

Directors' Report and Financial Statements

HPE G.P. LIMITED
(previously Management Buy-Outs Limited)

31 December 1997

Registered No. 2068638



DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 1997

RESULTS AND DIVIDENDS

During the financial year the company did not trade and received no income and incurred no expenditure.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The company is principally engaged as a general partner in the HPE Limited Partnership.

SUBSEQUENT EVENTS AND FUTURE DEVELOPMENTS

On the 12th November 1997 the company changed its name to that expressed above.

No material developments are envisaged.

DIRECTORS

Listed below are the names of all the directors who served on the board during the year under review.

I. M. Forrest	(Chairman)
C.F. Corby	(appointed 11th November 1997)
R. A. F. Heath	
C.M. Masterson	(appointed 11th November 1997)
V. G. O'Brien	

DIRECTORS' INTERESTS

All interests which require disclosure in accordance with the requirements of the Companies Act 1985 are set out in the directors' report of HSBC Private Equity Europe Limited.

By order of the Board



G.R.F. Hearne
Secretary

Vintner's Place
68 Upper Thames Street
London
EC4V 3BJ

16th February 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Statement of Auditors' Responsibilities set out on page 3, 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 4 to 7 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.

On behalf of the Board



G.R.F. Hearne
Secretary

Vintner's Place
68 Upper Thames Street
London
EC4V 3BJ

16th February 1998

AUDITORS' REPORT TO THE MEMBERS OF HPE G.P. LIMITED
(previously Management Buy-Outs Limited)

We have audited the financial statements on pages 4 to 7.

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 1997 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

16 February 1998

HPE G.P. LIMITED
(previously Management Buy-Outs Limited)

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

During the financial year and the preceding financial year the Company did not trade and received no income and incurred no expenditure. Consequently, during those years the Company made neither a profit or loss.

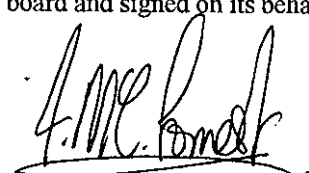

BALANCE SHEET - 31 DECEMBER 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Investments:			
Shares in subsidiary undertaking	2	1,000	-
CURRENT ASSETS			
DEBTORS - amounts falling due within one year	3	276,289	100
CREDITORS - amounts falling due within one year	4	(277,189)	-
NET CURRENT (LIABILITIES)/ASSETS		(900)	100
TOTAL ASSETS LESS CURRENT LIABILITIES		100	100
CAPITAL AND RESERVES			
Called-up share capital	5	100	100
Profit and loss reserves		-	-
Shareholders' funds		100	100

Approved by the board and signed on its behalf on 16th February 1998

I.M. Forrest

V.G. O'Brien

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) Directors
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Investments

The company's business consists of the provision of equity and loan finance to companies.

Unlisted investments are stated in the balance sheet at the lower of cost and directors' valuation.

(c) Investment income

Investment income is included in the profit and loss account gross of tax credits, until 30th June 1997, and tax deducted at source. Dividends are accounted for on a cash basis.

(d) 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 group (or investees of the group qualifying as related parties). The consolidated financial statements of HSBC Holdings plc, within which this company is included, can be obtained from the address given in note 7.

2. FIXED ASSETS

The company has an interest in a limited partnership as follows:-

HPE Limited Partnership	Partnership capital £1,000
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3. DEBTORS - amounts falling due within one year

	1997 £	1996 £
Loan to HPE Limited Partnership	276,289	-
Amount owed by parent undertaking	-	100
	<hr/>	<hr/>
	276,289	100
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 - Continued

4. CREDITORS - amounts falling due within one year

	1997 £	1996 £
Amount owed to parent undertaking	277,189	-

5. CALLED-UP SHARE CAPITAL

	Authorised		Allotted, called-up and fully paid	
	1997 £000	1996 £000	1997 £000	1996 £000
Ordinary shares of £1 each	100	100	100	100

6. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £
Balance at beginning of year	100
Retained profit for the year	-
Balance at end of year	100

7. GROUP ACCOUNTS

The company is a wholly-owned subsidiary and therefore has not prepared group accounts under the exemption allowed by S228 Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The results of the company are included in the group financial statements of the ultimate holding company, HSBC Holdings plc, which is registered in England and Wales. Copies of the group financial statements may be obtained from:-

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