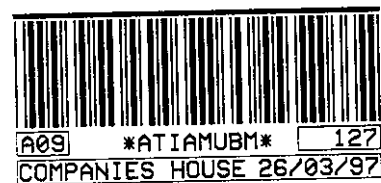


JAMES CAPEL INVESTMENTS LIMITED

REPORT AND ACCOUNTS

31st DECEMBER 1996

Registered Number : 974343



JAMES CAPEL INVESTMENTS LIMITED

Directors:

D.F. Agar
K.M. Patel
R.J. Scurr (appointed 21st February)
J.D. Charles (resigned 18th November 1996)

Secretary:

R.W. Quin

Registered Office :

Thames Exchange
10 Queen Street Place
London
EC4R 1BL

Auditors:

KPMG Audit Plc
Chartered Accountants
Registered Auditor

hwt

JAMES CAPEL INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the accounts of the company for the year ended 31st December 1996.

1. ACTIVITIES

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

2. RESULTS AND DIVIDENDS

The loss for the year after tax was (£224,584) which together with the profit of £839,454 brought forward resulted in a total of £614,870 available for distribution. The directors do not recommend the payment of a dividend.

3. DIRECTORS AND DIRECTORS' INTERESTS

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

None of the directors had interests which require disclosure under the Companies Act 1985 in the share and loan capital of HSBC Holdings plc, the company's ultimate parent company, or its subsidiary undertakings.



JAMES CAPEL INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

4. 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.

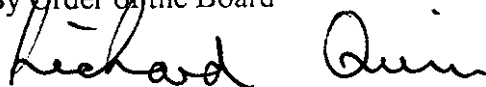
The directors consider that in preparing the financial statements on pages 5 to 11, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have 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.

5. During the year KPMG resigned and KPMG Audit Plc was appointed as auditor of the company. The company is not obliged to reappoint its auditor annually and therefore KPMG Audit Plc will continue in office.

By Order of the Board



R.W. QUIN

Secretary

21st February 1997

JAMES CAPEL INVESTMENTS LIMITED

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 1996 and of its loss 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

London

25 February 1997

hwe

JAMES CAPEL INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st December 1996

		1996 £	1995 £
	<u>Note</u>		
Net operating income	2	(16,863)	29,216,898
Operating expenses	3	(382,623)	(13,500,280)
Operating (loss)/profit on ordinary activities before taxation	4	(399,486)	15,716,618
Tax on (loss)/profit on ordinary activities	5	174,902	(5,151,262)
(Loss)/profit for the financial year		(224,584)	10,565,356
Dividends paid and proposed	6	-	(7,500,000)
(Loss)/profit retained for the financial year		(224,584)	3,065,356
Profit/loss account brought forward		839,454	(2,225,902)
Profit/loss account carried forward		614,870	839,454

The company has no recognised gains or losses other than the profit for the financial year. (1995 : Nil). No note of profit on a historical cost basis is included for the reason given in note 1 (iv).

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

hwc

JAMES CAPEL INVESTMENTS LIMITED

BALANCE SHEET at 31st December 1996

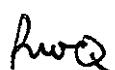
		1996 £	1995 £
	<u>Note</u>		
CURRENT ASSETS			
Debtors	7	371,348	6,628,949
Investments	8	-	1,100,814
Cash at bank and in hand	9	1,394,837	10,350,238
		<hr/>	<hr/>
		1,766,185	18,080,001
CREDITORS : Amounts falling due within one year			
	10	(1,051,315)	(16,990,547)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		714,870	1,089,454
CREDITORS : Amounts falling due after more than one year			
Subordinated Loan	11	-	(150,000)
		<hr/>	<hr/>
		714,870	939,454
CAPITAL AND RESERVES			
	12	<hr/>	<hr/>
Called up share capital		100,000	100,000
Profit and loss account		614,870	839,454
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	12	714,870	939,454
		<hr/>	<hr/>

Approved by the board of directors on 21st February 1997
Signed on behalf of the board of directors



K.M. PATEL, 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 1996

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 (iv), and in accordance with applicable accounting standards.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) The company's parent undertaking, HSBC Holdings plc, publishes a consolidated cash flow statement in compliance with FRS1 (revised). A separate cash flow statement for the company is not required.
- (vi) Related party disclosures

As 100% of the company's voting rights are controlled within the group headed by HSBC Holdings plc, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related Party Disclosures" and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of HSBC Holdings plc, within which this company is included, can be obtained from HSBC Holdings plc, 10 Lower Thames Street, London EC3R 6AE.

hove

JAMES CAPEL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st December 1996

2. NET OPERATING INCOME

Net 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.

	1996 £	1995 £
Included in operating income :		
Interest received and receivable :		
From group undertakings	231,943	267,078
Other	102,860	300,835
Interest paid and payable to group undertakings :		
Bank loans, overdrafts, and other loans repayable within five years	103,660	1,139,091

3. OPERATING EXPENSES

Operating expenses solely comprise administrative expenses.

4. OPERATING (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 £	1995 £
The operating (loss)/profit on ordinary activities before taxation includes charges for :		
Auditors' remuneration	4,000	8,650

The company has no employees, the directors being employed by HSBC Investment Bank plc. All emoluments paid to such persons are included in the accounts of HSBC Investment Bank plc and disclosed as appropriate in that company's accounts.

hwo

JAMES CAPEL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st December 1996

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	1996 £	1995 £
Tax charge/(group relief receivable) at 33% based on the results for the year.	(137,870)	5,149,150
Adjustments in respect of prior years	(37,032)	2,112
	<u>(174,902)</u>	<u>5,151,262</u>

6. DIVIDENDS PAID AND PROPOSED

	1996 £	1995 £
Paid	-	5,000,000
Proposed	-	2,500,000
	<u>-</u>	<u>7,500,000</u>

7. DEBTORS

	1996 £	1995 £
Amounts owed by group undertakings	6,713	6,562,704
Other debtors	364,635	66,245
	<u>371,348</u>	<u>6,628,949</u>

8. INVESTMENTS

	1996 £	1995 £
Long positions in securities at market value		
Listed on a recognised investment exchange :		
Overseas	-	1,100,814
	<u>-</u>	<u>1,100,814</u>

hweq

JAMES CAPEL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31st December 1996

9. CASH AT BANK AND IN HAND

	1996 £	1995 £
Margin and collateral deposits	1,394,837	10,350,238
	<hr/>	<hr/>

Of this amount, £1,394,837 represents balances held with group undertakings (1995 : nil).

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Bank loans and overdrafts	-	6,419,817
Short positions in securities at market value	-	2,912,930
Amounts owed to group undertakings	916,292	2,500,000
Other creditors including taxation and social security	135,023	5,157,800
	<hr/>	<hr/>
	1,051,315	16,990,547
	<hr/>	<hr/>

Bank loans and overdrafts represent balances with group undertakings.

11. SUBORDINATED LOAN

	1996 £	1995 £
Amount owed to parent undertaking	-	150,000
	<hr/>	<hr/>

RWC

JAMES CAPEL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st December 1996

12. CAPITAL AND RESERVES

	1996 £	1995 £
Share capital :		
Authorised :		
£1 ordinary shares	100,000	100,000
	<hr/>	<hr/>
Allotted, called and fully paid :		
£1 ordinary shares	100,000	100,000
	<hr/>	<hr/>

The movement in shareholders' funds is reconciled as follows :

	1996 £	1995 £
Opening surplus/(deficit) on shareholders' funds	939,454	(2,125,902)
(Loss)/profit for the financial year	(224,584)	10,565,356
Dividends paid and proposed	-	(7,500,000)
	<hr/>	<hr/>
Closing surplus on shareholders' funds	714,870	939,454
	<hr/>	<hr/>

13. ULTIMATE PARENT COMPANY

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

The only group of undertakings 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 HSBC Holdings plc, 10 Lower Thames Street, London EC3R 6AE.

hwq