

HSBC Actuaries and Consultants Limited

Directors' Report and

Consolidated Financial Statements

31st December 2003

(Registered Number: 676122)



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HSBC Actuaries and Consultants Limited**Report of the Directors for the Year Ended 31 December 2003****Principal Activities**

The principal activities of the Company and Group are financial management services, in particular pensions consultancy. No change in the Company and Group's activities is anticipated.

Results and Dividends

The Company and Group's results for the year under review are as detailed in the profit and loss account shown in these accounts, on page 5.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2003 (2002: nil).

Business Review

The Company and Group's results were satisfactory.

Directors

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

| Name | Appointed |
|-------------------------------|------------|
| A M M Dixon (Chairman) | |
| A S Fishman (Chief Executive) | |
| J A C Bonnett | |
| D E Clare | |
| D A Clow | |
| T Kemp | 02/05/2003 |
| D Lackenby | |
| R A R Mattingly | |
| A Meikle | |
| D G Parker | |
| M J Paul | 01/02/2003 |

HSBC Actuaries and Consultants Limited

Report of the Directors for the Year Ended 31st December 2003

Directors' interests

All the 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 A M M Dixon whose interests are disclosed in the accounts of HSBC Insurance Holdings Limited.

| HSBC Holdings plc | | |
|----------------------------------|-----------------------|------------------|
| Ordinary Shares of US\$0.50 each | | |
| | 1 January 2003 | 31 December 2003 |
| | (or appointment date) | |
| A S Fishman (Chief Executive) | 218 | 661 |
| J A C Bonnett | 5,979 | 6,274 |
| D E Clare | 3,031 | 3,284 |
| D A Clow | 1,742 | 2,031 |
| T Kemp | 9,577 | 9,716 |
| D Lackenby | 8,117 | 8,270 |
| R A R Mattingly | 5 | 5 |
| A Meikle | 8,637 | 9,269 |
| D G Parker | 1,709 | 3,453 |
| M J Paul | 9,406 | 10,069 |

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 |
| A S Fishman (Chief Executive) | 4,000 | - |
| D E Clare | 2,842 | - |
| D A Clow | 2,228 | - |
| T Kemp | 5,000 | - |
| D Lackenby | 750 | - |
| R A R Mattingly | 1,000 | - |
| A Meikle | 750 | - |
| D G Parker | 3,820 | 1,980 |
| M J Paul | 1,000 | - |

The terms of a number of Employee Benefit Trusts provide that all employees of HSBC Holdings plc and any of its subsidiary undertakings are potential beneficiaries of the Trusts. As potential beneficiaries of the Trusts, each Director of the Company is deemed to have a technical interest in all of the HSBC Holdings plc ordinary shares of US\$0.50 each held by the Trusts. At 31 December 2003 the Trusts held a total of 110,770,974 ordinary shares of US\$0.50 each (1 January 2003: 88,431,358).

Employment of disabled persons

The Company and Group are 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.

HSBC Actuaries and Consultants Limited

Report of the Directors for the Year Ended 31st December 2003

Employment policy

The Company and Group continue 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 and Group'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 manager 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 and Group.

Supplier payment policy

The Company and Group subscribe to the Better Payment Practice Code, the four principles of which are: to agree payment terms at the outset and stick to them; to explain payment procedures to suppliers; to pay bills in accordance with any contract agreed with the supplier or as required by law; and to 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 and Group's trade creditors at 31 December 2003 represented 30 days (2002: 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 Instruments 1997/571.

Statement of directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out in their report on page 4, is made with a view to distinguishing for the shareholder the respective responsibilities of the directors and of the auditors in relation to the financial statements.

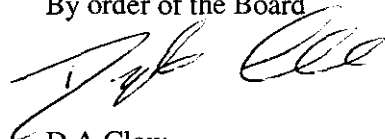
The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and its subsidiary undertakings as at the end of the financial year and of the profit or loss for the financial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

The directors consider that in preparing the financial statements, the Company and Group have 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 and Group keep accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group 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 Group and to prevent and detect fraud and other irregularities.

By order of the Board



D A Clow
Director
24 February 2004

Registered office:
8 Canada Square
London
E14 5HQ

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

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

This report is made solely to the Group and Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Group and Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and Company and the Group and Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 and Group have 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 and Group are 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 2003 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Comr Audit Pl

**KPMG Audit Plc
Chartered Accountants
Registered Auditor
Date: 24 February 2004**

**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 2003

| | Note | 2003 £'000 | 2002 £'000 |
|---|------|---------------|---------------|
| GROUP TURNOVER | 1 | 27,738 | 26,716 |
| Administrative expenses | | (24,965) | (16,874) |
| | | <hr/> | <hr/> |
| GROUP OPERATING PROFIT | | 2,773 | 9,842 |
| Comprising: | | | |
| Group operating profit before pension transfer compensation provision | | 1,735 | 1,651 |
| Pension transfer compensation provision release | | 1,038 | 8,191 |
| | | <hr/> | <hr/> |
| Group operating profit | | 2,773 | 9,842 |
| | | | |
| Other interest receivable and similar income | 2 | 507 | 451 |
| Interest payable and similar charges | 3 | (151) | (276) |
| | | <hr/> | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 4-6 | 3,129 | 10,017 |
| TAXATION | 7 | (912) | (3,134) |
| | | <hr/> | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 2,217 | 6,883 |
| | | <hr/> | <hr/> |
| RETAINED PROFIT FOR THE FINANCIAL YEAR FOR THE GROUP | 18 | 2,217 | 6,883 |
| | | <hr/> | <hr/> |

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

There is no difference between the historical cost profit and loss and that presented above.


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 2003

| | Note | Group | | Company | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 |
| FIXED ASSETS | | | | | |
| Tangible assets | 9 | 353 | 372 | 353 | 372 |
| Investments | 10 | - | - | 105 | 105 |
| | | <u>353</u> | <u>372</u> | <u>458</u> | <u>477</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 11 | 10,601 | 12,222 | 10,601 | 12,222 |
| Cash at bank and in hand | 13 | 14,285 | 19,208 | 14,285 | 19,208 |
| | | <u>24,886</u> | <u>31,430</u> | <u>24,886</u> | <u>31,430</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 14 | (8,940) | (11,571) | (9,045) | (11,676) |
| NET CURRENT ASSETS | | <u>15,946</u> | <u>19,859</u> | <u>15,841</u> | <u>19,754</u> |
| DEBTORS DUE IN MORE THAN ONE YEAR | | 135 | - | 135 | - |
| | | <u>16,081</u> | <u>19,859</u> | <u>15,976</u> | <u>19,754</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>16,434</u> | <u>20,231</u> | <u>16,434</u> | <u>20,231</u> |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 15 | - | (5,950) | - | (5,950) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 16 | (2,855) | (2,919) | (2,855) | (2,919) |
| NET ASSETS | | <u>13,579</u> | <u>11,362</u> | <u>13,579</u> | <u>11,362</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 17 | 9,750 | 9,750 | 9,750 | 9,750 |
| Profit and loss account | 18 | 3,829 | 1,612 | 3,829 | 1,612 |
| EQUITY SHAREHOLDER'S FUNDS | | <u>13,579</u> | <u>11,362</u> | <u>13,579</u> | <u>11,362</u> |

These financial statements were approved by the Board of Directors on 24 February 2004 and were signed on its behalf by:



 Director

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

**Statement of Total Recognised Gains and Losses
for the Year Ended 31st December 2003**

| | <i>Group</i> | | <i>Company</i> | |
|---|---------------|---------------|----------------|---------------|
| | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 |
| Profit and total recognised gains and losses for the financial year | 2,217 | 6,883 | 2,217 | 6,883 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

**Reconciliation of Movement in Shareholder's Funds
for the Year Ended 31st December 2003**

| | <i>Group</i> | | <i>Company</i> | |
|--------------------------------------|---------------|---------------|----------------|---------------|
| | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 |
| Profit for the financial year | 2,217 | 6,883 | 2,217 | 6,883 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net addition to shareholders funds | 2,217 | 6,883 | 2,217 | 6,883 |
| Shareholder's funds at 1st January | 11,362 | 4,479 | 11,362 | 4,479 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Shareholder's funds at 31st December | 13,579 | 11,362 | 13,579 | 11,362 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

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 22 to the Financial Statements.

(d) Turnover

Turnover represents commissions and fees receivable in the UK excluding value added tax. 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 is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

(g) Pension costs

The group and company participate in both the defined benefit and defined contribution sections of the HSBC Bank (UK) Pension Scheme. Accordingly, the contributions for the defined benefit section are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives. For the defined contribution section the charge to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

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 over the period of the lease, in accordance with SSAP21.

(j) **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**

| | 2003 £'000 | 2002 £'000 |
|-----------------|---------------|---------------|
| Group companies | 507 | 451 |
| | <hr/> | <hr/> |

3. **Interest Payable and Similar Charges**

| | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|
| On loans and overdrafts: | | |
| Group companies | 122 | 236 |
| Finance charges payable in respect of finance leases to Group companies | 29 | 40 |
| | <hr/> | <hr/> |
| | 151 | 276 |
| | <hr/> | <hr/> |

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

4. Profit on Ordinary Activities before Taxation

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

| | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|
| Depreciation of tangible fixed assets: | | |
| Finance leases | 59 | 109 |
| Owned assets | 162 | 97 |
| Auditors' remuneration (Company and Group): | | |
| Audit fees | 52 | 52 |
| Regulatory fees | 9 | 9 |
| Operating lease rentals: | | |
| Hire of plant & machinery | 554 | 685 |
| Land & buildings | 413 | 381 |

5. Staff Numbers and Costs

The average number of persons employed by the Group (including Directors) during the year was 397 (2002: 394) and comprised:

| | 2003 No. | 2002 No. |
|---|-------------|-------------|
| Management | 14 | 16 |
| Consultants, pension administrators, actuaries and students | 312 | 309 |
| IT staff | 24 | 21 |
| Office administrators | 47 | 48 |
| | <hr/> | <hr/> |
| | 397 | 394 |
| | <hr/> | <hr/> |

The aggregate payroll costs of these persons were as follows:

| | 2003 £'000 | 2002 £'000 |
|-----------------------|---------------|---------------|
| Salaries and bonuses | 14,597 | 14,125 |
| Social security costs | 1,669 | 1,541 |
| Pension costs | 1,515 | 1,176 |
| | <hr/> | <hr/> |
| | 17,781 | 16,842 |
| | <hr/> | <hr/> |

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

5. Staff Numbers and Costs (cont'd)

Retirement benefits

(i) SSAP 24 Accounting for pensions costs

The group and company are members of the HSBC Bank (UK) Pension Scheme providing benefits based on final pensionable pay. This scheme comprises a fully funded defined benefit scheme and a defined contribution scheme which was established on 1 July 1996 for new employees.

As a result of the most recent actuarial valuation, showing that the scheme was in deficit, the group made a payment to the scheme of £1,350,000, in accordance with the advice of the scheme actuary.

The overall pension charge for the period was £1,515,000 (2002: £1,176,000). Included within this cost is £688,000 in relation to the defined benefit section of the scheme. In 2002 it was not possible to determine the defined benefit portion of the charge and hence the cost was accounted for as if it were a defined contribution scheme. This year the difference between the contributions payable in respect of the accounting period and the charge in the profit and loss account was £240,000 (2002: £nil) and relate to top up payments.

At 31 December 2003 there was a provision prepayment of £1,110,000 in the balance sheet representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme.

(ii) FRS17 Retirement Benefits

The pension costs of the HSBC Bank (UK) Pension Scheme are assessed across its membership as a whole, and it is not possible to determine the share of the scheme's assets and liabilities that relates to the group. Accordingly, the requirements of FRS 17 'Pension Costs' relating to multi-employer schemes apply.

Further information on the scheme and the actuarial valuations is given in the financial statements of HSBC Holdings plc.

6. Directors' Emoluments

a) The emoluments of the Directors comprised:

A.M.M Dixon and T Kemp were 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.

| | 2003 £'000 | 2002 £'000 |
|----------------------------|---------------|---------------|
| Remuneration as executives | 1,396 | 1,232 |
| Pension contributions | 196 | 157 |
| | <hr/> | <hr/> |
| | 1,592 | 1,389 |
| | <hr/> | <hr/> |

b) The emoluments of the highest paid Director were:

| | 2003 £'000 | 2002 £'000 |
|-----------------------|---------------|---------------|
| Remuneration | 313 | 316 |
| Pension contributions | 35 | 33 |
| | <hr/> | <hr/> |
| | 348 | 349 |
| | <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:

| | 2003 No. | 2002 No. |
|------------------------------|-------------|-------------|
| Defined Contribution Schemes | 2 | 2 |
| Defined Benefit Schemes | 8 | 7 |

The number of Directors exercising share options in the year was 1 (2002: 4).

7. Taxation

Analysis of charge in period

| | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|
| <i>UK Corporation Tax</i> | | |
| Current tax on income for the period | 1,035 | 3,118 |
| Adjustments in respect of prior periods | 170 | - |
| Total current tax | <u>1,205</u> | <u>3,118</u> |
| <i>Deferred tax (see note 19)</i> | | |
| Origination/reversal of timing differences | (293) | 16 |
| Total deferred tax | <u>(293)</u> | <u>16</u> |
| Tax on profit on ordinary activities | <u>912</u> | <u>3,134</u> |

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2002: higher) than the standard rate of corporation tax in the UK, 30%, (2002:30%). The differences are explained below.

| Current tax reconciliation | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 3,129 | 10,017 |
| Current tax at 30% (2002:30%) | <u>939</u> | <u>3,005</u> |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 42 | 117 |
| Depreciation for the period in excess of capital allowances | 8 | (4) |
| Other short term timing differences | 46 | - |
| Adjustments to tax charge in respect of previous periods | 170 | - |
| Total current tax charge (see above) | <u>1,205</u> | <u>3,118</u> |

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

8. Profit 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 profit after tax for the financial year a profit of £2,217,000 (2002: £6,883,000) is attributable to the holding company.

9. Tangible Fixed Assets

| | Fixtures, fittings & office equipment | Plant & Machinery | Total |
|-----------------------------------|--|------------------------------|--------------------------|
| | <i>Group and Company</i> | <i>Group and Company</i> | <i>Group and Company</i> |
| | £'000 | £'000 | £'000 |
| Cost: | | | |
| At 1 st January 2003 | 212 | 604 | 816 |
| Additions | 16 | 186 | 202 |
| Disposals | (39) | (323) | (362) |
| | <hr/> | <hr/> | <hr/> |
| At 31 st December 2003 | 189 | 467 | 656 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation: | | | |
| At 1 st January 2003 | 101 | 343 | 444 |
| Charge for the year | 31 | 190 | 221 |
| Disposals | (39) | (323) | (362) |
| | <hr/> | <hr/> | <hr/> |
| At 31 st December 2003 | 93 | 210 | 303 |
| | <hr/> | <hr/> | <hr/> |
| Net book value: | | | |
| At 31 st December 2003 | 96 | 257 | 353 |
| | <hr/> | <hr/> | <hr/> |
| At 1 st January 2003 | 111 | 261 | 372 |
| | <hr/> | <hr/> | <hr/> |

Included within fixed assets are assets for Group and Company held under finance leases at a cost of £42,000 (2002: £343,000) and net book value of £13,000 (2002: £72,000). Depreciation charged on these assets for 2003 was £59,000 (2002: £109,000).

10. Fixed Asset Investments

| | <i>Company</i> | <i>Company</i> |
|------------------------------|----------------|----------------|
| | 2003 | 2002 |
| | £'000 | £'000 |
| Shares in Group undertaking: | | |
| At 31st December 2003 | 105 | 105 |
| | <hr/> | <hr/> |

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

10. Fixed Asset Investments (cont'd)

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 2003.

| 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% |
| 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.

11. Debtors

| | <i>Group</i> | | <i>Company</i> | |
|------------------------------------|---------------|---------------|----------------|---------------|
| | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 |
| Trade debtors | 8,008 | 10,460 | 8,008 | 10,460 |
| Amounts owed by Group undertakings | 1,021 | 1,470 | 1,021 | 1,470 |
| Other debtors | 1,201 | 26 | 1,201 | 26 |
| Prepayments and accrued income | 229 | 266 | 229 | 266 |
| Deferred tax asset | 142 | - | 142 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 10,601 | 12,222 | 10,601 | 12,222 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

12. Debtors due in more than one year

| | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 |
|--------------------|---------------|---------------|---------------|---------------|
| Deferred tax asset | 135 | - | 135 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

13. Cash at Bank and in Hand

| | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|---------------|---------------|
| Group undertakings | | | | |
| Cash deposited with the HSBC Bank plc, a fellow subsidiary of HSBC Holdings plc | 14,285 | 19,208 | 14,285 | 19,208 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

14. Creditors: Amounts falling due within one year

| | <i>Group</i> | | <i>Company</i> | |
|-------------------------------------|---------------|---------------|----------------|---------------|
| | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 |
| Trade creditors | 692 | 663 | 692 | 663 |
| Amounts owed to Group undertakings | 2,523 | 2,599 | 2,628 | 2,704 |
| Corporation tax and Social Security | 840 | 2,858 | 840 | 2,858 |
| Other creditors | 990 | 928 | 990 | 928 |
| Accruals and deferred income | 3,895 | 4,523 | 3,895 | 4,523 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 8,940 | 11,571 | 9,045 | 11,676 |
| | <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.

An amount of £547,000 (£621,000 in 2002) previously disclosed within accruals and deferred income, in respect of refurbishment and dilapidation costs is now separately disclosed within provisions for liabilities and changes (see note 16).

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

| | <i>Group</i> | | <i>Company</i> | |
|------------------------------------|---------------|---------------|----------------|---------------|
| | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 |
| Amounts owed to Group undertakings | - | 5,950 | - | 5,950 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

The loans from Group undertakings were repaid in full during the year.

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

16. Provisions for Liabilities and Charges

| | Pension Transfer Compensation Payments | Other Compensation | Dilapidations | Total |
|--|---|-------------------------------|-------------------------------|-------------------------------|
| | Group and Company £'000 | Group and Company £'000 | Group and Company £'000 | Group and Company £'000 |
| At 1 st January 2003 | 2,068 | 851 | - | 2,919 |
| Amount previously disclosed within accruals | - | - | 621 | 621 |
| Paid during the year | (679) | (233) | (99) | (1,011) |
| Insurance recovery | 1,230 | - | - | 1,230 |
| Increase/(Decrease) during the year | (1,263) | 986 | 25 | (252) |
| Transfers | (652) | - | - | (652) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 st December 2003 | 704 | 1,604 | 547 | 2,855 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

During the year the Company was successful in agreeing settlements with several of its insurers in respect of Pension Transfer Compensation payments.

An amount of £547,000 (£621,000 in 2002) previously disclosed within accruals and deferred income, (see note 14) in respect of refurbishment and dilapidation costs is now separately disclosed within provisions for liabilities and charges above.

17. Called Up Share Capital

| | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|
| Authorised: | | |
| Ordinary shares of £1 each; | 10,000 | 10,000 |
| Issued: | | |
| Share capital allotted, called up, and fully paid | 9,750 | 9,750 |
| | <hr/> | <hr/> |

18. Profit & Loss Account

| | Group | | Company | |
|---------------------------------|---------------|---------------|---------------|---------------|
| | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 |
| Retained loss brought forward | 1,612 | (5,271) | 1,612 | (5,271) |
| Retained profit for the year | 2,217 | 6,883 | 2,217 | 6,883 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Retained profit carried forward | 3,829 | 1,612 | 3,829 | 1,612 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Since 1989 the accumulated amount of goodwill written off directly to reserves is £1,030,000 (2002: £1,030,000) and £1,030,000 (2002: £1,030,000) in the Group and Company respectively.

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

19. Deferred Taxation

The elements of deferred taxation are as follows:

| | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|
| Difference between accumulated depreciation and amortisation and capital allowances | (11) | 16 |
| Other timing differences | (266) | - |
| | <hr/> | <hr/> |
| Undiscounted provision | (277) | 16 |
| | <hr/> | <hr/> |
| Deferred tax asset (see note 11 & 12) | (277) | - |
| Deferred tax liability | - | 16 |
| | <hr/> | <hr/> |
| | (277) | 16 |
| | <hr/> | <hr/> |
| Provision at 1 January 2003 | 16 | |
| Deferred tax credit in profit and loss account for the period (note 7) | (293) | |
| | <hr/> | |
| Deferred tax asset at 31 December 2003 (note 11 & 12) | (277) | |
| | <hr/> | |

20. Lease Commitments

Operating leases

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

| | <i>Company & Group</i> Land & Buildings | | <i>Company & Group</i> Plant & Machinery | |
|----------------------------------|---|---------------|--|---------------|
| | 2003 £'000 | 2002 £'000 | 2003 £'000 | 2002 £'000 |
| Expiring within 1 year | - | - | 107 | 190 |
| Expiring between 2-5 years | - | - | 267 | 282 |
| Expiring after more than 5 years | 413 | 381 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 413 | 381 | 374 | 472 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

HSBC Actuaries and Consultants Limited

Notes to the Financial Statements

Finance leases

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

| | 2003 £'000 | 2002 £'000 |
|-------------------------------------|---------------|---------------|
| Within one year | - | 51 |
| In the second to fifth years | 15 | 24 |
| | <hr/> 15 | <hr/> 75 |
| Future finance charge | (1) | (4) |
| | <hr/> | <hr/> |
| Net obligation under finance leases | 14 | 71 |
| | <hr/> | <hr/> |

21. 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 charges 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.

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 8 Canada Square, London E14 5HQ.