

JAMES CAPEL INVESTMENTS LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1998

Registered Number : 974343



# JAMES CAPEL INVESTMENTS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

The directors present their report and the financial statements of the Company for the year ended 31 December 1998.

### COMPANY'S BUSINESS AND REVIEW

The principal activity of the Company was securities trading.

The profit for the year after taxation amounted to £39,071 (1997 - profit £342,869) which together with the profit of £957,739 brought forward, results in a total profit of £996,810 available for distribution. An interim dividend of £600,000 has been declared leaving £396,810 available for distribution.

### DIRECTORS

The directors who served during the year were as follows:

A.J. Moss (appointed 16 April 1998)  
K. Patel

D. F. Agar (resigned 16 February 1998)  
R.J. Scurr (resigned 3 April 1998)

### DIRECTORS' INTERESTS

The only directors' interests which require disclosure in accordance with the Companies Act 1985 are stated below:

	HSBC Holdings plc Ordinary Shares of 75p each held		HSBC Holdings plc 11.69% Subordinated bonds 2002 held	
	31.12.98	at date of appointment	31.12.98	at date of appointment
A.J. Moss	17	17	3	3

In addition, during the year A.J. Moss was granted options to acquire 4,500 HSBC Holdings plc Ordinary Shares of 75p each.

### AUDITORS

Pursuant to a shareholder's resolution, the Company is not obliged to reappoint its auditors annually and therefore KPMG Audit Plc will continue in office.

JAMES CAPEL INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

YEAR 2000 COSTS

The Company adopts the Year 2000 conformity requirements issued by the British Standards Institution ('BSI') as its definition of Year 2000 compliance.

The Company has assessed the impact of Year 2000 and does not expect its operations to be disrupted up to, during and after the turn of the millennium, as a result of the Company's systems not being Year 2000 compliant.

The Year 2000 compliance programme ('Programme') involves testing all relevant systems to ensure that they are Year 2000 compliant.

The costs of the Year 2000 modifications have been assessed on a group basis and are incorporated within the report of HSBC Holdings plc.

The directors are satisfied with the overall progress of the Programme to date.

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 3, 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.

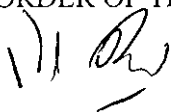
The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The directors are required to prepare the financial statements on the going concern basis unless it is not appropriate.

The directors consider that in preparing the financial statements on pages 4 to 9, 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



P. A. Stafford  
Secretary

Thames Exchange  
10 Queen Street Place  
London EC4R 1BL

10 March 1999

JAMES CAPEL INVESTMENTS LIMITED

REPORT OF THE AUDITORS, KPMG AUDIT PLC, TO THE MEMBER OF JAMES CAPEL INVESTMENTS LIMITED

We have audited the financial statements on pages 4 to 9.

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 as at 31 December 1998 and of its profit 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

15 March 1999

# JAMES CAPEL INVESTMENTS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

		1998 £	1997 £
	<u>Note</u>		
Net operating income	3	56,625	548,195
Operating expenses		<u>-</u>	<u>(58,145)</u>
Operating profit on ordinary activities before taxation	4	56,625	490,050
Tax on profit on ordinary activities	5	<u>(17,554)</u>	<u>(147,181)</u>
Profit on ordinary activities after taxation		39,071	342,869
Dividends	6	<u>(600,000)</u>	<u>-</u>
(Loss)/profit retained for the financial year		<u><u>(560,929)</u></u>	<u><u>342,869</u></u>

## STATEMENT OF RETAINED PROFITS

Balance at 1 January	957,739	614,870
(Loss)/profit for the financial year	<u>(560,929)</u>	<u>342,869</u>
Balance at 31 December	<u><u>396,810</u></u>	<u><u>957,739</u></u>

## TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than the loss for the year.

## CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the year.

JAMES CAPEL INVESTMENTS LIMITED

BALANCE SHEET AT 31 DECEMBER 1998

		1998 £	1997 £
	<u>Note</u>		
CURRENT ASSETS			
Debtors	7	329,090	493,000
Cash at bank and in hand	8	<u>909,426</u>	<u>843,223</u>
		1,238,516	1,336,223
CREDITORS: Amounts falling due within one year			
	9	<u>(741,706)</u>	<u>(278,484)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>496,810</u>	<u>1,057,739</u>
CAPITAL AND RESERVES			
Called up share capital	10	100,000	100,000
Profit and loss account		<u>396,810</u>	<u>957,739</u>
Shareholder's funds - equity	11	<u>496,810</u>	<u>1,057,739</u>

Approved by the board and signed on its behalf on 10 March 1999.



A.J. Moss  
Director

## JAMES CAPEL INVESTMENTS LIMITED

### NOTES FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

#### 1. Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain securities, and in accordance with applicable accounting standards.

As the cash flow statement included in the consolidated financial statements for the ultimate parent company complies with the conditions of Financial Reporting Standard No 1 ("FRS1") (revised 1996) "Cash Flow Statements", the Company is exempt under FRS1 from the requirement to prepare a separate cash flow statement.

The Company has taken advantage of the exemption under Financial Reporting Standard 8 "Related Party Disclosures" not to disclose details of transactions with HSBC Holdings plc or Group subsidiaries, as the consolidated financial statements of HSBC Holdings plc in which James Capel Investments Limited is included are publicly available.

#### 2. Principal accounting policies

##### (a) Income Recognition

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.

##### (b) Foreign Currencies

Assets and liabilities originating in foreign currencies are translated into sterling at exchange rates ruling at the balance sheet date. Income and expense transactions originating in currencies other than sterling 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.

- (c) 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.

JAMES CAPEL INVESTMENTS LIMITED

NOTES FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

3. 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.

	1998 £	1997 £
Included in operating income:		
Interest received and receivable:		
From group undertakings	<u>57,504</u>	<u>98,993</u>

4. Operating profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after crediting:

	1998 £	1997 £
Profit on disposal of fixed asset investments	<u>5,516</u>	<u>-</u>

As in 1997, certain expenses, including auditors' remuneration, have been borne by a parent company and are therefore not charged in arriving at the profit on ordinary activities before taxation.

The Company has no employees. No emoluments were received or are receivable by any director in respect of their services to the Company during the year.

5. Tax on profit on ordinary activities

The charge for UK corporation tax based on the profit for the year comprises:

	1998 £	1997 £
Group relief payable at 31% (1997: 31.5%)	<u>17,554</u>	<u>147,181</u>

6. Dividends

	1998 £	1997 £
Interim dividend payable	<u>600,000</u>	<u>-</u>



JAMES CAPEL INVESTMENTS LIMITED

NOTES FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

7. Debtors

	1998 £	1997 £
Amounts owed by group undertakings	329,090	-
Other debtors	-	493,000
	<u>329,090</u>	<u>493,000</u>

8. Cash at bank and in hand

	1998 £	1997 £
Balance held with group undertakings	<u>909,426</u>	<u>843,223</u>

9. Creditors: amounts falling due within one year

	1998 £	1997 £
Amounts owed to group undertakings:		
Group relief	141,706	278,484
Dividends payable	600,000	-
	<u>741,706</u>	<u>278,484</u>

10. Called up share capital

	1998 £	1997 £
Authorised:		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and full paid:		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

## JAMES CAPEL INVESTMENTS LIMITED

### NOTES FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

#### 11. Reconciliation of movements in shareholder's funds:

	1998 £	1997 £
Profit for the financial year	39,071	342,869
Dividends	(600,000)	-
	(560,929)	342,869
Opening shareholder's funds	1,057,739	714,870
Closing shareholder's funds	496,810	1,057,739

#### 12. Ultimate and immediate parent company

The Company's immediate parent company is HSBC Investment Bank plc, which is registered in England. The Company's ultimate parent company is HSBC Holdings plc, which is registered in England.

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