

**HSBC International Financial  
Services (UK) Limited**

**Directors' report and financial statements**

**31 December 2000**

Registered number 980554



# **HSBC International Financial Services (UK) Limited**

## **Report of the Directors and Financial Statements**

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# **HSBC International Financial Services (UK) Limited**

## **Report of the Directors**

The Directors submit their report and the audited financial statements of the Company for the year ended 31 December 2000.

### **Results and dividends**

The results of the Company for the year are set out on page 5. The profit for the year after taxation amounted to £33,998,000 (1999: £1,057,000). The Directors do not recommend the payment of a dividend (1999: £638,974).

### **Principal activities and business review**

At the start of the year the Company was the holding company for an international group of companies providing a comprehensive range of banking, financial and related services. A restructure of its activities during the year resulted in the sale of all subsidiaries with the exception of HSBC Europe BV, to HSBC Europe BV, and the subsequent sale of its holding in HSBC Europe BV to its immediate parent company at that time.

During the year the Company assumed the roles of General Partner and Director of the HSBC Capital Funding 1 (UK)- limited partnership. This partnership was established to issue 7.75% Non Cumulative Subordinated Notes, due 2040.

### **Share Capital**

By a Special Resolution passed by the Company on 20 March 2000 the authorised share capital of the Company was increased by the creation of an additional 100,000,000 Non-Voting Redeemable Preference Shares of £1 each. On the same day Midcorp Limited, its immediate parent company subscribed for 118,000,000 Non- Voting Redeemable Preference Shares at par value of £1 each.

### **Change in Ownership**

With effect from 31 October 2000 the ownership of the Company was transferred from Midcorp Limited to HSBC Bank plc, the immediate parent undertaking of Midcorp Limited, as part of an internal HSBC Group restructuring.

### **Directors**

Listed below are the names of all Directors who served on the Board during the year under review:

R K McGregor	(resigned 31 July 2000)
C S O'N Wallis	(resigned 31 July 2000)
T J Day	(appointed 31 July 2000)
A I Pickup	(appointed 31 July 2000)
D M Smith	(appointed 31 July 2000)

# HSBC International Financial Services (UK) Limited

## Report of the Directors *(continued)*

### Directors' interests

The Directors' interests in the share and loan capital of HSBC Holdings plc, the ultimate parent undertaking, as required to be disclosed under the Companies Act 1985, are set out below:

	1 January 2000	31 December 2000
	Ordinary shares of US\$0.50 each	Ordinary shares of US\$0.50 each
T J Day	10,917	15,000
A I Pickup	-	-
D M Smith	2,100	9,803

During the year options over shares were granted/exercised as follows:

	Granted ordinary shares of US\$0.50 each	Exercised ordinary shares of US\$0.50 each
T J Day	5,119	5,730
A I Pickup	6,250	13,500
D M Smith	6,738	7,641

### Supplier Payment Policy

The company subscribes to the Better Payment Practice Code, the four principles of which are to agree payment terms at the outset and stick to them; to explain payment procedures to suppliers; to pay bills in accordance with any contract agreed with the supplier or as required by law; and to tell suppliers without delay when an invoice is contested and settle disputes quickly.

It is Company practice to organise payment to its suppliers through a central purchasing unit operated by HSBC Bank plc, its immediate parent undertaking. The payment performance of this unit is incorporated within the results of that company.

# HSBC International Financial Services (UK) Limited

## 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, 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 these financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has 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, 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.

On behalf of the Board



**RH Musgrove**  
*Secretary*

10 Lower Thames Street  
London  
EC3R 6AE

14 September 2001

# **HSBC International Financial Services (UK) Limited**

## **Report of the Auditors, KPMG Audit Plc to the members of HSBC International Financial Services (UK) Limited**

We have audited the financial statements on pages 5 to 12.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, 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 2000 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

*14 September 2001*

# HSBC International Financial Services (UK) Limited

## Profit and loss account

for the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Income from shares in group undertakings		-	2,159
Other operating income		5	-
Other operating expenses		<u>(2)</u>	<u>(225)</u>
<b>Operating profit</b>		3	1,934
Interest payable and similar charges		-	(1,998)
Gain on disposal of investments	3	<u>34,026</u>	<u>-</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	4	34,029	(64)
Tax on ordinary activities	6	<u>(31)</u>	<u>1,121</u>
<b>Profit on ordinary activities after taxation</b>		33,998	1,057
Dividends	7	-	(639)
<b>Retained profit for the year</b>	12	<u>33,998</u>	<u>418</u>

All amounts relate to continuing activities.

The notes on pages 8 to 12 form part of the financial statements.

# HSBC International Financial Services (UK) Limited

## Balance sheet at 31 December 2000

	Note	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Investments	8	1	374,578
<b>Current assets</b>			
Debtors	9	408,820	499
Cash at bank and in hand		-	4,084
		<u>408,820</u>	<u>4,583</u>
<b>Creditors: amounts falling due within one year</b>	10	-	(122,338)
<b>Net current assets</b>		<u>408,820</u>	<u>(117,755)</u>
<b>Total assets less current liabilities</b>		408,821	256,823
<b>Net assets</b>		<u>408,821</u>	<u>256,823</u>
<b>Capital and reserves</b>			
Called up share capital	11	164,127	46,127
Share premium account	12	113,076	113,076
Revaluation reserve	12	-	96,821
Profit and loss account	12	131,618	799
		<u>408,821</u>	<u>256,823</u>

These financial statements were approved by the Board of Directors on 14<sup>th</sup> September 2001 and were signed on its behalf by:



**T J Day**  
Director

The notes on pages 8 to 12 form part of the financial statements.



## HSBC International Financial Services (UK) Limited

### Statement of total recognised gains and losses for the year ended 31 December 2000

	2000 £'000	1999 £'000
Profit for the financial year	33,998	1,057
Write-up of investments in subsidiary undertakings to net asset value, including attributable goodwill	-	65,814
<b>Total recognised gains for the year</b>	<u>33,998</u>	<u>66,871</u>

### Reconciliation of movements in shareholders' funds for the year ended 31 December 2000

	2000 £'000	1999 £'000
Profit for the financial year	33,998	1,057
Dividends	-	(639)
	33,998	418
Other recognised gains relating to the year	-	65,814
Increase in issued share capital	118,000	-
Net increase in shareholders' funds	151,998	66,232
Opening shareholders' funds	256,823	190,591
<b>Closing shareholders' funds</b>	<u>408,821</u>	<u>256,823</u>

No note of historical cost profits and losses has been presented as there is no material difference between the Company's results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

The notes on pages 8 to 12 form part of the financial statements.

# HSBC International Financial Services (UK) Limited

## Notes on the Accounts

### 1 Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments in subsidiary undertakings, the policy for which is set out below, and in accordance with applicable accounting standards.

In accordance with Section 228 (i) of the Companies Act 1985, group accounts have not been prepared, as the Company is a wholly owned subsidiary of a parent undertaking incorporated in the European Union, for which consolidated accounts are prepared.

In accordance with Financial Reporting Standard 1 (revised 1996), "Cash Flow Statements", no cash flow statement is presented as all voting rights are controlled by HSBC Holdings plc which publishes such a statement in its own publicly available accounts.

The Company is involved solely in its principal activity as described in the Report of the Directors, and accordingly no analysis by business segment is given.

The Company complies with the requirements of Financial Reporting Standard 8, "Related Party Disclosures". No disclosure is presented of transactions between the Company and entities that are part of the HSBC Group in accordance with the exemptions granted to qualifying subsidiary undertakings under FRS 8, "Related Party Disclosures".

### 2 Principal accounting policies

#### (a) *Deferred taxation*

Deferred taxation is provided on timing differences, using the liability method, between the accounting and taxation treatment of income and expenditure. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### (b) *Foreign currencies*

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the year-end.

Exchange differences arising from the retranslation of opening foreign currency net investments and the related cost of hedging and exchange differences arising from retranslation of the result of the year from the average rate to the exchange rate ruling at the year-end are accounted for in reserves.

Other exchange differences are recognised in the profit and loss account.

#### (c) *Dividend income*

Dividends received and receivable are stated gross of overseas withholding tax credits.

# HSBC International Financial Services (UK) Limited

## Notes on the Accounts (*continued*)

### (d) *Investments*

The Company's investments in subsidiary undertakings are stated at attributable net asset values, including goodwill. Changes in the net tangible assets of subsidiary undertakings are accounted for as movements in the revaluation reserve.

Other investments other than loans are stated at cost.

### 3 **Gain on disposal of Investments**

Gains on disposal of investments attracted a tax charge of £nil.

### 4 **Profit on ordinary activities before taxation**

Certain expenses, including auditors' remuneration, have been borne by HSBC Bank plc and are therefore not charged in arriving at the profit on ordinary activities before taxation.

### 5 **Directors and employees**

No emoluments were received or are receivable by any Director in respect of his services during the year (1999 £nil). The Company did not have any employees during the year (1999: nil).

### 6 **Tax on ordinary activities**

The charge/(credit) for taxation comprises:

	2000 £'000	1999 £'000
UK corporation tax at 30.00% (1999: 30.25%)	199	5,745
Relief for overseas tax	(168)	(3,485)
	<u>31</u>	<u>2,260</u>
UK corporation tax - prior year	-	(1,981)
Deferred tax - current year	-	(2,290)
- prior year	-	<u>890</u>
	<u>31</u>	<u>(1,121)</u>

### 7 **Dividends**

	2000 £'000	1999 £'000
Interim dividends	<u>-</u>	<u>639</u>

# HSBC International Financial Services (UK) Limited

## Notes on the Accounts (*continued*)

### 8 Investments

	Other investments other than loans £'000	Shares in group undertakings £'000	Total £'000
At 1 January 2000	13	374,565	374,578
Additions	1	-	1
Disposals	<u>(13)</u>	<u>(374,565)</u>	<u>(374,578)</u>
At 31 December 2000	<u>1</u>	<u>-</u>	<u>1</u>

### 9 Debtors

	2000 £'000	1999 £'000
Amounts owed by parent undertaking	408,820	-
Dividends receivable from subsidiary undertakings	<u>-</u>	<u>499</u>
	<u>408,820</u>	<u>499</u>

### 10 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Amounts owed to parent undertaking	-	122,255
Sundry creditors	<u>-</u>	<u>83</u>
	<u>-</u>	<u>122,338</u>

# HSBC International Financial Services (UK) Limited

## Notes on the Accounts *(continued)*

### 11 Called up share capital

	'A' ordinary shares £'000	'B' ordinary shares £'000	'C' ordinary shares £'000	Non-voting redeemable preference shares £'000	Total £'000
<b>Authorised shares of £1 each</b>					
At 31 December 1999	<u>8</u>	<u>2</u>	<u>49,990</u>	<u>100,000</u>	<u>150,000</u>
At 31 December 2000	<u>8</u>	<u>2</u>	<u>49,990</u>	<u>200,000</u>	<u>250,000</u>
<b>Issued, allotted and fully paid shares of £1 each</b>					
At 31 December 1999	<u>8</u>	<u>2</u>	<u>46,117</u>	<u>-</u>	<u>46,127</u>
At 31 December 2000	<u>8</u>	<u>2</u>	<u>46,117</u>	<u>118,000</u>	<u>164,127</u>

Class C Shares are non-voting and not entitled to dividends, but rank with A and B shares in the event of a winding up.

Non voting redeemable preference shares have no voting or dividend rights but in the event of a winding up would be paid out prior to the Ordinary shares, in paying to the holders of preference shares *pari passu* the capital paid on such shares; a sum equal to the deficiency of any dividends payable but remaining unpaid.

The company may at any time redeem whole or part of the preference shares and is not entitled to redeem any preference shares unless they are fully paid up. The company will pay on surrender to the company for cancellation the amount due upon redemption including any arrears outstanding in respect of dividends.

# HSBC International Financial Services (UK) Limited

## Notes on the Accounts (*continued*)

### 12 Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2000	113,076	96,821	799
Profit for the year	-	-	33,998
Sale of subsidiaries to HSBC Europe BV	-	(96,821)	96,821
At 31 December 2000	<u>113,076</u>	<u>-</u>	<u>131,618</u>

### 13 Parent undertakings

The ultimate parent undertaking and the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is HSBC Holdings plc, and the parent of the smallest such group is HSBC Bank plc, both of which are incorporated in England. The results of the Company are included in the group financial statements of HSBC Bank plc and HSBC Holdings plc.

HSBC Bank plc is the Company's direct controlling party and HSBC Holdings plc is the Company's ultimate controlling party as defined under FRS 8, "Related Party Disclosures".

Copies of the financial statements of HSBC Bank plc and HSBC Holdings plc may be obtained from:

HSBC Bank plc  
Poultry  
London  
EC2P 2BX

HSBC Holdings plc  
10 Lower Thames Street  
London  
EC3R 6AE