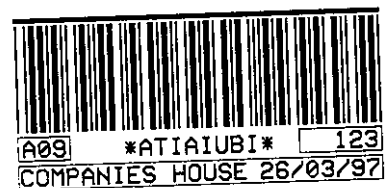


JAMES CAPEL SERVICES LIMITED

REPORT AND ACCOUNTS

31st DECEMBER 1996

Registered Number : 1524046



JAMES CAPEL SERVICES LIMITED

Directors: P.A. Letley (alternate I.C. Cotterill)
D.J. Langston

Secretary: R.W. Quin

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

Auditors: KPMG Audit Plc
Chartered Accountants
Registered Auditor

JAMES CAPEL SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors present their report and accounts of the company for the year ended 31st December 1996.

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.

2. REVIEW OF THE FINANCIAL YEAR AND FUTURE DEVELOPMENTS

The company has recorded a profit before tax for the year of £1,231,000. Of this, £226,000 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 to the net profit on leasing out fixed assets, together with profits on disposals of such assets.

The company has an informal agreement with HSBC Investment Bank plc (formerly James Capel & Co. Limited) whereby it charges a rental for that company's use of the fixed assets employed in its business. From 1st April 1996, any new fixed assets required by HSBC Investment Bank plc have been purchased by that company. The company's continuing role in leasing out fixed assets will be reviewed. It is planned that the fixed assets will be transferred to HSBC Investment Bank plc during 1997.

Reserves at 31st December 1996 amounted to a deficit of £14,634,000 (1995 : a deficit of £15,634,000).

3. DIRECTORS AND DIRECTORS' INTERESTS

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

P.A.Letley	
D.J. Langston	(appointed 21st October 1996)
J.D.Charles	(resigned 18th November 1996)
I.D.K.Shepherd	(resigned 20th September 1996)

On 14th February 1997, I.C. Cotterill was appointed as an alternate to P.A. Letley.

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

Neither of the directors of the company at 31st December 1996 had interests which require disclosure under the Companies Act 1985 in the share and loan capital of HSBC Holdings plc, the company's ultimate parent company, or its subsidiary undertakings.

JAMES CAPEL SERVICES LIMITED

REPORT OF THE DIRECTORS (continued)

4. AUDITOR

During the year KPMG resigned and KPMG Audit Plc was appointed as auditor of the company. The company is not obliged to reappoint its auditor annually and therefore KPMG Audit Plc will continue in office.

5. 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 4, 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.

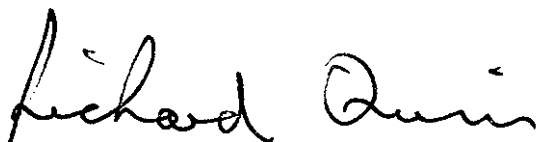
The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year. The directors are required to prepare the financial statements on the going concern basis unless it is not appropriate.

The directors consider that in preparing the financial statements on pages 5 to 13, 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



R.W. Quin
Secretary
19th February 1997

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

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 3 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 1996 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

19th February 1997

JAMES CAPEL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st December 1996

	Note	1996 £'000	1996 £'000	1995 £'000	1995 £'000
Turnover	2,3				
Continuing operations		5,677		5,900	
Discontinued operations		-		609	
		<hr/>		<hr/>	
			5,677		6,509
Operating expenses			<hr/>		<hr/>
Provision for unoccupied premises	6		(226)		(2,200)
Other operating expenses			4,805		5,546
			<hr/>		<hr/>
Other operating income	2,4 2,5		(4,579) 133		(3,346) 274
			<hr/>		<hr/>
Profit on ordinary activities before taxation	2,8				
Continuing operations		1,231		3,435	
Discontinued operations		-		2	
		<hr/>		<hr/>	
			1,231		3,437
Tax on profit on ordinary activities	9		(231)		394
			<hr/>		<hr/>
Profit on ordinary activities for the year after taxation			1,000		3,831
Retained losses brought forward			(15,634)		(19,465)
			<hr/>		<hr/>
Retained losses carried forward			(14,634)		(15,634)
			<hr/>		<hr/>

The notes on pages 7 to 13 form part of these accounts.

The company has no recognised gains or losses other than the profit for the year (1995 - £nil).

JAMES CAPEL SERVICES LIMITED

BALANCE SHEET at 31st December 1996

	<u>Note</u>	1996 £'000	1995 £'000
FIXED ASSETS			
Tangible assets	10	12,225	17,097
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	11	8,465	4,259
Cash at bank and in hand		37	37
		<hr/>	<hr/>
		8,502	4,296
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(21,861)	(23,294)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(13,359)	(18,998)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,134)	(1,901)
PROVISIONS FOR LIABILITIES AND CHARGES	6	-	(233)
		<hr/>	<hr/>
		(1,134)	(2,134)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	13	13,500	13,500
Profit and loss account		(14,634)	(15,634)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	14	(1,134)	(2,134)
		<hr/>	<hr/>

The notes on pages 7 to 13 form part of these accounts.

Approved by the board of directors on 19th February 1997.

Signed on behalf of the board of directors.

D. J. Langston

D.J. LANGSTON, Director

JAMES CAPEL SERVICES LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31st December 1996

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 1997. 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) The company's ultimate parent 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. CONTINUING AND DISCONTINUED OPERATIONS

On 1st November 1995, Personal Equity Plan administration services were transferred to James Capel & Co. Limited (now named HSBC Investment Bank plc). The results of these services in 1995 are shown below alongside the results of the continuing business in both 1995 and 1996, in accordance with the requirements of FRS3.

	1996 Continuing Operations £'000	1995 Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Turnover	5,677	5,900	609	6,509
Operating expenses:				
Provision for unoccupied premises	226	2,200	-	2,200
Other	(4,805)	(4,939)	(607)	(5,546)
	(4,579)	(2,739)	(607)	(3,346)
Other operating income	133	274	-	274
Profit on ordinary activities before taxation	1,231	3,435	2	3,437

JAMES CAPEL SERVICES LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st December 1996

3. TURNOVER

Turnover represents the following :	1996 £'000	1995 £'000
Leasing income	5,677	5,900
Personal Equity Plan administration fees	-	609
	<hr/> 5,677	<hr/> 6,509

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

4. OPERATING EXPENSES

Operating expenses comprise the following :	1996 £'000	1995 £'000
Administrative expenses	75	642
Depreciation	4,730	4,904
Exceptional item :		
Release of provision for unoccupied premises (see note 6)	(226)	(2,200)
	<hr/> 4,579	<hr/> 3,346

5. OTHER OPERATING INCOME

	1996 £'000	1995 £'000
Net profit on disposal of fixed assets	133	274
	<hr/>	<hr/>

JAMES CAPEL SERVICES LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st December 1996

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. The provision had been accepted by the company in its function as the James Capel group service company.

During the year, the provision was utilised to pay prior year service charges amounting to £7,000. The remaining provision has been written back, as, in the opinion of the directors, no further costs relating to this bomb damage are likely to arise.

The amount provided was as follows :

	1996 £'000	1995 £'000
Provision as at 1st January	233	22,300
Utilised during the year	(7)	(19,867)
Written back during the year	(226)	(2,200)
	<hr/>	<hr/>
Provision as at 31st December	-	233
	<hr/>	<hr/>

7. STAFF COSTS

The company employed no staff during 1996. The average number of persons employed by the company in the United Kingdom during 1995 was 10.

Their aggregate remuneration was as follows :

	1996 £'000	1995 £'000
Wages, salaries and other remuneration	-	424
Social security costs	-	29
Pension costs	-	7
	<hr/>	<hr/>
Total emoluments	-	460
Other employment costs	-	14
	<hr/>	<hr/>
	-	474
	<hr/>	<hr/>

JAMES CAPEL SERVICES LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st December 1996

7. STAFF COSTS (continued)

The company contributed during 1995 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 were charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions were 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 by the end of 1995 had been 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 in 1995 was £6,666. Of this £8,033 represented the normal pension cost, offset by £1,367 attributable to amortisation of surplus over the expected remaining service lives of current members of the scheme.

The latest actuarial review by the end of 1995 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.

JAMES CAPEL SERVICES LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st December 1996

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	1996 £'000	1995 £'000
Depreciation and amortisation of tangible fixed assets	4,730	4,904
Auditors' remuneration	9	8
	<hr/>	<hr/>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £'000	1995 £'000
Corporation tax at 33% (1995 - 33%) :		
Group relief (payable)/receivable - current year	(183)	315
- prior year	(48)	79
Total (charge)/credit	<hr/> (231) <hr/>	<hr/> 394 <hr/>

10. FIXED ASSETS - TANGIBLE ASSETS

	Leasehold Improvements £'000	Fixtures, fittings motor vehicles and equipment £'000	Total £'000
COST			
At 1st January 1996	4,702	42,423	47,125
Additions	39	527	566
	<hr/> 4,741 <hr/>	<hr/> 42,950 <hr/>	<hr/> 47,691 <hr/>
Disposals	-	(2,678)	(2,678)
At 31st December 1996	<hr/> 4,741 <hr/>	<hr/> 40,272 <hr/>	<hr/> 45,013 <hr/>
ACCUMULATED DEPRECIATION			
At 1st January 1996	2,367	27,661	30,028
Charge for the year	560	4,170	4,730
Disposals	-	(1,970)	(1,970)
At 31st December 1996	<hr/> 2,927 <hr/>	<hr/> 29,861 <hr/>	<hr/> 32,788 <hr/>
NET BOOK VALUE			
At 31st December 1996	<hr/> 1,814 <hr/>	<hr/> 10,411 <hr/>	<hr/> 12,225 <hr/>
At 31st December 1995	<hr/> 2,335 <hr/>	<hr/> 14,762 <hr/>	<hr/> 17,097 <hr/>

JAMES CAPEL SERVICES LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31st December 1996

10. FIXED ASSETS - TANGIBLE ASSETS (continued)

Fixtures, fittings, motor vehicles and equipment include a figure of £10,000 (1995 : £486,000) of deferred development expenditure after charging depreciation for the year of £476,000 (1995: £404,000). This represents the cost to date of computer software development which has been depreciated over five years.

11. DEBTORS	1996 £'000	1995 £'000
Amounts owed by group undertakings:		
Group relief	603	478
Other debtors	7,521	432
Fellow subsidiary undertakings:		
Group relief	72	327
Other debtors	-	2,595
Corporation tax recoverable	267	314
Other debtors	2	113
	<hr/>	<hr/>
	8,465	4,259
	<hr/>	<hr/>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £'000	1995 £'000
Amounts owed to group undertakings:		
Group relief	430	247
Other creditors	21,431	23,047
	<hr/>	<hr/>
	21,861	23,294
	<hr/>	<hr/>

No liabilities were secured on assets held by the company (1995 - £nil).

13. CALLED UP SHARE CAPITAL

	1996 £'000	1995 £'000
Authorised:		
Ordinary shares of £1 each	45,000	45,000
	<hr/>	<hr/>
Allotted and fully paid:		
Ordinary shares of £1 each	13,500	13,500
	<hr/>	<hr/>

JAMES CAPEL SERVICES LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st December 1996

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1996 £'000	1995 £'000
Opening shareholders' funds	(2,134)	(5,965)
Profit for the year	1,000	3,831
Closing shareholders' funds	<u>(1,134)</u>	<u>(2,134)</u>

15. DIRECTORS

The company's directors are employed by HSBC Investment Bank plc. All emoluments paid to the directors are included in the accounts of HSBC Investment Bank plc and disclosed as appropriate in that company's accounts.

16. RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary of HSBC Holdings plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the HSBC group. The consolidated financial statements of HSBC Holdings plc, within which this company is included, can be obtained from the address given in note 17.

17. ULTIMATE PARENT COMPANY

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

The only 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 from the Secretary, HSBC Holdings plc, 10 Lower Thames Street, London EC3R 6AE.

No other group accounts include the results of the company.