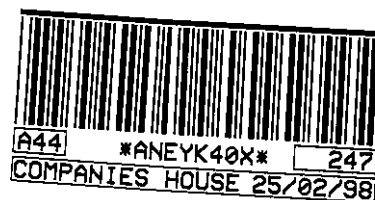


HSBC LONDON HOLDINGS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31ST DECEMBER 1997
(Registered Number 2236448)



HSBC LONDON HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31st December 1997.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was that of an investment holding company.

RESULTS AND DIVIDENDS

The results for the year are detailed in the profit and loss account on page 4 and show a profit before tax of £7,013,961 (1996:£3,029,754). An interim dividend of £5,628,491 (1996 : £6,839,033) was proposed and paid during the year. No final dividend is proposed for the year ended 31st December 1997 (1996: £Nil) leaving a profit of £965,853 (1996 : loss £4,239,775) to be transferred to reserves.

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 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 9, 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 group and to prevent and detect fraud and other irregularities.

HSBC LONDON HOLDINGS LIMITED
REPORT OF THE DIRECTORS (Continued)

DIRECTORS

The directors who held office during the year were as follows :

	<u>Appointed</u>	<u>Resigned</u>
J R Morley		29 September 1997
I D Dawson		
K G Cushing	29 September 1997	

DIRECTORS' INTERESTS

All directors' interests which require disclosure in accordance with the requirements of the Companies Act 1985 are stated below.

HSBC Holdings plc

	<u>31.12.97</u>		<u>01.01.97</u>	
	<u>Ord Shares</u> <u>75p each</u>	<u>Bonds of</u> <u>£1 each</u>	<u>Ord Shares</u> <u>75p each</u>	<u>Bonds of</u> <u>£1 each</u>
I D Dawson	1,000	9,000	-	9,000

No director had any other interest requiring disclosure pursuant to the Companies Act 1985 at any time during the year.

By order of the Board

K H G Coales
Secretary

10 Lower Thames Street
London, EC3R 6AE

16th February 1998

AUDITORS' REPORT TO THE MEMBERS OF

HSBC LONDON HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1, 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.

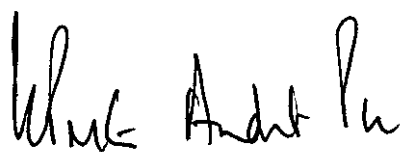
BASIS OF OPINION

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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

LONDON

11
6 February 1998

HSBC LONDON HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1997

	<u>Note</u>	<u>1997</u> £	<u>1996</u> £
Administrative expenses		<u>(30,457)</u>	<u>(29,150)</u>
OPERATING LOSS		(30,457)	(29,150)
Income from shares in group undertakings		5,692,313	72,143
Interest receivable and similar income		1,352,105	1,951,051
Interest payable and similar charges		-	(617,368)
Credit in respect of amounts due from subsidiary undertaking	2	-	1,653,078
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	7,013,961	3,029,754
Taxation on profit on ordinary activities	5	<u>(419,617)</u>	<u>(430,496)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,594,344	2,599,258
Dividends declared and paid		<u>(5,628,491)</u>	<u>(6,839,033)</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR		965,853	(4,239,775)
RETAINED PROFIT BROUGHT FORWARD		<u>9,414,026</u>	<u>13,653,801</u>
RETAINED PROFIT CARRIED FORWARD		<u>10,379,879</u>	<u>9,414,026</u>


The company had no recognised gains or losses other than those shown in the profit and loss account.

The notes on pages 6 to 9 form part of these financial statements.

HSBC LONDON HOLDINGS LIMITEDBALANCE SHEET AT 31ST DECEMBER 1997

	<u>Note</u>	<u>1997</u>	<u>1996</u>
		£	£
FIXED ASSETS			
Investments	6	103,967	103,967
CURRENT ASSETS			
Debtors	8	9,012,086	9,030,417
Cash at bank and in hand	9	<u>3,858,055</u>	<u>3,521,259</u>
		12,870,141	12,551,676
CREDITORS:			
AMOUNTS FALLING DUE			
WITHIN ONE YEAR	10	<u>(2,594,129)</u>	<u>(3,241,517)</u>
NET CURRENT ASSETS		<u>10,276,012</u>	<u>9,310,159</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		<u>10,379,979</u>	<u>9,414,126</u>
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account		<u>10,379,879</u>	<u>9,414,026</u>
TOTAL SHAREHOLDERS' FUNDS		<u>10,379,979</u>	<u>9,414,126</u>

These financial statements were approved by the board of directors on 16th February 1998



K.G. Cushing
Director

The notes on pages 6 to 9 form part of these financial statements.

HSBC LONDON HOLDINGS LIMITEDNOTES TO THE FINANCIAL STATEMENTS1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. Investments in subsidiary undertakings are stated at the lower of cost and underlying net asset value.

2. CREDIT IN RESPECT OF AMOUNTS DUE FROM SUBSIDIARY UNDERTAKINGS

A credit of £Nil (1996 : £1,653,078) has been made against amounts owed by a subsidiary undertaking. The credit reflects the write up of the balance recoverable of £Nil (1996 : £1,653,078) being the companies' share of the net assets of the subsidiary.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>1997</u>	<u>1996</u>
	£	£
Auditors' remuneration - audit fee	<u>2,000</u>	<u>2,000</u>

Interest receivable is wholly derived from other subsidiary undertakings of the group.

Interest payable relates to bank loans and overdrafts repayable within 5 years and is entirely payable to other subsidiary undertakings of the group.

4. DIRECTORS EMOLUMENTS

No director received any emoluments in connection with their services to the company, and no staff are directly employed by the company.

5. TAXATION

	<u>1997</u>	<u>1996</u>
	£	£
Corporation tax charge on ordinary activities at 31.5% (1996:33%)	415,838	430,496
Under provision in respect of prior years	<u>3,779</u>	<u>-</u>
	<u>419,617</u>	<u>430,496</u>

HSBC LONDON HOLDINGS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (Continued)6. INVESTMENTS

Investments comprise shares in group undertakings.

Cost

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
At 1st January	103,967	143,542
Addition	-	-
Disposal	-	(39,575)
At 31st December	<u>103,967</u>	<u>103,967</u>

7. SUBSIDIARY UNDERTAKINGS

Details of subsidiary undertakings are as follows:

<u>Name</u>	<u>Class of Share</u>	<u>Percentage Holdings</u>	<u>Nature of Business</u>
Capital Collections Limited	Ordinary	100%	Provision of Lease Finance
B A Turner Limited	Ordinary	100%	Provision of Lease Finance
HBL Nominees Limited	Ordinary	100%	Nominee Company*
HBL Property Finance Limited	Ordinary	75%	Property Loans
Kensington Plaza Hotel Limited	Ordinary	100%	Hotel Owners
Tower Bridge Estates Limited	Ordinary	75%	Property Development **
Tower Bridge Piazza Limited (Formerly TBE Investments Limited)	Ordinary	75%	Property Investment Company **
Ely Grange Management Limited	Ordinary	75%	Property Management **
Tower Bridge Piazza Management Limited (Formerly TBE Management Limited)	Ordinary	75%	Management Services **
Artillery House Limited	Ordinary	100%	Property Investment company
TBE (Southern Limited) (Formerly James Capel Asset Management Limited)	Ordinary	75%	Property Investment company **

* Dormant during the year

** Indirectly held

HSBC LONDON HOLDINGS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (Continued)

All subsidiary undertakings are incorporated in Great Britain and registered in England and Wales.

The company is exempt (under section 228 of the Companies Act 1985) from the obligation to prepare group accounts as it is a wholly owned subsidiary of another EEC company. The financial statements produced present information about the company as an individual undertaking and not about its group.

In the opinion of the directors the value of the investment in subsidiaries is not less than the amount at which it is stated in the financial statements.

8. DEBTORS

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
The amounts owed by group undertakings comprise:		
Parent and fellow subsidiary undertakings	9,000,002	9,000,002
Other subsidiary undertakings	<u>12,084</u>	<u>30,415</u>
	<u>9,012,086</u>	<u>9,030,417</u>

9. CASH AT BANK AND IN HAND

Cash at bank and in hand represents accounts held with other subsidiary undertaking of the group.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Amounts due to group undertakings	463,451	1,311,028
Other creditors including taxation and social security	<u>2,130,678</u>	<u>1,930,489</u>
	<u>2,594,129</u>	<u>3,241,517</u>
Amounts due to group undertakings comprise:-		
Parent and fellow subsidiary undertakings	<u>463,451</u>	<u>1,311,028</u>
	<u>463,451</u>	<u>1,311,028</u>
Other creditors including taxation and social security:		
Corporation Tax	409,989	434,103
Other Creditors	<u>1,720,689</u>	<u>1,496,386</u>
	<u>2,130,678</u>	<u>1,930,489</u>

HSBC LONDON HOLDINGS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (Continued)11. SHARE CAPITAL

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Ordinary Shares of £1 each		
Authorised	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid	<u>100</u>	<u>100</u>
Reconciliation of movement in shareholders' funds	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Opening shareholders' funds	9,414,126	13,653,901
Profit/(Loss) for the year	<u>965,853</u>	<u>(4,239,775)</u>
Closing shareholders' funds	<u>10,379,979</u>	<u>9,414,126</u>

12. CONTINGENT LIABILITIES

Under a group registration the company is jointly and severally liable for Value Added Tax due by other group companies. No valuable security has been provided by the company in respect of this contingency. The company has a contingent liability of £56,337 for an indemnity granted to HSBC Mortgage Finance Limited in respect of capital and interest arrears.

13. CASH FLOW STATEMENT

In accordance with FRS1, the company is not required to publish a cash flow statement as the information is included in the consolidated cash flow statement of the ultimate parent company.

14. 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 results of the company are included in the group financial statements of the ultimate parent company. The consolidated financial statements of HSBC Holdings plc are available to the public and may be obtained from 10 Lower Thames Street, London, EC3R 6AE.