

JCSERV98

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

Registered Number : 1524046



JAMES CAPEL SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

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

ACTIVITIES

The Company's main activities have been to hold and to lease out motor vehicles, equipment and other fixed assets. The Company ceased its business with effect from 1 July 1997.

REVIEW OF THE FINANCIAL YEAR AND FUTURE DEVELOPMENTS

The Company has no income or expenses for the year.

Reserves at 31 December 1998 amounted to a deficit of £14,240,000.

DIRECTORS

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

P.A.Letley	
A.J.Moss	(appointed 16 April 1998)
R.J. Scurr	(resigned 3 April 1998)

DIRECTORS' INTERESTS

All the directors' interests which require disclosure in accordance with the Companies Act 1985 are as follows:

	HSBC Holdings plc Ordinary Shares of 75p each held		HSBC Holdings plc 11.69% Subordinated Bonds 2002 each 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 the following director was granted options to acquire HSBC Holdings plc Ordinary Shares of 75p each

	Granted
A.J. Moss	4,500

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 SERVICES 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.

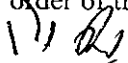
The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The directors are required to prepare 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 8, 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

11 March 1999

JAMES CAPEL SERVICES LIMITED

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

We have audited the financial statements on pages 4 to 8.

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 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

15 March 1999

JAMES CAPEL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	1998 £'000	1997 £'000
Turnover		-	2,189
Administrative expenses		-	(1,862)
		-	327
Other operating income	3	-	162
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	-	489
Tax on profit on ordinary activities	5	-	(95)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		-	394
STATEMENT OF RETAINED PROFITS			
Balance at 1 January		(14,240)	(14,634)
Profit for the year		-	394
Balance at 31 December		(14,240)	(14,240)

TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses for the year.

CONTINUING OPERATIONS

The Company discontinued its operations on 1 July 1997

The notes on pages 6 to 8 form part of the financial statements

JAMES CAPEL SERVICES LIMITED

BALANCE SHEET AT 31 DECEMBER 1998

	Notes	1998 £'000	1997 £'000
CURRENT ASSETS			
Debtors	6	244	10,564
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	<u>(984)</u>	<u>(11,304)</u>
NET CURRENT LIABILITIES		<u>(740)</u>	<u>(740)</u>
CAPITAL AND RESERVES			
Called up share capital	8	13,500	13,500
Profit and loss account		<u>(14,240)</u>	<u>(14,240)</u>
SHAREHOLDER'S FUNDS - EQUITY	9	<u>(740)</u>	<u>(740)</u>

The notes on pages 6 to 8 form part of the financial statements.

Approved by the board and signed on its behalf on 11 March 1999.



A.J. Moss
Director

The notes of pages 6 to 8 form part of the financial statements.

JAMES CAPEL SERVICES LIMITED

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

1. BASIS OF PREPARATION

The accounts are prepared under the historical cost convention 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 Services Limited is included are publicly available.

2. PRINCIPAL ACCOUNTING POLICIES

- (a) The directors have received an undertaking from the parent company HSBC Investment Bank plc that it will provide financial and other support at least until 19 February 2000. The accounts are accordingly prepared on a going concern basis.
- (b) Deferred tax is provided on timing differences using the liability method between income and expenditure. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

3. OTHER OPERATING INCOME

	1998 £'000	1997 £'000
Net profit on disposal of fixed assets	-	162

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	1998 £'000	1997 £'000
Depreciation and amortisation of tangible fixed assets	-	1,862

JAMES CAPEL SERVICES LIMITED

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

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
Corporation tax at 31% (1997 - 31.5%) :		
Group relief payable	<u>-</u>	<u>95</u>

6. DEBTORS

	1998 £'000	1997 £'000
Amounts owed by group undertakings:		
Group relief	<u>244</u>	<u>10,564</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £'000	1997 £'000
Amounts owed to group undertakings:		
Group relief	247	11
Other creditors	<u>737</u>	<u>11,293</u>
	<u>984</u>	<u>11,304</u>

8. CALLED UP SHARE CAPITAL

	1998 £'000	1997 £'000
Authorised:		
45,000,000 ordinary shares of £1 each	<u>45,000</u>	<u>45,000</u>
Allotted and fully paid:		
13,500,000 ordinary shares of £1 each	<u>13,500</u>	<u>13,500</u>

JAMES CAPEL SERVICES LIMITED

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

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	1998 £'000	1997 £'000
Profit for the year	-	394
Opening shareholder's funds	<u>(740)</u>	<u>(1,134)</u>
Closing shareholder's funds	<u>(740)</u>	<u>(740)</u>

10. EMOLUMENTS

No emoluments were received or are receivable by the directors in respect of their services to the Company during the year (1997 - nil).

11. 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.