

JAMES CAPEL SERVICES LIMITED

REPORT AND ACCOUNTS

31st DECEMBER 1995

Registered Number : 1524046



JAMES CAPEL SERVICES LIMITED

REPORT AND ACCOUNTS 31st December 1995

<u>CONTENTS</u>	<u>PAGE</u>
Officers and professional advisers	1
Report of the directors	2-4
Report of the auditors to the members	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8-15

JAMES CAPEL SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors: P.A. Letley  
J.D. Charles  
I.D.K. Shepherd

Secretary: G.N. Cross

Registered Office: Thames Exchange  
10 Queen Street Place  
London  
EC4R 1BL

Auditors: KPMG  
Chartered Accountants  
Registered Auditors

# JAMES CAPEL SERVICES LIMITED

## REPORT OF THE DIRECTORS

The directors present their report and accounts of the company for the year ended 31st December 1995. Comparatives are shown for the year ended 31st December 1994.

### 1. ACTIVITIES

The company's main activities during the year have been: to hold and to lease out motor vehicles, equipment and other fixed assets; and to provide Personal Equity Plan administration services.

### 2. REVIEW OF THE FINANCIAL YEAR AND FUTURE DEVELOPMENTS

The company has recorded a profit before tax for the year of £3,437,000. Of this, £2,200,000 relates to a write-back of the company's provision for the costs of unoccupied premises, more fully described in note 6 of the financial statements. The remainder relates primarily to the net profit on leasing out fixed assets, together with profits on disposals of such assets.

The company has an informal agreement with James Capel & Co. Limited whereby it charges a rental for that company's use of the fixed assets employed in its business.

On 1st November 1995 the company disposed of a Personal Equity Plan administration business to its affiliated company James Capel & Co. Limited. This is more fully described in note 2 to the accounts.

### 3. RESULTS

The results for the year are as follows:

	1995 £'000	1994 £'000
Revenue	6,783	8,057
Profit on ordinary activities before tax	3,437	2,136
Tax credit	394	1,965
Profit on ordinary activities after tax for the financial year	3,831	4,101

The directors do not recommend the payment of a dividend in respect of the year (1994 : £nil).

Reserves at 31st December 1995 amounted to a deficit of £15,634,000 (1994 : a deficit of £19,465,000).

# JAMES CAPEL SERVICES LIMITED

## REPORT OF THE DIRECTORS (continued)

### 4. FIXED ASSETS

Details of changes in fixed assets are shown in note 10 to the accounts.

### 5. DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were as set out below.

P.A.Letley  
J.D.Charles  
S.R.Michael (resigned 18th July 1995)  
I.D.K.Shepherd (appointed 18th July 1995)

There have been no changes in the constitution of the board since the end of the year.

The only disclosable interests of those persons who were directors of the company at 31st December 1995 were :

Options on HSBC Holdings plc Ordinary shares of 75p

	<u>Exercisable in 1999</u>		<u>Exercisable in 2000/01</u>	
	at 1st January 1995	at 31st December 1995	at 1st January 1995	at 31st December 1995
P.A.Letley	1,476	1,476	-	1,273

The options exercisable in 1999 were granted for nil consideration on 11th April 1994 under the HSBC Holdings Savings Related Share Option Scheme. The options are exercisable between 1st July 1999 and 31st December 1999 at an exercise price of 700.84p.

The options exercisable in 2000/01 were granted for nil consideration on 10th April 1995 under the HSBC Holdings Savings Related Share Option Scheme. The options are exercisable between 1st August 2000 and 31st January 2001 at an exercise price of 541.80p.

### 6. DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Directors' and Officers' liability insurance was purchased during the year.

# JAMES CAPEL SERVICES LIMITED

## REPORT OF THE DIRECTORS (continued)

### 7. EMPLOYEES

The company had no employees after 1st November 1995, when it disposed of the Personal Equity Plan administration business referred to in paragraph 2 above.

During the year the company had provided employees with information on matters of concern to them. Wherever practicable, employees' views on matters likely to affect their interests were taken into account.

The company's policy was to employ disabled persons when they appeared to be suited to a particular vacancy, and to retain the services of any existing employee who became disabled wherever practicable.

### 8. 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 5, 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 6 to 15, 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



G.N. CROSS, Secretary  
16 February 1996

**REPORT OF THE AUDITORS TO THE MEMBERS OF JAMES CAPEL SERVICES LIMITED**

We have audited the financial statements on pages 6 to 15.

**Respective responsibilities of directors and auditors**

As described on page 4 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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG**

KPMG  
Chartered Accountants  
Registered Auditors  
London  
16 February 1996

# JAMES CAPEL SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT for the year ended 31st December 1995

	Note	1995 £'000	1995 £'000	1994 £'000	1994 £'000
Turnover	2,3				
Continuing operations		5,900		5,760	
Acquisitions		-		219	
		<u>5,900</u>		<u>5,979</u>	
Discontinued operations		609		-	
		<u>        </u>	6,509	<u>        </u>	5,979
Operating expenses					
Provision for unoccupied premises			(2,200)		(437)
Other operating expenses			5,546		6,358
			<u>        </u>		<u>        </u>
Other operating income	2,4 2,5		(3,346) 274		(5,921) 2,078
			<u>        </u>		<u>        </u>
Profit on ordinary activities before taxation	2,8				
Continuing operations		3,435		2,125	
Acquisitions		-		11	
		<u>3,435</u>		<u>2,136</u>	
Discontinued operations		2		-	
		<u>        </u>	3,437	<u>        </u>	2,136
Tax on profit on ordinary activities	9		394		1,965
			<u>        </u>		<u>        </u>
Profit on ordinary activities for the year after taxation			3,831		4,101
Retained losses brought forward			(19,465)		(23,566)
			<u>        </u>		<u>        </u>
Retained losses carried forward			(15,634)		(19,465)
			<u>        </u>		<u>        </u>

The notes on pages 8 to 15 form part of these accounts.

The company has no recognised gains or losses other than the profit for the year (1994 - Nil).



# JAMES CAPEL SERVICES LIMITED

## BALANCE SHEET at 31st December 1995

	<u>Note</u>	1995 £'000	1994 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	17,097	18,899
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Debtors	11	4,259	7,727
Cash at bank and in hand		37	37
		<hr/>	<hr/>
		4,296	7,764
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	12	(23,294)	(10,328)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		(18,998)	(2,564)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(1,901)	16,335
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	6	(233)	(22,300)
		<hr/>	<hr/>
		(2,134)	(5,965)
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	13,500	13,500
Profit and loss account		(15,634)	(19,465)
		<hr/>	<hr/>
<b>SHAREHOLDERS' FUNDS</b>	14	(2,134)	(5,965)
		<hr/>	<hr/>

The notes on pages 8 to 15 form part of these accounts.

Approved by the Board of Directors on 16 February 1996.

Signed on behalf of the Board of Directors.



I.D.K. SHEPHERD, Director

# JAMES CAPEL SERVICES LIMITED

## NOTES TO THE ACCOUNTS

for the year ended 31st December 1995

### 1. ACCOUNTING POLICIES

- (i) The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards.
- (ii) The directors have received an undertaking from the parent company James Capel Holdings Limited that it will provide financial and other support at least until 31st December 1996. The accounts are accordingly prepared on a going concern basis.
- (iii) Depreciation and amortisation of fixed assets are provided on a straight line basis over their estimated useful lives, which vary as follows:

Leasehold improvements	:	10 years
Fixtures, fittings, motor vehicles and equipment	:	3 - 10 years
- (iv) Development expenditure is capitalised and its amortisation is deferred until the particular development comes into use.
- (v) Deferred tax is provided on timing differences for taxation purposes at the anticipated tax rates to the extent that it is probable that a liability will crystallise in the foreseeable future.
- (vi) Staff pension contributions are provided for according to the most recent actuarial advice. They are computed to spread the cost over employees' estimated working lives taking into account an assessment of future salary increases and inflation.
- (vii) The company's ultimate holding company, HSBC Holdings plc, publishes a consolidated cash flow statement in compliance with FRS1. A separate cash flow statement for the company is not required.

### 2. PERSONAL EQUITY PLAN ADMINISTRATION SERVICES

On 1st August 1994, the Personal Equity Plan administration services formerly carried out by Phoenix Administration Limited were transferred to the company. On 1st November 1995, these services were transferred to James Capel & Co. Limited. The results of these services are shown below alongside the results of the continuing business, in accordance with the requirements of FRS3.

# JAMES CAPEL SERVICES LIMITED

## NOTES TO THE ACCOUNTS

for the year ended 31st December 1995

### 2. PERSONAL EQUITY PLAN ADMINISTRATION SERVICES (continued)

	1995			1994		
	Continuing Operations	Disposals	Total	Continuing Operations	Aquisitions	Total
	£000	£000	£000	£000	£000	£000
Turnover	5,900	609	6,509	5,760	219	5,979
Operating expenses:						
Provision for unoccupied premises	2,200	-	2,200	437	-	437
Other	(4,939) (2,739)	(607) (607)	(5,546) (3,346)	(6,150) (5,713)	(208) (208)	(6,358) (5,921)
Other operating income	274	-	274	2,078	-	2,078
Profit on ordinary activities before taxation	3,435	2	3,437	2,125	11	2,136

### 3. TURNOVER

Turnover represents the following :	1995 £'000	1994 £'000
Leasing income	5,900	5,760
Personal Equity Plan administration fees	609	219
	<u>6,509</u>	<u>5,979</u>

All of the company's turnover is derived from activities in the United Kingdom.

### 4. OPERATING EXPENSES

Operating expenses comprise the following :	1995 £'000	1994 £'000
Administrative expenses	642	277
Depreciation	4,904	6,081
Exceptional item :		
Provision for unoccupied premises (see note 6)	(2,200)	(437)
	<u>3,346</u>	<u>5,921</u>

# JAMES CAPEL SERVICES LIMITED

## NOTES TO THE ACCOUNTS for the year ended 31st December 1995

### 4. OPERATING EXPENSES (continued)

The depreciation charge included an accelerated depreciation element of £1,368,000 in 1994.

### 5. OTHER OPERATING INCOME

	1995 £'000	1994 £'000
Net profit on disposal of fixed assets	274	645
Insurance receipt relating to bomb damage to James Capel House in 1992	-	1,433
	<hr/> 274	<hr/> 2,078

### 6. PROVISION FOR UNOCCUPIED PREMISES

The provision for unoccupied office space was set aside in 1993, following the vacation of existing office premises to preserve the business of James Capel & Co. Limited during structural work. This followed extensive bomb damage, which occurred as a result of the bombing of the Baltic Exchange in April 1992.

During the year, the provision was utilised by a termination payment in respect of the lease of 7 Devonshire Square and associated professional fees totalling £19,867,000. The remaining provision of £233,000 represents the directors' estimate of any likely sundry costs relating to unoccupied office space not yet payable. The provision has been accepted by the company in its function as the James Capel group service company.

The amount provided is as follows :

	1995 £'000	1994 £'000
Provision as at 1st January	22,300	22,737
Utilised during the year	(19,867)	-
Written back during the year	(2,200)	(437)
	<hr/> 233	<hr/> 22,300
Provision as at 31st December		

# JAMES CAPEL SERVICES LIMITED

## NOTES TO THE ACCOUNTS for the year ended 31st December 1995

### 7. STAFF COSTS

The average number of persons employed by the company in the United Kingdom during the year was 10. (1994 - 4).

Their aggregate remuneration was as follows :

	1995 £'000	1994 £'000
Wages, salaries and other remuneration	424	160
Social security costs	29	13
Pension costs	7	3
	<hr/>	<hr/>
Total emoluments	460	176
Other employment costs	14	1
	<hr/>	<hr/>
	474	177
	<hr/>	<hr/>

The company contributed to the James Capel & Co. Limited "Pension and Life Assurance Scheme (1965)". This is a defined benefit scheme, which is assessed by an independent actuary and is adequately funded. The assets of the scheme are held separately from those of the company, being invested under investment management contracts with HSBC Asset Management Europe Limited and Sun Life Investment Management Services Limited. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of valuations normally carried out triennially.

The valuation method used in determining the pension cost for the Scheme is the Projected Unit method. The most recent actuarial review for the scheme was as at 1st April 1993. The assumptions which have the most significant effect on the results of the valuation, i.e. those relating to the rate of return on investments, the rates of salary and pension increases and the rate of inflation, were as follows :

Assumed Average Rate of :	% p.a. compound
Return	9.0
Salary Growth	
- to 1st April 1998	4.0
- thereafter	7.0
Inflation	5.0

Allowances are made for increases to pensions in payment only where these are guaranteed by Scheme Rules.

The total pension cost for the scheme was £6,666 (1994 - £2,736). Of this £8,033 (1994 - £3,300) represents the normal pension cost, offset by £1,367 (1994 - £564) attributable to amortisation of surplus over the expected remaining service lives of current members of the scheme.

# JAMES CAPEL SERVICES LIMITED

## NOTES TO THE ACCOUNTS for the year ended 31st December 1995

### 7. STAFF COSTS (continued)

The most recent actuarial review showed :

Review date	1st April 1993 £'000
Value of assets	17,965
Ratio of actuarial value of assets to the value of accrued benefits allowing for expected future increases in earnings	124%

The values of the assets shown are the actuarial values of the investments, excluding the value of insured annuity policies.

### 8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation for the year is arrived at after charging the following:

	1995 £'000	1994 £'000
Depreciation and amortisation of tangible fixed assets	4,904	6,081
Auditors' remuneration	8	8
	<hr/>	<hr/>

### 9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1995 £'000	1994 £'000
Corporation tax at 33% (1994 - 33%) :		
Group relief receivable - current year	315	558
- prior year	79	1,407
Total	<hr/> 394 <hr/>	<hr/> 1,965 <hr/>

JAMES CAPEL SERVICES LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31st December 1995

10. FIXED ASSETS - TANGIBLE ASSETS

	Leasehold Improvements £'000	Fixtures, fittings motor vehicles and equipment £'000	Total £'000
<b>COST</b>			
At 1st January 1995	4,507	40,466	44,973
Additions	195	3,310	3,505
	<u>4,702</u>	<u>43,776</u>	<u>48,478</u>
Disposals	-	(1,353)	(1,353)
At 31st December 1995	<u>4,702</u>	<u>42,423</u>	<u>47,125</u>
<b>ACCUMULATED DEPRECIATION</b>			
At 1st January 1995	1,825	24,249	26,074
Charge for the year	542	4,362	4,904
	<u>2,367</u>	<u>28,611</u>	<u>30,978</u>
Disposals	-	(950)	(950)
At 31st December 1995	<u>2,367</u>	<u>27,661</u>	<u>30,028</u>
<b>NET BOOK VALUE</b>			
At 31st December 1995	<u>2,335</u>	<u>14,762</u>	<u>17,097</u>
At 31st December 1994	<u>2,682</u>	<u>16,217</u>	<u>18,899</u>

Fixtures, fittings, motor vehicles and equipment include a figure of £486,000 (1994 : £890,000) of deferred development expenditure after charging depreciation for the year of £404,000 (1994: £440,000). This represents the cost to date of computer software development which is being depreciated over five years.

# JAMES CAPEL SERVICES LIMITED

## NOTES TO THE ACCOUNTS for the year ended 31st December 1995

11. DEBTORS	1995 £'000	1994 £'000
Amounts owed by group undertakings:		
Group relief	478	-
Other debtors	432	5,388
Fellow subsidiary undertakings:		
Group relief	327	1,234
Other debtors	2,595	1,041
Corporation tax recoverable	314	-
Other debtors	113	64
	<hr/> 4,259 <hr/>	<hr/> 7,727 <hr/>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1995 £'000	1994 £'000
Amounts owed to group undertakings:		
Group relief	247	-
Other creditors	23,047	10,328
	<hr/> 23,294 <hr/>	<hr/> 10,328 <hr/>

No liabilities were secured on assets held by the company (1994 - Nil).

13. CALLED UP SHARE CAPITAL	1995 £'000	1994 £'000
Authorised:		
Ordinary shares of £1 each	45,000	45,000
Allotted and fully paid:		
Ordinary shares of £1 each	13,500	13,500
	<hr/> 13,500 <hr/>	<hr/> 13,500 <hr/>



## JAMES CAPEL SERVICES LIMITED

### NOTES TO THE ACCOUNTS for the year ended 31st December 1995

#### 14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1995 £'000	1994 £'000
Opening shareholders' funds	(5,965)	(10,066)
Profit for the year	3,831	4,101
	<hr/>	<hr/>
Closing shareholders' funds	(2,134)	(5,965)
	<hr/>	<hr/>

#### 15. FINANCIAL COMMITMENTS

As at 31st December 1995, the company's directors had not authorised any expenditure, or placed contracts, for capital works (1994 : approximately £1million).

#### 16. DIRECTORS

The company's directors are employed by James Capel & Co. Limited. All emoluments paid to the directors are included in the accounts of James Capel & Co. Limited and disclosed as appropriate in that company's accounts.

#### 17. ULTIMATE HOLDING COMPANY

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

The largest group 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 10 Lower Thames Street, London EC3R 6AE.

No other group accounts include the results of the company.