

JAMES CAPEL INVESTMENTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

Registered Number : 974343



JAMES CAPEL INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 1999.

COMPANY'S BUSINESS AND REVIEW

The principal activity of the Company was securities trading.

The profit for the year after taxation amounted to £13,066 (1998 - profit £39,071) which together with the profit of £396,810 brought forward, results in a total profit of £409,876 available for distribution. The directors do not recommend the payment of a dividend.

DIRECTORS

The directors who served during the year were as follows:

A. J. Moss
K. Patel

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. As a result of a share capital reorganisation implemented on 2 July 1999, each ordinary share of 75p each (or HK\$10 each) was replaced with three ordinary shares of US\$0.50 each.

	HSBC Holdings plc 31.12.1999	HSBC Holdings plc 1.1.1999
	Ordinary shares of US\$0.50 each	Ordinary shares of 75p each
A. J. Moss	7,971	17

As a consequence of the share capital reorganisation, all awards under the Share Option Schemes, made in ordinary shares of 75p each, were adjusted by multiplying the number of shares by three and dividing the relevant exercise price by three. During the year options over shares were granted/exercised as follows:

	Granted: Ordinary shares of 75p each	Exercised: Ordinary shares of 75p each	Exercised: Ordinary shares of US\$0.50 each
A. J. Moss	6,000	1,200	4,428

A. J. Moss held 3 HSBC Holdings plc 11.69% Subordinated Bonds 2002 of £1 throughout the year.

JAMES CAPEL INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (continued)

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.

YEAR 2000

There has been no disruption to the Company's operations, during or since the turn of the millennium, as a result of the Company's systems not being Year 2000 compliant. No disruption is expected and the directors continue to monitor the position.

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

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. Since the directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

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

28 February 2000

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

The directors are responsible for preparing the directors' report and, as described on page 2, 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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has 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 is 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 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 1999 and of its result 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

1 March 2000

JAMES CAPEL INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

		1999 £	1998 £
	<u>Note</u>		
Net operating income	3	30,981	56,625
Operating expenses		<u>(185)</u>	<u>-</u>
Profit on ordinary activities Before taxation	4	30,796	56,625
Tax on profit on ordinary activities	5	<u>(17,730)</u>	<u>(17,554)</u>
Profit on ordinary activities after taxation		13,066	39,071
Dividends on equity shares	6	<u>-</u>	<u>(600,000)</u>
Profit/(Loss) retained for the financial year		<u>13,066</u>	<u>(560,929)</u>

STATEMENT OF RETAINED PROFITS

Balance at 1 January	396,810	957,739
Profit/(Loss) for the financial year	<u>13,066</u>	<u>(560,929)</u>
Balance at 31 December	<u>409,876</u>	<u>396,810</u>

TOTAL RECOGNISED GAINS AND LOSSES

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

CONTINUING OPERATIONS

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

The notes on pages 6 to 9 form part of the financial statements

JAMES CAPEL INVESTMENTS LIMITED

BALANCE SHEET AT 31 DECEMBER 1999

		1999 £	1998 £
	<u>Note</u>		
CURRENT ASSETS			
Debtors	7	329,090	329,090
Cash at bank and in hand	8	<u>340,222</u>	<u>909,426</u>
		669,312	1,238,516
CREDITORS: Amounts falling due within one year	9	<u>(159,436)</u>	<u>(741,706)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>509,876</u>	<u>496,810</u>
CAPITAL AND RESERVES			
Called up share capital	10	100,000	100,000
Profit and loss account		<u>409,876</u>	<u>396,810</u>
Shareholder's funds - equity	11	<u>509,876</u>	<u>496,810</u>

Approved by the board and signed on its behalf on 25 February 2000.


A. J. Moss
Director

The notes on pages 6 to 9 form part of the financial statements

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, on the grounds that it is a wholly owned subsidiary undertaking of HSBC Investment Bank plc, which is wholly owned by HSBC Holdings plc.

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 1999

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.

	1999 £	1998 £
Included in operating income:		
Interest received and receivable: from group undertakings	<u>30,188</u>	<u>57,504</u>

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after crediting:

	1999 £	1998 £
Profit on disposal of fixed asset investments	<u>-</u>	<u>5,516</u>

As in 1998, 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:

	1999 £	1998 £
Group relief payable at 30.25 % (1998: 31%)	9,316	17,554
Understatement in respect of prior year	<u>8,414</u>	<u>-</u>
	<u>17,730</u>	<u>17,554</u>

6. Dividends

	1999 £	1998 £
Interim dividend paid	<u>-</u>	<u>600,000</u>

JAMES CAPEL INVESTMENTS LIMITED

NOTES FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

7. Debtors

	1999 £	1998 £
Amounts owed by group undertakings	<u>329,090</u>	<u>329,090</u>

8. Cash at bank and in hand

	1999 £	1998 £
Balance held with group undertakings	<u>340,222</u>	<u>909,426</u>

9. Creditors: amounts falling due within one year

	1999 £	1998 £
Amounts owed to group undertakings	25,968	-
Group relief payable to group undertaking	133,468	141,706
Dividends proposed	<u>-</u>	<u>600,000</u>
	<u>159,436</u>	<u>741,706</u>

10. Called up share capital

	1999 £	1998 £
Authorised: Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid: 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 1999

11. Reconciliation of movements in shareholder's funds:

	1999	1998
	£	£
Profit on ordinary activities after taxation	13,066	39,071
Dividends	-	(600,000)
	<hr/>	<hr/>
Retained profit/(loss) for the financial year	13,066	(560,929)
Opening shareholder's funds	496,810	1,057,739
	<hr/>	<hr/>
Closing shareholder's funds	509,876	496,810
	<hr/>	<hr/>

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, also registered in England.

The Company's ultimate controlling party as defined under Financial Reporting Standard 8 'Related Party Disclosures' ("FRS 8") is HSBC Holdings plc. The Company is controlled, as defined in FRS 8, by its immediate parent company HSBC Investment Bank plc.

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 HSBC Holdings plc, Group Corporate Affairs, 10 Lower Thames Street, London EC3R 6AE.