

**HOLMWOODS LIFE & PENSIONS LIMITED**

**Registered No. 950971**

**DIRECTORS' REPORT AND ACCOUNTS**

**31 DECEMBER 1995**



# HOLMWOODS LIFE & PENSIONS LIMITED

## DIRECTORS' REPORT

DIRECTORS:           A C D Ingleby-Mackenzie (Chairman)  
                      J A C Bonnett  
                      D J Higgins  
                      D J L Godfray  
                      M D Davis  
                      E K Constable

SECRETARY:           C A Makepeace

Following the acquisition of Holmwoods Group Limited, the company's intermediate parent, by HSBC Insurance Holdings Limited on 29 September 1995, the accounting reference date of the company was changed from 31 March to 31 December. The Directors, therefore, present their report and the audited financial statements for the nine-month period ended 31 December 1995.

## DIVIDENDS AND TRANSFERS TO RESERVES

The profit and loss account for the period is set out on page 4. An interim dividend of £100,000 was paid on 29 September 1995. The directors do not recommend the payment of a final dividend. The retained profit of £70,071 will be transferred to reserves.

## PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Until 30 September 1995 the company carried on business as a life and pension insurance broker, principally in the United Kingdom, and provided an investment advisory service. On 1 October 1995 the business of the company together with third party assets and liabilities, excluding taxation balances, were transferred to HSBC Gibbs Consulting Limited and a fellow subsidiary undertaking. The company ceased to trade on that date.

## CHANGES TO FIXED ASSETS

The changes to fixed assets are shown in note 7 to the financial statements.

## DIRECTORS

The directors of the company during the period ended 31 December 1995 were those listed above.

## DIRECTORS' INTERESTS

No director has any beneficial interest in the share capital of any company in the HSBC Holdings plc group.

## DIRECTORS' INSURANCE

Directors and officers liability insurance was in force throughout the year.

# HOLMWOODS LIFE & PENSIONS LIMITED

## DIRECTORS' REPORT (Continued)

### DIRECTORS' RESPONSIBILITIES

Company law requires the directors 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 profit or loss of the company for that period. In preparing these financial statements, the directors confirm that they have

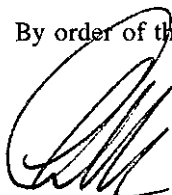
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepared the financial statements on the going concern basis;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### AUDITORS

The auditors, Coopers & Lybrand resigned on 29 September 1995 and the directors appointed KPMG as auditors. A resolution to re-appoint the auditors, KPMG, will be proposed at the Annual General Meeting.

By order of the Board



C A Makepeace  
Secretary

21 March 1996

Registered Office: Rockwood House, 9-17 Perrymount Road, Haywards Heath, West Sussex, RH16 3DU.

# HOLMWOODS LIFE & PENSIONS LIMITED

## REPORT OF THE AUDITORS TO THE MEMBERS OF HOLMWOODS LIFE & PENSIONS LIMITED

We have audited the financial statements on pages 4 to 12.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### 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 company'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 the company's affairs at 31 December 1995 and of its profit for the nine month period then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG  
Chartered Accountants and Registered Auditors  
8 Salisbury Square  
London  
EC4Y 8BB

21 March 1996

# HOLMWOODS LIFE & PENSIONS LIMITED

## PROFIT AND LOSS ACCOUNT

For the period ended 31 December 1995

	Notes	Period ended 31 December 1995 £	Year ended 31 March 1995 £
TURNOVER - Discontinued Operations	1	914 244	1 336 041
Investment income	4	13 899	17 945
<b>TOTAL OPERATING INCOME</b>		<b>928 143</b>	<b>1 353 986</b>
Net operating expenses	2	667 124	1 328 928
<b>OPERATING PROFIT - Discontinued Operations</b>		<b>261 019</b>	<b>25 058</b>
Interest payable	5	3	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>261 016</b>	<b>25 058</b>
Taxation	6	90 945	13 684
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE PERIOD</b>		<b>170 071</b>	<b>11 374</b>
Dividend		100 000	-
		70 071	11 374
Retained profits as at 31 March 1995		198 705	187 331
<b>RETAINED PROFITS AS AT 31 December 1995</b>		<b>268 776</b>	<b>198 705</b>

There were no recognised gains and losses in either the period ended 31 December 1995 or the year ended 31 March 1995 other than the profit and loss for the period.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

# HOLMWOODS LIFE & PENSIONS LIMITED

## BALANCE SHEET

At 31 December 1995

	Notes	31 December 1995 £	31 March 1995 £
<b>FIXED ASSETS</b>			
Tangible assets	7	-	138 726
<b>CURRENT ASSETS</b>			
Debtors	8	734 649	403 460
Cash at bank and in hand	9	-	610 728
		<u>734 649</u>	<u>1 014 188</u>
<b>CREDITORS:</b>			
AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(285 873)	(588 246)
NET CURRENT ASSETS		<u>448 776</u>	<u>425 942</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		448 776	564 668
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	10	(30 000)	(99 089)
PROVISION FOR LIABILITIES AND CHARGES	11	-	(116 874)
NET ASSETS		<u>418 776</u>	<u>348 705</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	150 000	150 000
Profit and loss account		<u>268 776</u>	<u>198 705</u>
EQUITY SHAREHOLDERS' FUNDS		<u>418 776</u>	<u>348 705</u>

The financial statements on pages 4 to 12 were approved by the Board of Directors on 21 March 1996 and were signed on its behalf by:

*D J L Godfray*

.....  
D J L Godfray  
Director

# HOLMWOODS LIFE & PENSIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 1995

### 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

The profit and loss account has been adapted from the statutory format to include investment income in operating profit which, in the opinion of the directors, is the most appropriate form.

#### BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost convention.

#### CASH FLOW STATEMENT

A cash flow statement has not been prepared because the company is a wholly owned subsidiary of HSBC Holdings plc, whose consolidated financial statements include a cash flow statement.

#### TURNOVER

Turnover represents commission and fees earned in the period arising from the company's Life and Pension Insurance Broking activities within the United Kingdom. Commission is recognised in the financial statements on a receipts basis and fees are recognised on an accruals basis. In addition, where material amounts of commission are received that relate to premiums due from the client in future years, such commission is only taken to profit when the premium to which it relates has been settled by the client.

#### TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at original historical cost less accumulated depreciation. Depreciation is provided to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful life as follows:

Office furniture	-	5 - 10 years
Leased motor vehicles	-	4 years or the life of the lease whichever is shorter
Computer systems	-	5 years
Leasehold improvements	-	10 years

#### LEASES

Tangible fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The lease costs are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.

The costs relating to operating leases are charged to the profit and loss account on a straight line basis over the lease term.

#### DEFERRED TAXATION

Provision is made for deferred taxation using the liability method for all material timing differences to the extent that it is probable that a liability or asset will crystallise. Full provision is made for taxation on timing differences arising from the provision of employee pensions.

# HOLMWOODS LIFE & PENSIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the period ended 31 December 1995

### 1. ACCOUNTING POLICIES (continued)

#### PENSION COSTS

The company participates in a defined benefit scheme (see note 15). The cost of providing pensions is calculated using actuarial valuation methods which reflect the long term costs of providing pensions. The amount charged to the profit and loss account is calculated so as to produce a substantially level percentage of the current and future pensionable payroll. Variations from the regular cost so calculated are allocated to the profit and loss account over the average remaining service lives of scheme members.

### 2. NET OPERATING EXPENSES

	Period to 31 December 1995 £	Year to 31 March 1995 £
Depreciation of tangible fixed assets - owned	1 609	5 184
- leased	22 872	42 970
Leasing costs	0	278
Finance charge	7 319	9 791
Auditors' remuneration: Audit services	3 552	7 986
Other services	7 720	5 624
Write-off of SSAP 24 pension prepayment	63 200	-
Provision relating to pension transfer business	-	125 000
Other operating charges	217 041	439 762
Staff costs	343 811	692 333
	<u>667 124</u>	<u>1 328 928</u>

### 3. DIRECTORS AND EMPLOYEES

The average weekly number of persons (including directors) employed by the company during the period was 15 (1995: 23).

Staff costs (for the above persons)

Wages and salaries	274 860	551 261
Social Security costs	25 627	52 534
Other pension costs	37 321	76 118
Other staff costs	6 003	12 420
	<u>343 811</u>	<u>692 333</u>



# HOLMWOODS LIFE & PENSIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the period ended 31 December 1995

### 3. DIRECTORS AND EMPLOYEES (Continued)

Included in the above were the following amounts paid to directors:

	Period to 31 December 1995 £	Year to 31 March 1995 £
Emoluments	<u>151 009</u>	<u>242 973</u>

Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:

The Chairman	<u>Nil</u>	<u>Nil</u>
The highest paid director	<u>52 189</u>	<u>98 617</u>

The number of directors including the Chairman and highest paid director who received fees and other emoluments (including benefits in kind but excluding pension contributions) in the following ranges was:

	Number	Number
£ 0 - £5 000	2	2
£20 001 - £25 000	1	-
£25 001 - £35 000	2	-
£30 001 - £35 000	-	2
£45 001 - £50 000	-	1
£50 001 - £55 000	1	-
£95 001 - £100 000	-	1

### 4. INVESTMENT INCOME

	31 December 1995 £	31 March 1995 £
Interest receivable	<u>13 899</u>	<u>17 945</u>

### 5. INTEREST PAYABLE

On bank overdraft and loans:

Repayable within 5 years, not by instalments

<u>3</u>	<u>-</u>
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# HOLMWOODS LIFE & PENSIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the period ended 31 December 1995

### 6. TAXATION

	31 December 1995 £	31 March 1995 £
UK corporation tax at 33%		
Current	111 801	57 305
Under-provision in respect of prior years	-	135
Deferred taxation	(20 856)	(43 756)
	<u>90 945</u>	<u>13 684</u>

### 7. TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Office Furniture & Equipment £	Computer System £	Motor Vehicle £	Total £
Cost					
At 1 April 1995	6 164	54 532	7 761	189 917	258 374
Transfer to/from fellow subsidiaries	(6 164)	(54 532)	(7 761)	(207 889)	(276 346)
Additions	-	-	-	54 740	54 740
Disposals	-	-	-	(36 768)	(36 768)
At 31 December 1995	-	-	-	-	-
Depreciation					
At 1 April 1995	4 212	47 415	3 507	64 514	119 648
Transfer to/from fellow subsidiaries	(4 520)	(48 377)	(4 154)	(66 360)	(123 411)
Charge for the year	308	962	647	22 564	24 481
Eliminated in respect of disposals	-	-	-	(20 718)	(20 718)
At 31 December 1995	-	-	-	-	-
Net book value					
At 31 December 1995	-	-	-	-	-
At 31 March 1995	1 952	7 117	3 957	83 999	138 726

All motor vehicles are held under finance leases.

# HOLMWOODS LIFE & PENSIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the period ended 31 December 1995

### 8. DEBTORS

	31 December 1995 £	31 March 1995 £
Amounts falling due within one year:		
Trade debtors	-	6 164
Amount due from parent and fellow subsidiary undertakings	734 649	291 501
Pension prepayment	-	63 200
Prepayments and accrued income	-	42 595
	<u>734 649</u>	<u>403 460</u>

### 9. CASH AT BANK AND IN HAND

Included in cash at bank and in hand are deposits amounting to £Nil (1 March 1995: £136,812) which are held on trust in accordance with Financial Services (Clients' Money) Regulations 1987.

### 10. CREDITORS

	31 December 1995 £	31 March 1995 £
Amounts falling due within one year:		
Client money creditors	-	136 812
Amounts owed to parent and fellow subsidiary undertakings	-	7 190
Corporation tax	285 873	174 069
Obligations under finance leases	-	58 503
Accruals	-	51 236
Trade creditors	-	35 902
Deferred income	-	124 534
	<u>285 873</u>	<u>588 246</u>
Amounts falling due after more than one year:		
Loan from Holmwoods Group Limited, interest free and repayable in full at three years notice	30 000	30 000
Obligations under finance leases	-	69 089
	<u>30 000</u>	<u>99 089</u>

# HOLMWOODS LIFE & PENSIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the period ended 31 December 1995

### 11. PROVISION FOR LIABILITIES AND CHARGES

The movement on the provision for the liabilities and charges are as follows:

	Deferred Taxation £	Other Provisions £	Total £
Provision at 1 April 1995	(20 126)	137 000	116 874
Transfer from profit and loss account	(20 856)	-	(20 856)
Transfer to fellow subsidiary undertaking	40 982	(137 000)	(96 018)
Provision at 31 December 1995	-	-	-

Deferred taxation provided in the financial statements, and the total potential liability including the amounts for which provision has been made, are as follows:

#### Amount provided and total potential liability

	31 December 1995 £	31 March 1995 £
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	-	268
Pension prepayment	-	20 856
Provision	-	(41 250)
	-	(20 126)

### 12. CALLED UP SHARE CAPITAL

Authorised, allotted, called up and fully paid

150,000 Ordinary Shares	150 000	150 000
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# HOLMWOODS LIFE & PENSIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the period ended 31 December 1995

### 13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	31 December 1995	31 March 1995
Profit for the financial period	170 071	11 374
Dividends	100 000	-
	<hr/> 70 071	<hr/> 11 374
Other recognised gains and losses	-	-
Net addition to shareholders' funds	<hr/> 70 071	<hr/> 11 374
Opening shareholders' funds	<hr/> 348 705	<hr/> 337 331
Closing shareholders' funds	<hr/> <hr/> 418 776	<hr/> <hr/> 348 705

### 14. CONTINGENT ASSET

The ultimate holding company has an agreement with Brown Shipley Holdings plc. to purchase available taxation losses at 88% of their tax value, subject to Inland Revenue approval. The effect of this would be to reduce the taxation liability of £174,069 (1995: £174,069), disclosed in note 11, by £14,019 (1995: £14,019).

### 15. PENSION COSTS

The company participates in the Holmwoods Group Pension Fund which provides benefits based on final pensionable salary for its employees and also contributes to personal pension plans for selected employees. The assets of the scheme are held independently from the company finances and are administered by the trustees. Pension costs are assessed on the advice of an independent qualified actuary on the basis of regular valuations using the projected unit method. The most recent valuation of the scheme was made as at 1 July 1993. Further details are disclosed in the financial statements of Holmwoods Group Limited.

The aggregate pension charge for the period ended 31 December 1995 calculated in accordance with Statement of Standard Accounting Practice No. 24 was £33,055. This included £9,687 in respect of the amortisation of the deficiency at transition to the Standard, which is being recognised over 16 years, the average remaining service lives of scheme members.

### 16. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent company is HSBC Holdings plc, which is incorporated in Great Britain and registered in England and Wales.

This company heads the smallest and largest group which prepares group accounts into which the results of HSBC Gibbs Limited are consolidated. Copies of the accounts may be obtained from 10 Lower Thames Street, London, EC3R 6AE.