

1838655

JAMES CAPEL HOLDINGS LIMITED  
(formerly Laurhold Limited)

DIRECTORS' REPORT AND ACCOUNTS

31ST DECEMBER, 1986



PEAT MARWICK McLINTOCK  
1 Puddle Dock, Blackfriars, London EC4V 3PD

---

JAMES CAPEL HOLDINGS LIMITED  
(formerly Laurhold Limited)

DIRECTORS' REPORT

The directors submit their report together with the audited accounts for the year ended 31st December, 1986.

CHANGE OF NAME

The company changed its name to James Capel Holdings Limited on 27th June, 1986.

ACTIVITIES

The company is the holding company for the interest of The Hongkong and Shanghai Banking Corporation Group in James Capel & Co., stockbrokers, James Capel Bankers Limited, merchant bankers and other subsidiaries listed in note 3 to the accounts.

BUSINESS REVIEW

During the year the company has acquired the remaining 70.1% interest in the previously associated companies and the entire share capital of further companies. The full list of subsidiaries is shown in note 3 to the accounts.

DIRECTORS AND DIRECTORS' INTERESTS

The directors during the year were:

P.J. Quinnen - Chairman	(appointed 29th September, 1986)
R.H.L. Bacon	(appointed 29th September, 1986)
J.R.H. Bond	(appointed 18th November, 1986 resigned 19th May, 1987)
H.F.A. Crowe	(resigned 19th November, 1986)
D.J. Dugdale	(appointed 29th September, 1986)
R.C. Farrell	(resigned 31st December, 1986)
F.J. Fergusson	(appointed 29th September, 1986)
J.M. Gray	(appointed 29th September, 1986)
R.A.N. Henley	(appointed 29th September, 1986 resigned 21st May, 1987)
P.M. Maynard	(resigned 19th November, 1986)
P.G. Mitchell	(resigned 19th November, 1986)

K.W. Barker, B.H. Asher and P.A. Letley were appointed directors on 20th January, 23rd April and 23rd June, 1987 respectively.

The directors had no beneficial interests in the shares of the company, nor in the shares of any subsidiary company in The Hongkong and Shanghai Banking Corporation Group in the UK at the end of the year.

There were no contracts of significance in relation to the company's business subsisting during or at the end of the period in which any director had a material interest.

JAMES CAPEL HOLDINGS LIMITED  
(formerly Laurhold Limited)

(formerly Laurhold Limited)

## DIRECTORS' REPORT

AUDITORS

At the company's last annual general meeting, Peat, Marwick, Mitchell & Co. were reappointed as auditors of the company. They are now practising under the name of Peat Marwick McLintock and accordingly they have signed the audit report in their new name. In accordance with Section 384 of the Companies Act 1985 a resolution concerning their reappointment as auditors will be proposed at the forthcoming annual general meeting.

By order of the board

W. H. C. S.

Secretary

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

We have audited the accounts on pages 4 to 8 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st December, 1986 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LONDON

*Pear A. Leeson.*

*23rd June 1987*

Chartered Accountants

JAMES CAPEL HOLDINGS LIMITED  
(formerly Laurhold Limited)

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER, 1986

	<u>1986</u> £	<u>1985</u> £
TURNOVER - interest receivable from group companies	2,999	-
Auditors' remuneration	(3,500)	-
Other operating charges	(80)	-
Interest payable to group companies	(2,999)	-
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION CARRIED FORWARD	<u>(3,580)</u>	<u>-</u>

The notes on pages 6 to 8 form part of these accounts.

JAMES CAPEL HOLDINGS LIMITED  
(formerly Laurhold Limited)

BALANCE SHEET AT 31ST DECEMBER, 1986

	<u>Note</u>	<u>1986</u>	<u>1985</u>
		£	£
FIXED ASSETS			
Investments	3	120,240,667	68,142
CURRENT ASSETS			
Amounts owed by subsidiary companies	4	16,990,668	2
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	5	(17,234,915)	(68,142)
NET CURRENT LIABILITIES		(244,247)	(68,140)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>119,996,420</u>	<u>2</u>
CAPITAL AND RESERVES			
Called up share capital	6	120,000,000	2
Profit and loss account		(3,580)	-
		<u>119,996,420</u>	<u>2</u>

The notes on pages 6 to 8 form part of these accounts.

These accounts were approved by the board of directors on 23rd June, 1987

*P. Quinlan*  
 Directors

JAMES CAPEL HOLDINGS LIMITED  
(formerly Laurhold Limited)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

(a) Basis of accounting

The accounts have been prepared under the historical cost accounting rules.

(b) Investments

Investments in subsidiaries are stated at the lower of cost and net realisable value unless the directors are of the opinion that diminution in value is of a temporary nature.

(c) Foreign exchange

Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

(d) Consolidated accounts

Consolidated accounts have not been prepared since James Capel Holdings Limited is a wholly owned subsidiary of HSBC Holdings UK Limited.

2. EMOLUMENTS OF DIRECTORS

None of the directors received any remuneration for their services during the period.

3. INVESTMENTS

Investments represent shares in subsidiary companies  
 (1985 associated companies) at cost:

	<u>1986</u> £	<u>1985</u> £
At 1st January, 1986	68,142	-
Additions during the year	120,172,525	68,142
At 31st December, 1986	<u>120,240,667</u>	<u>68,142</u>

NOTES TO THE ACCOUNTS

3. INVESTMENTS (continued)

The undermentioned companies are the principal subsidiaries of James Capel Holdings Limited. All are incorporated in the United Kingdom except for James Capel (USA) Limited, a company incorporated in Jersey.

The shares in subsidiaries are held directly by James Capel Holdings Limited, unless otherwise indicated.

	<u>Class of shares held</u>	<u>Percentage of share capital held</u>	<u>Nature of business</u>	
B.A. Turner Limited	Ordinary	100%	Leasing	(1)
Carlingford Investments Limited	Ordinary	100%	Holding company	
Capital Collections limited	Ordinary	100%	Leasing	(1)
James Capel Bankers Limited	Ordinary	100%	Merchant bank	
James Capel & Co.	Ordinary	100%	Stockbroking	(2)
James Capel (Financial Futures) Limited	Ordinary	100%	Financial futures broker	
	Preference	100%		
James Capel Financial Services Limited	Ordinary	100%	Advisory company	
James Capel Gilts Limited	Ordinary	100%	Gilt dealer	
James Capel International Asset Management Limited	Ordinary	100%	Investment management	
	Preference	100%		
James Capel Moneybroking Limited	Ordinary	100%	Money-broking	
James Capel Unit Trust Management Limited	Ordinary	100%	Unit Trust managers	
	Preference	100%		
James Capel (USA) Limited	Ordinary	100%	Stockbroking	
Wardley London Property Services Limited	Ordinary	75%	Property loans advisers	(1)
(1) shares held by James Capel Bankers Limited				
(2) shares held by Carlingford Investments Limited				

The financial years of the subsidiaries listed below are not coterminous with that of James Capel Holdings Limited. The directors believed that, in view of developments in the financial markets, it was not yet appropriate for these companies to change their accounting year ends.

The Secretary of State in exercise of his powers under Section 259(2) of the Companies Act 1985, has directed that the group accounts of the ultimate United Kingdom holding company shall deal with the state of affairs and profit and loss account of its undermentioned subsidiaries by reference to management accounts prepared to 19th or 31st December, 1986.

<u>Subsidiary</u>	<u>Financial year end in 1986</u>
James Capel & Co.	11th April
James Capel International Asset Management Limited	31st March
James Capel Unit Trust Management Limited	31st March
James Capel (Financial Futures) Limited	31st March
James Capel (USA) Limited	31st March
James Capel Gilts Limited	11th April
James Capel Financial Services Limited	(see below)
James Capel Moneybroking Limited	(see below)

The last two mentioned subsidiaries were incorporated in November, 1985 and their first accounting reference periods have run to 31st March, 1987.



JAMES CAPEL HOLDINGS LIMITED  
(formerly Laurhold Limited)

NOTES TO THE ACCOUNTS

4. DEBTORS

Included in amounts owed by subsidiary companies is £16,987,669 in respect of subordinated loans due after more than one year.

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1986</u> £	<u>1985</u> £
Amounts due to immediate holding company	17,231,415	68,142
Accruals and deferred income	3,500	--
	<u>17,234,915</u>	<u>68,142</u>

The company and its immediate holding company have given an undertaking to the Bank of England that a loan of £16,937,669, which is included in the balance above, will not be repaid before 31st December, 1991 without prior consultation with the bank of England.

6. SHARE CAPITAL

	<u>1986</u> £	<u>1985</u> £
Authorised:		
Ordinary shares of £1 each	<u>250,000,000</u>	<u>100</u>
Share capital allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>120,000,000</u>	<u>2</u>

During the year the company allotted 119,999,998 ordinary shares of £1 each as consideration for the purchase of shares in subsidiary companies.

7. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is The Hongkong and Shanghai Banking Corporation, which is incorporated in Hong Kong.