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JAMES CAPEL HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

Registered Number : 1838555



James Capel Holdings Limited
Report of the directors
for the year ended 31 December 1999

Activities and Review

The Company's business has been substantially reduced and consideration will be given during 2000 to putting the Company into members' voluntary liquidation when all assets have been realised.

Results for 1999

The profit of the Company amounted to £2,173,000 before tax and £1,261,000 after tax.

No dividends were paid or are proposed for the year.

Directors and directors' interests

The directors who served during the year were:

A.J. Moss (appointed 12 May 1999)

R.W. Quin

P.A. Letley (resigned 12 May 1999)

All the directors' interests in the share and loan capital of HSBC Holdings plc, the ultimate parent undertaking, required to be disclosed under the Companies Act 1985, are set out below. As a result of a share capital reorganisation implemented on 2 July 1999, each ordinary share of 75p each (or HK\$10 each) was replaced with three ordinary shares of US\$0.50 each.

	At 31.12.1999	At 1.1.1999 (or at date of appointment where later)	
	Ordinary shares of US\$0.50 each	Ordinary shares of 75p each	Ordinary shares of HK\$10 each
A.J. Moss	7,971	1,181	-
R.W. Quin	13,956	2,595	1,007

In addition, at date of appointment and at 31 December, A.J. Moss had an interest in £3 of 11.69% subordinated bonds 2002 issued by HSBC Holdings plc.

As a consequence of the share capital reorganisation, all awards under the Share Option Schemes, made in ordinary shares of 75p each, were adjusted by multiplying the number of shares by three and dividing the relevant exercise price by three. During the year options over shares were granted/exercised as follows (adjusted numbers shown):

	Granted : Ordinary shares of US\$0.50 each	Exercised : Ordinary shares of US\$0.50 each
A.J. Moss	-	4,428
R.W. Quin	13,875	4,428



James Capel Holdings Limited
Report of the directors
for the year ended 31 December 1999 (continued)

Year 2000 readiness

There has been no disruption to the Company's operations as a result of the Company's systems not being Year 2000 compliant. No disruption is expected and the directors continue to monitor the position.

The costs of the Year 2000 modifications have been assessed on a group basis and are incorporated within the report of HSBC Holdings plc.

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 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 12, 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 at any time 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

22 February 2000

Registered Office
Thames Exchange
10 Queen Street Place
London
EC4R 1BL
Registered in England No. 1838555

James Capel Holdings Limited
**Report of the auditors, KPMG Audit Plc,
to the member of James Capel Holdings Limited**

We have audited the financial statements on pages 4 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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 at 31 December 1999 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

22 February 2000

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James Capel Holdings Limited
Profit and loss account
for the year ended 31 December 1999

	Notes	1999 £'000	1998 £'000
Administrative expenses	2	9	9
Operating profit		<u>9</u>	<u>9</u>
Gain on disposal of fixed asset investments		1,991	1,037
Income from other fixed asset investments	3	12	162
Interest receivable from group undertakings		211	215
Other interest receivable and similar income		162	248
Interest payable to group undertakings		(22)	(51)
Amount written off in respect of fixed asset investments	5	(190)	(315)
Profit on ordinary activities before taxation	2	<u>2,173</u>	<u>1,305</u>
Tax on profit on ordinary activities	4	(912)	(245)
Retained profit for the year		<u>1,261</u>	<u>1,060</u>

The movements on reserves are set out in note 12 to the financial statements.

None of the Company's activities were discontinued during the year.

The notes on pages 7 to 12 form part of these financial statements.

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James Capel Holdings Limited
Statement of total recognised gains and losses
for the year ended 31 December 1999

	Notes	1999 £'000	1998 £'000
Retained profit for the year		1,261	1,060
Currency translation differences on foreign currency net investments	11	(6)	(9)
Total gains and losses recognised for the financial year		<u>1,255</u>	<u>1,051</u>

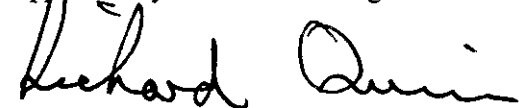
The notes on pages 7 to 12 form part of these financial statements.

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James Capel Holdings Limited
Balance sheet at 31 December 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Investments	5	83,819	83,426
Current assets			
Debtors	7	19,027	15,551
Creditors:			
Amounts falling due within one year	8	(21,923)	(19,309)
Net current liabilities		<u>(2,896)</u>	<u>(3,758)</u>
Total assets less current liabilities		80,923	79,668
Provisions for liabilities and charges	9	-	-
		<u>80,923</u>	<u>79,668</u>
Capital and reserves			
Called up share capital	10	60,000	60,000
Capital reserve		13,951	13,951
Profit and loss account	12	6,972	5,717
Shareholder's funds	11	<u>80,923</u>	<u>79,668</u>

Approved by the board and signed on its behalf on 22 February 2000.



R.W. Quin
Director

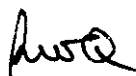
The notes on pages 7 to 12 form part of these financial statements.

1a. Basis of preparation

- (i) The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.
- (ii) The directors are of the opinion that turnover and cost of sales do not have meaningful equivalents in the business of a holding company and they are therefore not included in the profit and loss account.
- (iii) The Company is exempt from preparing group financial statements under section 228 of the Companies Act 1985 as it is a wholly-owned subsidiary undertaking of HSBC Holdings plc, a company registered in England and Wales.
- (iv) 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 (Revised 1996) ("FRS 1") "Cash Flow Statements" the Company is exempt under FRS 1 from the requirement to prepare a separate cash flow statement.
- (v) 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 the Company is included are publicly available.

1b. Accounting policies

- (i) Investments in subsidiary undertakings, participating interests and other investments are stated at cost less provision for any diminution in value, unless the directors are of the opinion that a diminution in value is of a temporary nature.
- (ii) Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.
- (iii) Deferred tax is provided on timing differences for taxation purposes at the anticipated tax rates to the extent that a liability will crystallise in the foreseeable future.



James Capel Holdings Limited
Notes to the financial statements
for the year ended 31 December 1999

2. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following :-

	1999	1998
	£'000	£'000
Included in administrative expenses:		
Writeback of auditors' remuneration	10	30
	<u> </u>	<u> </u>

Auditors' remuneration in respect of audit services for the year was borne by a fellow subsidiary undertaking.

1999 includes the writeback of prior year's audit provision of £10,000 (1998: £30,000), paid by a fellow subsidiary.

3. Income from other fixed asset investments

	1999	1998
	£'000	£'000
Income from other fixed asset investments:		
Unlisted	10	70
Listed	2	92
	<u> </u>	<u> </u>
	12	162
	<u> </u>	<u> </u>

4. Tax on profit on ordinary activities

	1999	1998
	£'000	£'000
Charge in the profit and loss account:		
Overseas tax charge	-	(15)
UK corporation tax at 30.25% (1998 - 31%) based on the profit for the year	(341)	(134)
Under-accrual in previous years	(571)	(96)
	<u> </u>	<u> </u>
	(912)	(245)
	<u> </u>	<u> </u>

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James Capel Holdings Limited
Notes to the financial statements
for the year ended 31 December 1999 (continued)

5. Fixed assets - investments	1999 £'000	1998 £'000
Loans to fellow subsidiary undertakings	15,056	13,274
Loan to parent company	65,728	65,728
Other loan	1,900	2,400
Other investments	1,135	2,024
	<u>83,819</u>	<u>83,426</u>

Additional information in respect of investments for which there have been movements during the year:

	1999 £'000	1998 £'000
Shares in subsidiary undertakings:		
Cost :		
At 1 January	-	13,528
Disposal of subsidiary undertakings	-	(13,528)
At 31 December	<u>-</u>	<u>-</u>
Provisions :		
At 1 January	-	13,428
Release on disposal during the year	-	(13,428)
At 31 December	<u>-</u>	<u>-</u>
Net investment in subsidiary undertakings at 31 December	<u>-</u>	<u>-</u>

On 1 October 1998, James Capel Services Limited was transferred to HSBC Investment Bank plc.

The investment was disposed of at cost with no profit or loss arising on disposal.

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James Capel Holdings Limited
Notes to the financial statements
for the year ended 31 December 1999 (continued)

5. Fixed assets - investments (continued)

	1999	1998
	£'000	£'000
Loans to fellow subsidiary undertakings:		
At 1 January	13,274	11,722
Revaluation of foreign currency loans	1,782	1,552
At 31 December	<u>15,056</u>	<u>13,274</u>
Loan to parent company:		
At 1 January	65,728	65,728
At 31 December	<u>65,728</u>	<u>65,728</u>
Other investments:		
At 1 January	2,024	2,709
Disposal of investments	(699)	(370)
Investments written down in the year	(190)	(315)
At 31 December	<u>1,135</u>	<u>2,024</u>

6. Equity shares

	1999		1998	
	Book value	Market value	Book value	Market value
	£'000s	£'000s	£'000s	£'000s
Other securities				
- listed on a recognised UK exchange	-	-	-	851

For the purpose of determining market value, listed securities are valued at mid-market prices.

7. Debtors

	1999	1998
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by group undertakings	19,003	15,516
Accrued income	24	35
	<u>19,027</u>	<u>15,551</u>

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James Capel Holdings Limited
Notes to the financial statements
for the year ended 31 December 1999 (continued)

8. Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Amounts owed to group undertakings	21,067	19,248
Mainstream corporation tax payable	856	51
Accruals and deferred income	-	10
	<u>21,923</u>	<u>19,309</u>

No liabilities were secured during the year (1998 : £nil)

9. Provisions for liabilities and charges

	1999 £'000	1998 £'000
Provision for losses in subsidiary:		
At 1 January	-	740
Release of provision of disposal	-	(740)
At 31 December	<u>-</u>	<u>-</u>

10. Called up share capital

	1999 £'000	1998 £'000
Authorised:		
Ordinary shares of £1 each	190,000	190,000
Issued, allotted and fully paid:		
Ordinary shares of £1 each	60,000	60,000

11. Reconciliation of movements in shareholder's funds

	1999 £'000	1998 £'000
Profit for the financial year	1,261	1,060
Currency translation differences on foreign currency net investments	(6)	(9)
Net addition to shareholder's funds	<u>1,255</u>	<u>1,051</u>
Opening shareholder's funds	79,668	78,617
Closing shareholder's funds	<u>80,923</u>	<u>79,668</u>

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James Capel Holdings Limited
Notes to the financial statements
for the year ended 31 December 1999 (continued)

12. Movements on reserves

	Profit and loss account £'000	Capital reserve £'000
At 1 January 1999	5,717	4,666
Foreign currency translation losses (net)	(6)	(9)
Retained profit for the year	1,261	1,060
At 31 December 1999	<u>6,972</u>	<u>5,717</u>

13. Directors and employees

The Company has no employees.

14. Financial commitments

In December 1995, the Company entered into a commitment to subscribe up to DM 10 million as a limited partner of Doughty Hanson & Co. Limited. To date the Company has subscribed DM8,652,267.

15. Ultimate parent undertaking

The Company's immediate parent company is HSBC Investment Bank Holdings plc, which is incorporated in England. The Company's ultimate parent company is HSBC Holdings plc, also incorporated in England.

The Company's ultimate controlling party as defined under Financial Reporting Standard 8 "Related Party Disclosures" ("FRS 8") is HSBC Holdings plc. The Company is controlled, as defined in FRS 8, by its immediate parent company, HSBC Investment Bank Holdings plc.

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 HSBC Holdings plc, Group Corporate Affairs, 10 Lower Thames Street, London EC3R 6AE.

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