Auditor's Report to the Members of**HSBC Actuaries and Consultants Limited**

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent Auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2001 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Date: 28 February 2002

Aquis Court
31 Fishpool Street
St Albans
Herts AL3 4RF

HSBC Actuaries and Consultants Limited

Consolidated Profit and Loss Account for
the Year Ended 31st December 2001

	Note	2001 £'000	2000 £'000
GROUP TURNOVER	1	25,095	19,971
Administrative expenses		(27,522)	(25,471)
		<hr/>	<hr/>
GROUP OPERATING LOSS		(2,427)	(5,500)
Comprising:			
Group operating profit before pension transfer compensation provision		2,573	1,000
Pension transfer compensation provision		(5,000)	(6,500)
		<hr/>	<hr/>
Group operating loss		(2,427)	(5,500)
Other interest receivable and similar income	2	536	324
Interest payable and similar charges	3	(103)	(104)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4-6	(1,994)	(5,280)
TAXATION	7	500	1,748
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(1,494)	(3,532)
		<hr/>	<hr/>
RETAINED LOSS FOR THE FINANCIAL YEAR FOR THE GROUP	17	(1,494)	(3,532)
		<hr/>	<hr/>

The turnover and operating loss generated during the current and prior year is attributable to continuing operations.

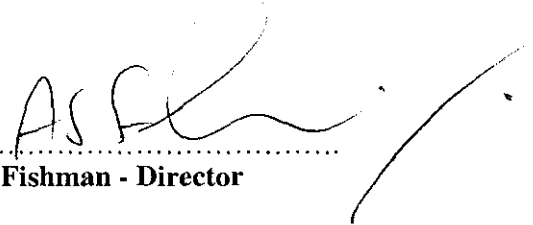
The notes on pages 8 to 18 form part of these financial statements.

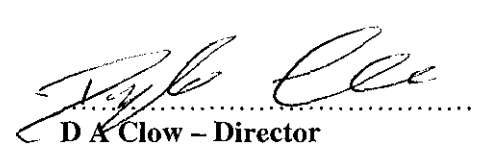
HSBC Actuaries and Consultants Limited

Company and Consolidated Balance Sheet at 31st December 2001

	Note	Group		Company	
		2001 £'000	2000 £'000	2001 £'000	2000 £'000
FIXED ASSETS					
Tangible assets	9	335	361	335	361
Investments	10	-	-	110	110
		<hr/>	<hr/>	<hr/>	<hr/>
		335	361	445	471
		<hr/>	<hr/>	<hr/>	<hr/>
CURRENT ASSETS					
Debtors	11	12,815	9,922	12,815	9,922
Cash at bank and in hand	12	12,643	6,784	12,643	6,784
		<hr/>	<hr/>	<hr/>	<hr/>
		25,458	16,706	25,458	16,706
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(7,957)	(6,344)	(8,067)	(6,454)
		<hr/>	<hr/>	<hr/>	<hr/>
NET CURRENT ASSETS		17,501	10,362	17,391	10,252
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		17,836	10,723	17,836	10,723
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	(5,950)	(1,450)	(5,950)	(1,450)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(7,407)	(9,800)	(7,407)	(9,800)
		<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS		4,479	(527)	4,479	(527)
		<hr/>	<hr/>	<hr/>	<hr/>
CAPITAL AND RESERVES					
Called up share capital	16	9,750	3,250	9,750	3,250
Profit and loss account	17	(5,271)	(3,777)	(5,271)	(3,777)
		<hr/>	<hr/>	<hr/>	<hr/>
EQUITY SHAREHOLDER'S FUNDS		4,479	(527)	4,479	(527)
		<hr/>	<hr/>	<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 14 February 2002 and were signed on its behalf by:


A S Fishman - Director


D A Clow - Director

The notes on pages 8 to 18 form part of these financial statements.

HSBC Actuaries and Consultants Limited

Statement of Total Recognised Gains and Losses
for the Year Ended 31st December 2001

	<i>Group</i>		<i>Company</i>	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Loss and total recognised gains and losses for the financial year	(1,494)	(3,532)	(1,494)	(3,532)

Reconciliation of Movement in Shareholder's Funds
for the Year Ended 31st December 2001

	<i>Group</i>		<i>Company</i>	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Loss for the financial year	(1,494)	(3,532)	(1,494)	(3,532)
New share capital subscribed	6,500	3,000	6,500	3,000
Net addition to shareholders funds	5,006	(532)	5,006	(532)
Shareholder's funds at 1st January	(527)	5	(527)	5
Shareholder's funds at 31st December	4,479	(527)	4,479	(527)

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

1. Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the group and of the company.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

(b) Cash Flow Statement

Under FRS1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

(c) Related Parties

The related party transactions of the company with other group companies are exempt from the disclosure requirements of Financial Reporting Standard 8 'Related Party Transactions' since it is a wholly owned subsidiary of HSBC Holdings plc whose address is shown in note 24 to the Financial Statements.

(d) Turnover

Turnover represents commissions and fees receivable in the UK excluding value added tax. Credit is taken for recurring fees at the beginning of a particular pension scheme year and for commission when the first premium payment is charged to the client. Non recurring fees are recognised after the service is rendered.

(e) Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets by equal instalments over their estimated useful lives. The following depreciation rates are used:

Fixtures, fittings and office equipment	20% and 10%
Plant and machinery	33% and 20%

(f) Deferred taxation

Deferred taxation in respect of the taxation effect of all timing differences is provided to the extent that it is probable that liabilities will crystallise.

(g) Pension costs

The group and company contribute to defined benefit pension schemes with trust assets invested outside the group. For these schemes, the profit and loss account is charged with the cost of providing benefits, as they accrue, in accordance with SSAP24.

The group and company also contributes to defined contribution schemes, contributions being charged in full to the profit and loss account in the year incurred.

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

(h) **Basis of consolidation**

The group accounts consolidate the accounts of HSBC Actuaries and Consultants Limited and its subsidiary undertakings. The consolidated accounts are based on accounts of subsidiary undertakings whose year ends are coterminous with that of the parent company. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on previous consolidations (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) was written off against revenue reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit and loss on disposal. No additional goodwill has arisen in the current financial year. In the company's accounts, investments in subsidiary undertakings are stated at cost less amounts written off. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company. Goodwill was written off as a matter of accounting policy and will be charged to the profit and loss account on subsequent disposal of the business to which it relates.

(i) **Operating leases**

Rentals payable under operating leases are charged to the profit and loss account in the period to which they relate, in accordance with SSAP21.

(h) **Finance leases**

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

2. Other Interest Receivable and Similar Income

	2001 £'000	2000 £'000
Group companies	535	323
Other	1	1
	<hr/>	<hr/>
	536	324
	<hr/>	<hr/>

3. Interest Payable and Similar Charges

	2001 £'000	2000 £'000
On loans and overdrafts:		
Group companies	78	88
Finance charges payable in respect of finance leases to group companies	25	16
	<hr/>	<hr/>
	103	104
	<hr/>	<hr/>

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

4. Loss on Ordinary Activities before Taxation

Loss on ordinary activities before taxation is stated after charging the following:

	2001 £'000	2000 £'000
Depreciation of tangible fixed assets:		
Finance leases	109	58
Other	35	24
Auditors' remuneration:		
Audit fees	52	56
Regulatory fees	9	9
Operating lease rentals:		
Hire of plant & machinery	594	684
Land & buildings	379	376

5. Staff Numbers and Costs

The average number of persons employed by the group (including directors) during the year was 369 (2000: 328) and comprised:

	2001 No.	2000 No.
Management	16	16
Consultants and pension administrators	247	181
Actuaries and students	36	33
IT staff	19	15
Office administrators	51	83
	<hr/>	<hr/>
	369	328
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2001 £'000	2000 £'000
Salaries and bonuses	13,231	10,910
Social security costs	1,419	1,187
Pension costs	1,014	890
	<hr/>	<hr/>
	15,664	12,987
	<hr/>	<hr/>

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

5. Staff Numbers and Costs cont'd

Until 17 January 2000, the Company operated or participated in a number of pension schemes. On this date, certain schemes were merged with the HSBC Bank (UK) Pension Scheme.

In the UK, the HSBC Bank (UK) Pension Scheme covers employees of HSBC Bank plc and certain other employees of the HSBC Group. This scheme comprises a funded defined benefits scheme ('the Principal Scheme') and a defined contribution scheme, which was established on 1 July 1996 for new employees.

HACL is exempt from the disclosure requirements under FRS17 as it is unable to identify its share of the underlying assets and liabilities of this group scheme.

The latest valuation of the Principal Scheme was made as at 31 December 1999 by C G Singer, Fellow of the Institute of Actuaries, of Watson Wyatt Partners. At that date, the market value of the Principal Scheme's assets was £7,265 million. The actuarial value of the assets represented 104% of the benefits accrued to members, after allowing for expected future increases in earnings, and the resulting surplus amounted to £232 million. The method adopted for this valuation was the projected unit method and the main assumptions used were a long-term investment return of 6.85% per annum, salary increases of 4.0% per annum, equity dividend increases and rental growth of 3.5% per annum, and post-retirement pension increases of 2.5% per annum.

In consultation with the actuary, the surplus has been used to reduce the employers' long-term contribution rate of 19.9% to 16.9% of pensionable salaries (16.1%). This is based on spreading the surplus over the expected future working lifetimes of current members. The next actuarial valuation is due at 31 December 2002.

6. Directors' Emoluments

a) The emoluments of the directors comprised:

A.M.M Dixon was employed and remunerated by a parent undertaking. No charge was made for services provided to the Company. Details of other directors' emoluments are given below.

	2001 £'000	2000 £'000
Remuneration as executives	1,287	1,136
Pension contributions	150	141
	<hr/>	<hr/>
	1,437	1,277
	<hr/>	<hr/>

b) The emoluments of the highest paid director were:

	2001 £'000	2000 £'000
Remuneration	328	247
Pension contributions	33	31
	<hr/>	<hr/>
	361	278
	<hr/>	<hr/>

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

6. Directors' Emoluments (cont'd)

- c) The number of directors to whom retirement benefits are accruing are as follows:

	2001 No.	2000 No.
Defined Contribution Schemes	2	2
Defined Benefit Schemes	7	7

The number of directors exercising share options in the year was one (2000: three)

7. Taxation

	2001 £'000	2000 £'000
UK corporation tax, based on loss for the year, at 30% (2000: 30%)	(500)	(1,520)
Adjustment relating to earlier years	-	(228)
	—	—
Corporation tax credit for the year	(500)	(1,748)
	—	—

8. Loss Attributable to Shareholders of Holding Company

A separate profit and loss account dealing with the results of the holding company has not been presented as permitted by S230 of the Companies Act 1985. Of the group's total loss after tax for the financial year a loss of £1,494,000 (2000: £3,532,000 loss) is attributable to the holding company.

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

9. Tangible Fixed Assets

	Fixtures, fittings & office equipment	Plant & Machinery	Total
	<i>Group and Company</i> £'000	<i>Group and Company</i> £'000	<i>Group and Company</i> £'000
Cost:			
At 1st January 2001	158	312	470
Additions	10	108	118
	<hr/>	<hr/>	<hr/>
At 31st December 2001	168	420	588
	<hr/>	<hr/>	<hr/>
Depreciation:			
At 1 st January 2001	52	57	109
Charge for the year	24	120	144
	<hr/>	<hr/>	<hr/>
At 31st December 2001	76	177	253
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31st December 2001	92	243	335
	<hr/>	<hr/>	<hr/>
At 1st January 2001	106	255	361
	<hr/>	<hr/>	<hr/>

Included within fixed assets are assets for group and company held under finance leases at a cost of £343,000 (2000: £343,000) and net book value of £181,000 (2000: £290,000). Depreciation charged on these assets for 2001 was £109,000 (2000: £58,000).

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

10. Investments (held as Fixed Assets)

	<i>Company</i> 2001 £'000	<i>Company</i> 2000 £'000
Shares in group undertaking: At 31st December 2001	110	110

Subsidiary Companies

The following companies, all of which were incorporated in the United Kingdom and registered in England and Wales, were subsidiary undertakings of the company at 31st December 2001.

Company	Activity	% of ordinary share capital owned
HSBC Gibbs Consulting Limited	Dormant	100%
Antony Gibbs Trustees Limited	Corporate trustees to pension schemes	100%
HSBC Gibbs Actuarial & Advisory Services Limited	Dormant	100%
St Cross Trustees Ltd	Corporate trustees to pension schemes	100%
LGA Trustees Ltd	Corporate trustees to pension schemes	100%

In the opinion of the directors the value of the company's investments in its undertakings is not less than the amount at which they are included in the balance sheet.

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

11. Debtors

	<i>Group</i>		<i>Company</i>	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Trade debtors	10,369	7,593	10,369	7,593
Amounts owed by group undertakings	1,726	463	1,726	463
Other debtors	92	98	92	98
Corporate tax debtor recoverable from a fellow subsidiary of HSBC Holdings plc,	507	1,559	507	1,559
Prepayments and accrued income	121	209	121	209
	<hr/>	<hr/>	<hr/>	<hr/>
	12,815	9,922	12,815	9,922
	<hr/>	<hr/>	<hr/>	<hr/>

12. Cash at Bank and in Hand

	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Group undertakings				
Cash deposited with the HSBC Bank plc, a fellow subsidiary of HSBC Holdings plc	12,643	6,784	12,643	6,784
	<hr/>	<hr/>	<hr/>	<hr/>

13. Creditors : Amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Trade creditors	430	485	430	485
Amounts owed to group undertakings	2,661	2,329	2,771	2,439
Corporation tax and Social Security	40	37	40	37
Other creditors	875	601	875	601
Accruals and deferred income	3,951	2,892	3,951	2,892
	<hr/>	<hr/>	<hr/>	<hr/>
	7,957	6,344	8,067	6,454
	<hr/>	<hr/>	<hr/>	<hr/>

Finance leases are held with Asset Finance December (V) Limited, a fellow subsidiary undertaking of HSBC Holdings plc and are included in the amount owed to group undertakings.

Notes to the Financial Statements

14. Creditors : Amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amounts owed to group undertakings	5,950	1,450	5,950	1,450

The loans are interest bearing at LIBOR and repayable upon demand but are subordinated to the other creditors of the group.

15. Provisions for Liabilities and Charges

	<i>Group</i> £'000	<i>Company</i> £'000
At 1st January 2001	9,800	9,800
Paid during the year	(7,663)	(7,663)
Increase during the year	5,270	5,270
At 31st December 2001	7,407	7,407

	<i>Group</i>		<i>Company</i>	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Analysed as follows:				
Provision for Pension Transfer				
Compensation payments	6,855	8,939	6,855	8,939
Provision for other compensation				
payments	552	861	552	861
	7,407	9,800	7,407	9,800

Provisions should be utilised over a period not exceeding 5 years.

16. Called Up Share Capital

	2001 £'000	2000 £'000
Authorised:		
Ordinary shares of £1 each;	10,000	10,000
Issued:		
Share capital allotted, called up, and fully paid	9,750	3,250

During the year 6,500,000 £1 ordinary shares with an aggregate nominal value of £6,500,000 were issued for which consideration of £6,500,000 was received.

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

17. Profit & Loss Account

	<i>Group</i>		<i>Company</i>	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Retained loss brought forward	(3,777)	(245)	(3,777)	(245)
Retained loss for the year	(1,494)	(3,532)	(1,494)	(3,532)
Dividend		-		-
	<hr/>	<hr/>	<hr/>	<hr/>
Retained loss carried forward	(5,271)	(3,777)	(5,271)	(3,777)
	<hr/>	<hr/>	<hr/>	<hr/>

Since 1989 the accumulated amount of goodwill written off directly to reserves is £1,030,000 (2000: £1,030,000) and £1,030,000 (2000: £1,030,000) in the group and company respectively.

18. Deferred Taxation

At 31st December 2001 and 2000 there was no liability or potential liability for deferred taxation.

19. Lease Commitments

Operating leases

At the year end the group's annual commitments under operating leases were as follows:-

	<i>Company & Group Land & Buildings</i>		<i>Company & Group Plant & Machinery</i>	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Expiring within 1 year	-	-	113	172
Expiring between 2-5 years	-	-	319	406
Expiring after more than 5 years	381	376	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	381	376	432	578
	<hr/>	<hr/>	<hr/>	<hr/>

Finance leases

At the end of the year the company and group had obligations under finance leases with fellow subsidiary undertakings maturing as follows:

	2001 £'000	2000 £'000
Within one year	-	-
In the second to fifth years	188	301
	<hr/>	<hr/>
	188	301
Future finance charge	(17)	(41)
	<hr/>	<hr/>
Net obligation under finance leases	171	260
	<hr/>	<hr/>

HSBC Actuaries and Consultants Limited**Notes to the Financial Statements****20. Contingencies****Group guarantees**

Under a group registration all companies within the group are jointly and severally liable for Value Added Tax due by other UK group companies. No valuable security has been provided by the company in respect of the above contingency.

Investors compensation scheme levy

The Investors Compensation Scheme charge levies in respect of compensation paid to policy-holders who were advised by other Independent Financial Advisers who are now unable to meet those liabilities. It is not possible at this stage to estimate the levies which will be charged in the future.

Other Provisions

The businesses consolidated in the financial statements of HSBC Actuaries and Consultants Limited may, in the normal course of conducting their businesses, receive claims for alleged negligence. They contest such claims vigorously and maintain substantial professional indemnity cover. Provisions for liabilities and charges include, where appropriate, the estimated cost of meeting any notified claims with amounts recoverable from insurers included in debtors.

21. Contingent Liabilities

A Claim has been issued against the company in which allegations are made of breach of contract and negligence primarily in respect of advice that was given or omitted to be given by the company to the Claimants over the period 1990 – 1996. The Claimants currently quantify the claim at £47 million. A claim for costs of mitigation already incurred in the region of approximately £2 million is also made. The company denies any liability and the claim is being vigorously defended. A trial restricted to the allegations concerning liability as opposed to quantum is listed to commence in June 2002.

The company has received advice that the quantum of the claim has been significantly exaggerated and considerable uncertainty surrounds the quantification of this exposure. The company continues to deny liability and it is not possible at present to predict whether it may be possible to settle the claim although the parties have agreed to hold a mediation in an attempt to explore the possibilities of a compromise being reached. A mediation is expected to take place by the end of March 2002.

22. Ultimate Parent Company and Parent Undertaking of Larger Group of which the Company is a Member

The largest and only group in which the results of the company are consolidated is that headed by the ultimate parent company and ultimate controlling party, HSBC Holdings plc, registered in England and Wales. Its consolidated financial statements are available to the public and may be obtained from 10 Lower Thames Street, London EC3R 6AE.