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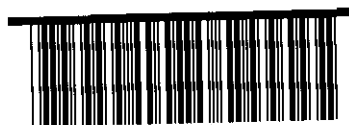
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Capel Holdings
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JAMES CAPEL HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

Registered Number : 1838555



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JAMES CAPEL HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

COMPANY'S BUSINESS AND REVIEW

The Company's business has been substantially reduced and consideration will be given during 2001 to putting the Company into members' voluntary liquidation when all assets have been realised.

The profit of the Company amounted to £121,000 before tax and £121,000 after tax.

No dividends were paid or are proposed for the year.

DIRECTORS

The directors who served during the year were:

A.J. Moss (resigned 3 November 2000)
R.W. Quin
S.J. Glass (appointed 1 November 2000)

DIRECTORS' INTERESTS

All the directors' interests in the share and loan capital of HSBC Holdings plc, the ultimate parent undertaking and its subsidiaries, required to be disclosed under the Companies Act 1985, are set out below.

	HSBC Holdings plc	
	At 31.12.2000	At 1.1.2000 (or at date of appointment where later)
	Ordinary shares of US\$0.50 each	Ordinary shares of US\$0.50 each
R.W. Quin	18,701	13,956
S. J. Glass	7,439	7,439

During the year options over shares were granted/exercised as follows:

	Granted : Ordinary shares of US\$0.50 each	Exercised : Ordinary shares of US\$0.50 each
R.W. Quin	537	7,812

JAMES CAPEL HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000 (continued)

AUDITORS

Pursuant to a shareholder's resolution, the Company is not obliged to reappoint auditors annually and therefore KPMG Audit Plc will continue in office.

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. Since the directors are satisfied that the Company has the resources to continue in business for foreseeable future, the financial statements continue to be prepared on a going concern basis.

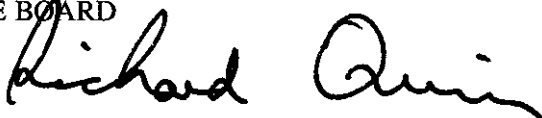
The directors consider that in preparing the financial statements on pages 4 to 11, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have 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



21 February 2001

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

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 11.

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 2000 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

21 February 2001

JAMES CAPEL HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

	<u>Notes</u>	2000 £'000	1999 £'000
Administrative expenses		-	9
Operating profit		<u>-</u>	<u>9</u>
(Loss)/Gain on disposal of fixed asset investments		(51)	1,991
Income from other fixed asset investments	3	-	12
Interest receivable from group undertakings		174	211
Other interest receivable and similar income		-	162
Interest payable to group undertakings		(2)	(22)
Amount written off in respect of fixed asset investments	5	-	(190)
Profit on ordinary activities before taxation	2	<u>121</u>	<u>2,173</u>
Tax on profit on ordinary activities	4	-	(912)
Retained profit for the year		<u>121</u>	<u>1,261</u>

CONTINUING OPERATIONS

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

The notes on pages 7 to 11 form part of these financial statements

JAMES CAPEL HOLDINGS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2000

	<u>Notes</u>	2000 £'000	1999 £'000
Retained profit for the year		121	1,261
Currency translation differences on foreign currency net investments	9	-	(6)
Total gains and losses recognised for the financial year		<u>121</u>	<u>1,255</u>

The notes on pages 7 to 11 form part of these financial statements.

JAMES CAPEL HOLDINGS LIMITED

BALANCE SHEET AT 31 DECEMBER 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Investments	5	67,128	83,819
Current assets			
Debtors	6	20,443	19,027
Creditors:			
Amounts falling due within one year	7	<u>(6,527)</u>	<u>(21,923)</u>
Net current assets/(liabilities)		<u>13,916</u>	<u>(2,896)</u>
Total assets less current liabilities		<u>81,044</u>	<u>80,923</u>
 Capital and reserves			
Called up share capital	8	60,000	60,000
Capital reserve	10	13,951	13,951
Profit and loss account	10	<u>7,093</u>	<u>6,972</u>
Shareholder's funds	9	<u>81,044</u>	<u>80,923</u>

Approved by the board and signed on its behalf on 21 February 2001.



R.W. Quin
Director

The notes on pages 7 to 11 form part of these financial statements.

JAMES CAPEL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

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. Principal 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.

JAMES CAPEL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000
(continued)

2. Profit on ordinary activities before taxation

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

No emoluments were received or are receivable by any director in respect of their services to the Company during the year (1999 : nil)

3. Income from other fixed asset investments

	2000	1999
	£'000	£'000
Income from other fixed asset investments:		
Unlisted	-	10
Listed	-	2
	<u>-</u>	<u>12</u>

4. Tax on profit on ordinary activities

	2000	1999
	£'000	£'000
Credit/(charge) in the profit and loss account:		
UK corporation tax at 30% (1999 at 30.25%) based on the profit for the year	(52)	(341)
Over/(under) accrual in previous years	52	(571)
	<u>-</u>	<u>(912)</u>

5. Fixed assets – investments

	2000	1999
	£'000	£'000
Loans to fellow subsidiary undertakings	-	15,056
Loan to parent company	65,728	65,728
Other loan	1,400	1,900
Other investments	-	1,135
	<u>67,128</u>	<u>83,819</u>

JAMES CAPEL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000
(continued)

5. Fixed assets - investments (continued)

	2000	1999
	£'000	£'000
Loans to fellow subsidiary undertakings:		
At 1 January	15,056	13,274
Revaluation of foreign currency loans	(538)	1,782
Repayment during year	(14,518)	-
At 31 December	-	15,056
Loan to parent company:		
At 1 January and 31 December	65,728	65,728
Other investments:		
	2000	1999
	£'000	£'000
At 1 January	1,135	2,024
Disposal of investments	(1,135)	(699)
Investments written down in the year	-	(190)
At 31 December	-	1,135

6. Debtors

	2000	1999
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by group undertakings	20,128	19,003
Accrued income	19	24
Corporation tax recoverable	296	-
	20,443	19,027

JAMES CAPEL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000
(continued)

7. Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Amounts owed to group undertakings	6,527	21,067
Mainstream corporation tax payable	-	856
	<u>6,527</u>	<u>21,923</u>

No liabilities were secured during the year (1999 : £nil)

8. Called up share capital

	2000 £'000	1999 £'000
Authorised:		
Ordinary shares of £1 each	<u>190,000</u>	<u>190,000</u>
Issued, allotted and fully paid:		
Ordinary shares of £1 each	<u>60,000</u>	<u>60,000</u>

9. Reconciliation of movements in shareholder's funds

	2000 £'000	1999 £'000
Profit for the financial year	121	1,261
Currency translation differences on foreign currency net investments	<u>-</u>	<u>(6)</u>
Net addition to shareholder's funds	121	1,255
Opening shareholder's funds	<u>80,923</u>	<u>79,668</u>
Closing shareholder's funds	<u>81,044</u>	<u>80,923</u>

JAMES CAPEL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000
(continued)

10. Movements on reserves

	Profit and loss account £'000	Capital Reserve £'000
At 1 January 2000	6,972	13,951
Retained profit for the year	<u>121</u>	<u>-</u>
At 31 December 2000	<u>7,093</u>	<u>13,951</u>

11. Ultimate parent undertaking

The Company's immediate parent undertaking is HSBC Investment Bank Holdings plc. The Company's ultimate parent undertaking 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.