

JAMES CAPEL INVESTMENTS LIMITED

REPORT AND ACCOUNTS

31st DECEMBER 1994

Registered Number : 974343



JAMES CAPEL INVESTMENTS LIMITED

REPORT AND ACCOUNTS 31st December 1994

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JAMES CAPEL INVESTMENTS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors:

D.F. Agar
J.D. Charles
K.M. Patel

Secretary:

G.N. Cross

Registered Office :

Thames Exchange
10 Queen Street Place
London
EC4R 1BL

Auditors:

KPMG
Chartered Accountants
Registered Auditors

JAMES CAPEL INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and accounts of the company for the year ended 31st December 1994. Comparatives are shown for the year ended 31st December 1993.

1. ACTIVITIES

The company traded during the year in a wide range of securities worldwide including equities, warrants, convertibles, options and futures.

2. RESULTS

The loss for the year on ordinary activities before taxation was £3,072,147 (1993 : £251,572). The directors do not recommend the payment of a dividend.

Revenue reserves at 31st December 1994 showed a deficit of £2,225,902 (1993 : £167,714).

3. DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were as set out on page 1.

There have been no changes in the constitution of the board since the end of the year.

The only disclosable interests of those persons who were directors of the company at 31st December 1994 were :

At 31st
December 1994

HSBC Holdings plc

Options on Ordinary shares of 75p

K M. Patel

1,476

The options were granted for nil consideration on 11th April 1994 under the HSBC Holdings Savings Related Share Option Scheme. The options are exercisable between 1st July 1999 and 31st December 1999 at an exercise price of 700.84p.

REPORT OF THE DIRECTORS

4. DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Directors and Officers liability insurance was purchased during the year.

5. AUDITORS

On 6th February 1995 the company's auditors change the name under which they practise to KPMG and, accordingly, have signed their report in their new name.

The auditors have signified their willingness to remain in office.

6. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Auditors' Statement of Auditors' Responsibilities set out on page 4, is made with a view to distinguishing for shareholders 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 as at the end of the financial year and of the profit or loss for the financial year. The directors are required to prepare the financial statements on the going concern basis unless it is not appropriate.

The directors consider that in preparing the financial statements on pages 5 to 11, 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 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.

By Order of the Board



G.N. CROSS

Secretary

17th February 1995

REPORT OF THE AUDITORS TO THE MEMBERS OF JAMES CAPEL INVESTMENTS LIMITED

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of directors and auditors

As described on page 3 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 as at 31st December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors
London
17th February 1995

JAMES CAPEL INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31st December 1994

		Year ended 31st December 1994 £	Year ended 31st December 1993 £
	<u>Note</u>		
Operating (loss)/income	2	(2,213,959)	405,180
Operating expenses	3	(858,188)	(656,752)
Operating loss on ordinary activities before taxation	4	(3,072,147)	(251,572)
Tax on loss on ordinary activities	5	1,013,959	83,858
Loss for the financial year		(2,058,188)	(167,714)
Profit & loss account brought forward		(167,714)	-
Profit & loss account carried forward		(2,225,902)	(167,714)

The company has no recognised gains or losses other than the loss for the financial year. (1993 : Nil). No note of loss on a historical cost basis is included for the reason given in note 1 (v).

The notes on pages 7 to 11 form part of these accounts.

JAMES CAPEL INVESTMENTS LIMITED

BALANCE SHEET 31st December 1994

		31st December 1994 £	31st December 1993 £
	<u>Note</u>		
CURRENT ASSETS			
Debtors	6	1,118,939	5,230,756
Investments	7	98,878,749	3,235,650
Cash at bank and in hand	8	4,844,735	6,105,864
		<hr/>	<hr/>
		104,842,423	14,572,270
CURRENT LIABILITIES			
Creditors : Amounts falling due within one year	9	(106,818,325)	(14,489,984)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,975,902)	82,286
Creditors : Amounts falling due after more than one year			
Subordinated Loan	10	(150,000)	(150,000)
		<hr/>	<hr/>
Net liabilities		(2,125,902)	(67,714)
		<hr/>	<hr/>
CAPITAL AND RESERVES	11		
Called up share capital		100,000	100,000
Profit and loss account		(2,225,902)	(167,714)
		<hr/>	<hr/>
		(2,125,902)	(67,714)
		<hr/>	<hr/>

Approved by the Board of Directors on 17th February 1995
Signed on behalf of the Board of Directors


J.D. CHARLES, Director

The notes on pages 7 to 11 form part of these accounts.

JAMES CAPEL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31st December 1994

1. ACCOUNTING POLICIES

- (i) The accounts are prepared under the historical cost convention as modified by the revaluation of certain securities referred to in note 1 (v), and in accordance with applicable accounting standards.
- (ii) The directors have received an undertaking from the parent James Capel Holdings Limited that it will provide financial and other support for at least the next twelve months. The accounts are accordingly prepared on a going concern basis.
- (iii) The directors are of the opinion that turnover and cost of sales do not have meaningful equivalents in a securities business and they are therefore not included in the profit and loss account.
- (iv) Assets and liabilities in foreign currencies are translated into sterling at exchange rates ruling at the balance sheet date. All trading transactions are translated into sterling at the exchange rate ruling at the time of the transactions. Foreign currency profits and losses arising are treated as normal items of the company's operations.
- (v) Marketable securities held as current trading assets are stated at market value and profits and losses arising from this valuation are taken to the profit and loss account. This is not in accordance with Schedule 4 to the Companies Act 1985 which requires that such assets be stated at the lower of cost and net realisable value, or that if revalued any revaluation differences be taken to revaluation reserve. The directors consider that these requirements would fail to give a true and fair view of the result for the year of a securities dealer that holds readily marketable investments as current assets, since their marketability enables decisions to be taken continually about whether to hold or sell those assets, and hence the economic measure of performance in any period is properly made by reference to market values. It is not practicable to quantify the effect on the accounts of these departures since information on original cost, being of no continuing relevance to the business, is not readily available.
- (vi) Deferred tax is provided on timing differences for taxation purposes at the anticipated tax rates to the extent that it is probable that a liability will crystallise in the foreseeable future.
- (vii) The company's parent undertaking, HSBC Holdings plc, publishes a consolidated cash flow statement in compliance with FRS1. A separate cash flow statement for the company is not required.

JAMES CAPEL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31st December 1994

2. OPERATING INCOME

Operating income comprises profits and losses from dealing in securities and certain items of interest receivable and payable.

Interest receivable and payable in respect of dealing in securities have been included in operating income as, in the opinion of the directors, this presentation is necessary in order to show a true and fair view.

	31st December 1994 £	31st December 1993 £
Included in operating income :		
Interest received and receivable :		
From group undertakings	102,141	24,394
Other	44,563	17,869
Interest paid and payable to group undertakings :		
Bank loans, overdrafts, and other loans repayable within five years	387,360	92,102
	<hr/>	<hr/>

3. OPERATING EXPENSES

Operating expenses solely comprise administrative expenses.

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	31st December 1994 £	31st December 1993 £
The loss on ordinary activities before taxation includes charges for :		
Auditors' remuneration	8,250	8,000
	<hr/>	<hr/>

The company has no employees, the directors being employed by James Capel & Co. Limited. All emoluments paid to such persons are included in the accounts of James Capel & Co. Limited and disclosed as appropriate in that company's accounts.

JAMES CAPEL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31st December 1994

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	31st December 1994 £	31st December 1993 £
Credit in the profit and loss account :		
Group relief receivable at 33% based on the results for the year.	1,013,959	83,858
	<hr/>	<hr/>

6. CURRENT ASSETS : DEBTORS

	31st December 1994 £	31st December 1993 £
Amounts owed by group undertakings	-	5,115,149
Other debtors	21,122	28,738
Group relief receivable	1,097,817	86,869
	<hr/>	<hr/>
	1,118,939	5,230,756
	<hr/>	<hr/>

7. INVESTMENTS

	31st December 1994 £	31st December 1993 £
Bull positions in securities :		
Listed on a recognised investment exchange :		
United Kingdom	98,139,059	-
Overseas	374,822	2,011,540
Unlisted	364,868	1,224,110
	<hr/>	<hr/>
	98,878,749	3,235,650
	<hr/>	<hr/>

At the end of the year the company had the following significant holdings in investments which comprised more than 10% of the company's assets.

Company	Country of Incorporation	Place of Registration	Class of Shares Held	Proportion Held
Wellcome plc	Great Britain	England & Wales	Ordinary 25p	1.6%

JAMES CAPEL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31st December 1994

8. CASH AT BANK AND IN HAND

	31st December 1994 £	31st December 1993 £
Margin and collateral deposits	4,844,735	6,105,864

Of this amount, £2,090,591 represents balances held with group undertakings (1993 : £2,609,792).

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31st December 1994 £	31st December 1993 £
Bank loans and overdrafts	5,784,022	10,134,450
Bear positions in securities	1,809,223	3,685,535
Amounts owed to group undertakings	99,225,080	370,260
Other creditors including taxation and social security	-	299,739
	<hr/> 106,818,325	<hr/> 14,489,984

Bank loans and overdrafts represent balances with group undertakings.

10. SUBORDINATED LOAN

	31st December 1994 £	31st December 1993 £
Amount owed to parent undertaking	150,000	150,000

The loan is repayable on 31st December 2003 and is subject to interest at a rate related to Midland Bank plc base rate.

JAMES CAPEL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31st December 1994

11. CAPITAL AND RESERVES

	31st December 1994 £	31st December 1993 £
Share capital :		
Authorised :		
£1 ordinary shares	100,000	100,000
	<hr/>	<hr/>
Allotted and fully paid :		
£1 ordinary shares	100,000	100,000
	<hr/>	<hr/>

The movement in shareholders' funds is reconciled as follows :

	1994 £	1993 £
Opening (deficit)/surplus on shareholders' funds	(67,714)	100
Increase in allotted share capital	-	99,900
Loss for the financial year	(2,058,188)	(167,714)
	<hr/>	<hr/>
Closing deficit on shareholders' funds	(2,125,902)	(67,714)
	<hr/>	<hr/>

12. ULTIMATE HOLDING COMPANY

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

The group in which the results of the company are consolidated is that headed by HSBC Holdings plc. The consolidated accounts of HSBC Holdings plc are available to the public and may be obtained from 10 Lower Thames Street, London EC3R 6AE.

No other group accounts include the results of the company.