

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

**Directors' report and financial statements**

**31 December 2001**

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 2001.

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

The Company continued in the roles of General Partner and Director of the HSBC Capital Funding 1 (UK) Limited Partnership. This Partnership was established to hold 7.75% Non Cumulative Subordinated Notes, due 2040 issued by HSBC Bank plc's Paris branch. On 15 March 2001 HSBC Finance (Netherlands), the Limited Partner made a second capital contribution to the Limited Partnership of € 1,000 million by way of assignment to the Limited Partnership of a € 1,000 million Subordinated Loan 2012 issued by HSBC Bank plc's Paris branch.

### **Results and dividends**

The results of the Company for the year are set out on page 5. The Company made neither a profit or a loss on its ordinary activities before taxation during the year under review (2000: £34,029,000) resulting in a £nil profit after taxation for the year. (2000: £33,998,000). An interim dividend of £131,500,000 (2000: £nil) is payable in respect of the year ended 31 December 2001.

### **Directors**

The directors who served during the year were as follows:

T J Day  
A I Pickup  
D M Smith

# 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 2001	31 December 2001
	Ordinary shares of US\$0.50 each	Ordinary shares of US\$0.50 each
T J Day	15,000	12,515
A I Pickup	-	-
D M Smith	9,803	10,179

During the year options over HSBC Holdings plc ordinary shares of USD\$0.50 were granted/exercised as follows:

	Granted ordinary shares of US\$0.50 each	Exercised ordinary shares of US\$0.50 each
T J Day	4,000	-
A I Pickup	-	-
D M Smith	6,500	-

The directors had no interest in the share capital of the company.

### 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. Copies of, and information about, the Code is available from: The Department of Trade and Industry, No. 1 Victoria Street, London SW1H 0ET.

# **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.

By order of the Board



**RH Musgrove**  
*Secretary*

8 Canada Square  
London  
E14 5HQ

3 SEPTEMBER 2002

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

## **Independent Auditor's Report 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 1985. 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 2001 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

*3 September* 2002

# HSBC International Financial Services (UK) Limited

## Profit and loss account

*for the year ended 31 December 2001*

	Note	2001 £'000	2000 £'000
Other operating income		-	5
Other operating expenses		<u>-</u>	<u>(2)</u>
<b>Operating profit</b>		-	3
Gain on disposal of investments	3	<u>-</u>	<u>34,026</u>
<b>Profit on ordinary activities before taxation</b>	4	-	34,029
Tax on ordinary activities	6	<u>-</u>	<u>(31)</u>
<b>Profit on ordinary activities after taxation</b>		-	33,998
Dividends	7	<u>(131,500)</u>	<u>-</u>
<b>Retained (loss)/ profit for the year</b>	12	<u>(131,500)</u>	<u>33,998</u>

All amounts relate to continuing activities. All recognised gains and losses are included in the profit and loss account.

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

# HSBC International Financial Services (UK) Limited

## Balance sheet at 31 December 2001

	Note	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Investments	8	1	1
<b>Current assets</b>			
Debtors	9	<u>408,820</u>	<u>408,820</u>
		408,820	408,820
<b>Creditors: amounts falling due within one year</b>	10	<u>(131,500)</u>	<u>-</u>
<b>Net current assets</b>		<u>277,320</u>	<u>408,820</u>
<b>Total assets less current liabilities</b>		<u>277,321</u>	<u>408,821</u>
<b>Net assets</b>		<u>277,321</u>	<u>408,821</u>
<b>Capital and reserves</b>			
Called up share capital	11	164,127	164,127
Share premium account	12	113,076	113,076
Profit and loss account	12	118	131,618
		<u>277,321</u>	<u>408,821</u>

These financial statements were approved by the Board of Directors on 3<sup>rd</sup> September 2002 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

### Reconciliation of movements in shareholders' funds *for the year ended 31 December 2001*

	2001 £'000	2000 £'000
Profit for the financial year	-	33,998
Dividends	<u>(131,500)</u>	<u>-</u>
Increase in issued share capital	<u>-</u>	<u>118,000</u>
Net (decrease)/ increase in shareholders' funds	(131,500)	151,998
Opening shareholders' funds	<u>408,821</u>	<u>256,823</u>
<b>Closing shareholders' funds</b>	<u><b>277,321</b></u>	<u><b>408,821</b></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". The Company has adopted the provisions of Financial Reporting Standard 18, "Accounting Policies".

### 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.

# HSBC International Financial Services (UK) Limited

## Notes on the Accounts (*continued*)

### (c) *Investments*

The Company's investments in subsidiary undertakings are stated at net asset values, including attributable goodwill. Changes in the net 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**

There were no disposals of investments during the year.

### 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 (2000: *£nil*). The Company did not have any employees during the year (2000: *nil*).

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

The charge for taxation comprises:

	2001 £'000	2000 £'000
UK corporation tax at 30.00% (2000: 30.00%)	-	199
Relief for overseas tax	<u>-</u>	<u>(168)</u>
	<u>-</u>	<u>31</u>

### 7 **Dividends**

	2001 £'000	2000 £'000
Interim dividends	<u>131,500</u>	<u>-</u>

# HSBC International Financial Services (UK) Limited

## Notes on the Accounts (*continued*)

### 8 Investments

	Other investments	Total
	£'000	£'000
At 1 January 2001	1	1
Additions	-	-
Disposals	-	-
At 31 December 2001	<u>1</u>	<u>1</u>

### 9 Debtors

	2001 £'000	2000 £'000
Amounts owed by parent undertaking	<u>408,820</u>	<u>408,820</u>

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

	2001 £'000	2000 £'000
Dividend payable to parent undertaking	<u>131,500</u>	<u>-</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 2000	<u>8</u>	<u>2</u>	<u>49,990</u>	<u>200,000</u>	<u>250,000</u>
At 31 December 2001	<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 2000	<u>8</u>	<u>2</u>	<u>46,117</u>	<u>118,000</u>	<u>164,127</u>
At 31 December 2001	<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.

## Notes on the Accounts (*continued*)

### 12 Reserves

## HSBC International Financial Services (UK) Limited

	Share premium account £'000	Profit and loss account £'000
At 1 January 2001	113,076	131,618
Profit for the year	-	-
Dividend payable	<u>-</u>	<u>(131,500)</u>
At 31 December 2001	<u>113,076</u>	<u>118</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  
8 Canada Square  
London  
E14 5HQ

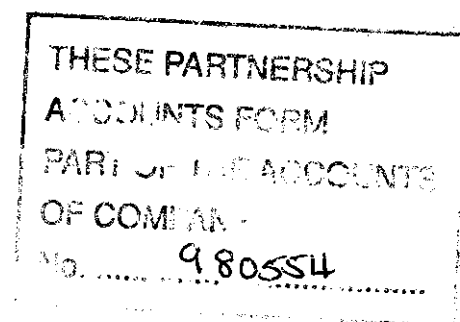
HSBC Holdings plc  
8 Canada Square  
London  
E14 5HQ

**HSBC Capital Funding 1 (UK)  
Limited Partnership**

**Audited financial statements**

**31 December 2001**

Registered number      LP7183



# **HSBC Capital Funding 1 (UK) Limited Partnership**

## **Report of the General Partner and Financial Statements**

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# **HSBC Capital Funding 1 (UK) Limited Partnership**

## **Report of the General Partner**

The General Partner submits its report and the audited financial statements of the Limited Partnership for the year ended 31 December 2001.

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

The Limited Partnership continued in its business of acquiring and holding subordinated debt with HSBC International Financial Services (UK) Ltd, a subsidiary of HSBC Bank plc, as General Partner, and HSBC Finance (Netherlands), a fellow subsidiary undertaking of HSBC Holdings plc, as Limited Partner. On 15 March 2001 the Limited Partner made a second capital contribution to the Limited Partnership of € 1,000 million by way of assignment to the Limited Partnership of a € 1,000 million Subordinated Loan due 2012 issued by HSBC Bank plc's Paris branch.

### **Results and distributions**

The results of the Limited Partnership for the year are set out on page 4. The Partnership made a profit on its ordinary activities before taxation during the year under review of € 113,909,000 (2000: € 11,625,000) resulting in a profit after taxation for the year of € 113,909,000 (2000: € 11,625,000). A distribution has been accrued of € 113,909,000 in respect of the year ended 31 December 2001.

### **General partner**

HSBC International Financial Services (UK) Limited is the General Partner of the Limited Partnership, appointed 24 October 2000.

### **Supplier payment policy**

The Limited Partnership 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. Copies of, and information about, the Code is available from: The Department of Trade and Industry, No. 1 Victoria Street, London SW1H 0ET.

## **HSBC Capital Funding 1 (UK) Limited Partnership**

### **Statement of General Partner's 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 the partners the respective responsibilities of the General Partner and of the Auditors in relation to the financial statements.

The General Partner is required by the partnership agreement to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Limited Partnership as at the end of the financial year and of the profit or loss for the financial year. The General Partner is required to prepare these financial statements on the going concern basis unless it is not appropriate. Since the General Partner is satisfied that the Limited Partnership has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The General Partner considers that in preparing the financial statements, the Limited Partnership 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 General Partner has responsibility for ensuring that the Limited Partnership keeps accounting records which disclose with reasonable accuracy the financial position of the Limited Partnership and which enable it to ensure that the financial statements comply with the partnership agreement.

The General Partner has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Limited Partnership and to prevent and detect fraud and other irregularities.

Signed on behalf of



**HSBC International Financial Services (UK) Ltd**  
*General Partner*

# **HSBC Capital Funding 1 (UK) Limited Partnership**

## **Independent Auditor's Report to the Partners of HSBC Capital Funding 1(UK) Limited Partnership**

We have audited the financial statements on pages 4 to 10.

### **Respective responsibilities of General Partner and auditors**

The General Partner is responsible for preparing the General Partner's report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility, as independent auditors, is 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 General Partner in the preparation of the financial statements and of whether the accounting policies are appropriate to the Limited Partnership'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 Limited Partnership's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared on the basis of the accounting policies set out in notes 1 and 2 and, in accordance with the partnership agreement dated 24 October 2000.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

London

*3 September* 2002

## HSBC Capital Funding 1 (UK) Limited Partnership

### Profit and loss account *for the year ended 31 December 2001*

	Note	2001 € '000	2000 € '000
Interest receivable		113,909	11,625
<b>Operating profit</b>	3	<u>113,909</u>	<u>11,625</u>
Tax on ordinary activities		-	-
<b>Profit on ordinary activities after taxation</b>		<u>113,909</u>	<u>11,625</u>
Distribution payable		(113,909)	(11,625)
<b>Retained profit for the period</b>		<u>-</u>	<u>-</u>

All amounts relate to continuing activities. All recognised gains and losses are included in the profit and loss account.

The notes on pages 7 to 10 form part of the financial statements.

# HSBC Capital Funding 1 (UK) Limited Partnership

## Balance sheet

at 31 December 2001

	Note	2001 € '000	2000 € '000
<b>Fixed assets</b>			
Investments	5	1,900,000	900,000
<b>Current assets</b>			
Cash at bank and in hand		2	2
Interest receivable		<u>18,354</u>	<u>-</u>
		18,356	2
<b>Current liabilities</b>			
Dividend payable		<u>(18,354)</u>	<u>-</u>
<b>Net current assets</b>		<u>2</u>	<u>2</u>
<b>Total assets less current liabilities</b>		1,900,002	900,002
		<u>          </u>	<u>          </u>
<b>Net assets</b>		<u>1,900,002</u>	<u>900,002</u>
<b>Capital and reserves</b>			
Partners' funds	6	1,900,002	900,002
		<u>          </u>	<u>          </u>
		<u>1,900,002</u>	<u>900,002</u>

The Board of the General Partner approved these financial statements on 3<sup>rd</sup> September 2002.

## HSBC International Financial Services (UK) Limited

Director:



Director:



The notes on pages 7 to 10 form part of the financial statements.

## HSBC Capital Funding 1 (UK) Limited Partnership

### Reconciliation of movements in partners' funds *for the year ended 31 December 2001*

	2001 € '000	2000 € '000
Profit for the financial year available for distribution	113,909	11,625
Distribution payable	(113,909)	(11,625)
Capital contribution	<u>1,000,000</u>	<u>900,002</u>
Net increase in partners' funds	1,000,000	900,002
Opening partners' funds	<u>900,002</u>	<u>-</u>
<b>Closing partners' funds</b>	<b><u>1,900,002</u></b>	<b><u>900,002</u></b>

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

The notes on pages 7 to 10 form part of the financial statements.

# HSBC Capital Funding 1 (UK) Limited Partnership

## Notes on the accounts

### 1 **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The Limited Partnership is involved solely in its principal activity as described in the Report of the General Partner, and accordingly no analysis by business segment is given.

The Limited Partnership complies with the requirements of Financial Reporting Standard 8, "Related Party Disclosures". No disclosure is presented of transactions between the Limited Partnership 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". The Limited Partnership has adopted the provisions of Financial Reporting Standard 18, "Accounting Policies".

### 2 **Principal accounting policies**

#### **(a) Debt Securities**

Debt Securities intended to be held on a continuing basis are included in the balance sheet at cost less provision for any permanent diminution in value if appropriate.

### 3 **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.

### 4 **General Partner and employees**

The Limited Partnership did not have any employees during the period and no emoluments were receivable by the General Partner in respect of its services during the period. (2000: nil)

# HSBC Capital Funding 1 (UK) Limited Partnership

## Notes on the accounts (*continued*)

### 5 Investments

	Debt securities € '000
At 1 January 2001	900,000
Additions	<u>1,000,000</u>
At 31 December 2001	<u>1,900,000</u>

This amount represents investments of i) € 900 million in a 7.75% Cumulative Subordinated Note, due 2040, issued by HSBC Bank plc's Paris Branch. The Subordinated Note may be redeemed at the option of the issuer on the interest payment date in 2010, or any interest payment date thereafter. ii) € 1,000 million in a floating rate Subordinated Loan, due 2012, assigned to the Limited Partnership by the Limited Partner and issued by HSBC Bank plc's Paris Branch. The Subordinated Loan may be redeemed at the option of the bank's Paris branch on the interest payment date in 2007, or on any interest payment date thereafter.

### 6 Analysis of partners' funds

	Partners' funds €' 000
At 1 January 2001	900,002
Capital contributions	1,000,000
Retained profit for the period	<u>-</u>
At 31 December 2001	<u>1,900,002</u>



# HSBC Capital Funding 1 (UK) Limited Partnership

## Notes on the accounts (*continued*)

### 7 Partnership interests

The following information provides a summary of the main rights of the General Partner and the Limited Partner. It does not attempt to provide details of all circumstances, terms and conditions and reference should also be made to the detailed provisions contained within the Deed of Limited Partnership and the Limited Liability Partnerships Act 2000 and Regulations 2001.

#### *a) Income distributions*

The Limited Partner is entitled to receive income distributions on the distribution dates commencing 31 October 2001 which is calculated as:

i) the lower of a) the amount of interest received by the Limited Partnership in respect of the Subordinated Loan 2012 and b) the profit of the Limited Partnership available for that distribution period, and ii) the lower of a) € 69,750,000 and b) the profit of the Limited Partnership for that distribution period less amounts paid under i).

There are limitations on the payment of the Limited Partner's profit share if HSBC Bank plc, an intermediate parent company of the Limited Partnership, is prohibited under United Kingdom banking regulations or other requirements from paying dividends or further distributions on its parity obligations, or if HSBC Bank plc has insufficient distributable reserves.

#### *b) Capital entitlement*

The Limited Partner is entitled to receive a capital payment on liquidation of the Limited Partnership. This payment will be made in cash out of the assets of the Limited Partnership following the claims of all other creditors of the Limited Partnership but before any distribution of assets is made to the General Partner.

#### *c) Voting rights*

The General Partner alone shall have the right to manage and control the business and affairs of the Limited Partnership. The Limited Partner shall not participate in or have any control over the Limited Partnership business or vote on matters relating to the Limited Partnership except in very limited circumstances.

# HSBC Capital Funding 1 (UK) Limited Partnership

## Notes on the accounts (*continued*)

### 8 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 Limited Partnership 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 Limited Partnership are included in the group financial statements of HSBC Bank plc and HSBC Holdings plc.

HSBC Bank plc is the Limited Partnership's direct controlling party and HSBC Holdings plc is the Limited Partnership'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  
8 Canada Square  
London  
E14 5HQ

HSBC Holdings plc  
8 Canada Square  
London  
E14 5HQ