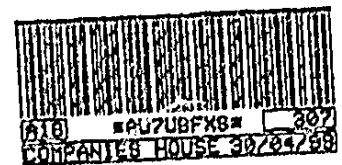


HSBC LONDON HOLDINGS LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
31ST DECEMBER 1998  
(Registered Number 2236448)



HSBC LONDON HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31st December 1998.

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 £11,367,174 (1997: £7,013,961). An interim dividend of £20,244,104 (1997 : £3,628,491) was proposed and paid during the year. No final dividend is proposed for the year ended 31st December 1998 (1997: £Nil) leaving a loss of £9,038,296 (1997 : profit £965,853) 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 auditor's responsibilities set out on page 3, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditor 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 company 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 :

I D Dawson  
 K G Cushing

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>31.12.98</u>		<u>01.01.98</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	1,000	9,000
K G Cushing	137	-	-	-

In addition, during the year ended 31 December 1998, Mr K G Cushing exercised options over 1,750 HSBC Holdings plc shares of 75p each.

By order of the Board

K H G Goring  
 Secretary

10 Lower Thames Street  
 London, EC3R 6AE

5 February 1999

AUDITOR'S REPORT TO THE MEMBERS OF  
HSEC LONDON HOLDINGS LIMITED

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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.

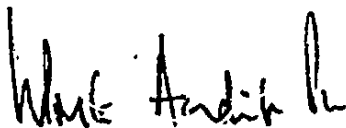
BASIS OF OPINION

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 1998 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

5 February 1999

HSBC LONDON HOLDINGS LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 1998

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
Administrative expenses		(71,483)	(30,457)
OPERATING LOSS		(71,483)	(30,457)
Income from shares in group undertakings		10,346,668	5,692,313
Interest receivable and similar income		582,703	1,352,105
Profit on sale of investments	2	509,286	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	11,367,174	7,013,961
Taxation on profit on ordinary activities	5	(161,366)	(412,617)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		11,205,808	6,594,344
Dividends declared and paid		(20,244,104)	(5,628,491)
RETAINED (LOSS)/PROFIT FOR THE YEAR		(9,038,296)	965,853
RETAINED PROFIT BROUGHT FORWARD		10,379,879	9,414,026
RETAINED PROFIT CARRIED FORWARD		1,341,583	10,379,879


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.

IFBC LONDON HOLDINGS LIMITED  
BALANCE SHEET AT 31ST DECEMBER 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Investment	6		100,015		103,967
CURRENT ASSETS					
Debtors	8	8,014		9,012,086	
Cash at bank and in hand	9	<u>1,429,457</u>		<u>3,858,055</u>	
			1,437,471		12,870,141
CREDITORS:					
AMOUNTS FALLING DUE WITHIN ONE YEAR	10		<u>(195,803)</u>		<u>(2,194,129)</u>
NET CURRENT ASSETS			<u>1,241,668</u>		<u>10,276,012</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,341,683</u>		<u>10,379,979</u>
CAPITAL AND RESERVES					
Called up share capital	11		100		100
Profit and loss account			<u>1,341,583</u>		<u>10,379,879</u>
TOTAL SHAREHOLDERS' FUNDS			<u>1,341,683</u>		<u>10,379,979</u>

These financial statements were approved by the board of directors on 5 February 1999

  
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. PROFIT ON SALE OF INVESTMENTS

The company realised a capital profit of £509,286 on the sale of one of its subsidiaries, HBL Property Finance Limited on 6 May 1998 to another group company. No tax liability arises on the sale by the company.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>1998</u>	<u>1997</u>
	£	£
Auditors' remuneration - audit fee	<u>2,550</u>	<u>2,000</u>

Interest receivable is wholly derived from 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>1998</u>	<u>1997</u>
	£	£
Corporation tax charge on:		
ordinary activities at 31% (1997:31.5%)	160,983	415,838
Under provision in respect of prior years	<u>382</u>	<u>3,779</u>
	<u>161,365</u>	<u>419,617</u>

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

Investments comprise shares in group undertakings.

Cost

	<u>1998</u>	<u>1997</u>
	£	£
At 1st January	103,967	103,967
Addition	-	-
Disposal	<u>(3,952)</u>	<u>-</u>
At 31st December	<u>100,015</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>
B A Turner Limited	Ordinary	100%	Provision of Lease Finance
HBL Nominees Limited	Ordinary	100%	Nominee Company*

\* Dormant during the year

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.



HSBC LONDON HOLDINGS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (Continued)8. DEBTORS

<u>1998</u>	<u>1997</u>
<u>£</u>	<u>£</u>

The amounts owed by group undertakings comprise:

Parent and fellow subsidiary undertakings	-	9,000,002
Other subsidiary undertakings	<u>8,014</u>	<u>12,084</u>
	<u>8,014</u>	<u>9,012,086</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>1998</u>	<u>1997</u>
<u>£</u>	<u>£</u>

Amounts due to group undertakings	23,230	463,451
Other creditors including taxation and social security	<u>172,573</u>	<u>2,130,678</u>
	<u>195,803</u>	<u>2,594,129</u>

Amounts due to group undertakings comprise:-

Parent and fellow subsidiary undertakings	<u>23,230</u>	<u>463,451</u>
	<u>23,230</u>	<u>463,451</u>

Other creditors including taxation and social security:

Corporation Tax	150,875	409,989
Other Creditors	<u>21,698</u>	<u>1,720,689</u>
	<u>172,573</u>	<u>2,130,678</u>

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

	<u>1998</u>	<u>1997</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>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Opening shareholders' funds	10,379,979	9,414,126
(Loss)/Profit for the year	<u>(9,038,296)</u>	<u>965,853</u>
Closing shareholders' funds	<u>1,341,683</u>	<u>10,379,979</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 £72,979 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. RELATED PARTIES

The company is exempt from the requirements of FRS8, concerning related parties disclosures as it is a wholly owned subsidiary of a company which prepares consolidated financial statements which are publically available.

15. 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.