

**HSBC Gibbs
International Property Limited**
(Formerly Gibbs Hartley Cooper
International Property Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1996

REGISTERED NO. 2649812



HSBC Gibbs International Property Limited
(Formerly Gibbs Hartley Cooper
International Property Limited)

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1996.

PRINCIPAL ACTIVITY

The Company's principal activity is that of an agent for an insurance broker. The Company receives commission from the insurance broker in relation to business placed by that broker which has been introduced by the Company.

RESULTS AND DIVIDENDS

The results of the Company for the year are detailed in the profit and loss account on page 5. The directors recommend payment of a final dividend of £660,000 (1995: £752,400) to those shareholders on the Register at the close of business on 31 December 1996.

CHANGE OF NAME

On 2 January 1996, the Company changed its name to HSBC Gibbs International Property Limited.

DIRECTORS AND DIRECTORS' INTERESTS

G.F. Puttergill	(Chairman)
P.D. Playford	(Managing Director)
N.J.R. Burn	
C.J. Shaer	
R.V. Culberson	
A.M.M. Dixon	

The following directors had interests in the shares of the Company during the year under review.

	No. of shares	
	31 December 1996	31 December 1995
	£1 ordinary shares	
P.D. Playford	262	225
N.J.R. Burn	175	150
R.V. Culberson	175	150
C.J. Shaer	88	75

HSBC Gibbs International Property Limited
(Formerly Gibbs Hartley Cooper
International Property Limited)

DIRECTORS' REPORT

DIRECTORS' INTERESTS continued

At 31 December 1996 the directors who held options to acquire Ordinary shares of 75 pence in the Company's ultimate parent, HSBC Holdings plc granted under its savings related share option schemes, were as follows:

	No of options held at 1 January 1996	No of options granted in the year	No of options held at 31 December 1996
G.F. Puttergill	2,749	-	2,749
P.D. Playford	1,273	1,127	2,400
N.J.R. Burn	3,183	-	3,183
C.J. Shaer	983	-	983
R.V. Culberson	636	-	636
A.M.M. Dixon	-	751	751

Directors and officers liability insurance was in force throughout the year.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HSBC Gibbs International Property Limited
(Formerly Gibbs Hartley Cooper
International Property Limited)

DIRECTORS' REPORT

RELATED PARTIES

In the normal course of business, the Company enters into transactions with, and receives from, the following companies within the HSBC Group:

	<u>Services Received</u>	<u>Services Provided</u>
Midland Bank plc	Banking services	-
HSBC Gibbs Limited	Management services	Placing of business at Lloyd's and with insurance companies

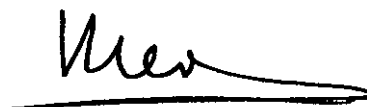
Banking services are charged on an arms length basis; other services are charged at cost plus a margin where appropriate.

AUDITORS

KPMG resigned as auditors of the Company on 27 September 1996. On 3 October 1996, KPMG Audit Plc were appointed as auditors of the Company.

In accordance with Section 385 of the Companies Act 1985 (as amended), a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



Bishops Court
 27/33 Artillery Lane
 London E1 7LP

C.E.R. Ledsam
 Secretary
 7 February 1997

REGISTERED NO. 2649812

HSBC Gibbs International Property Limited
(Formerly Gibbs Hartley Cooper
International Property Limited)

AUDITORS' REPORT TO THE MEMBERS
OF HSBC GIBBS INTERNATIONAL PROPERTY LIMITED

We have audited the financial statements on pages 5 to 12.

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 affairs of the Company as at 31 December 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditors

27 February 1997

8 Salisbury Square
London
EC4Y 8BB

HSBC Gibbs International Property Limited
(Formerly Gibbs Hartley Cooper
International Property Limited)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	Note	1996 £	1995 £
Turnover	1(b)/2	1,903,572	1,975,925
Staff costs	3	(536,127)	(453,925)
Other operating charges		(608,174)	(570,114)
Interest receivable from Group undertakings		240,821	180,347
Profit on ordinary activities before taxation	4	1,000,092	1,132,233
Tax on profit on ordinary activities	6	(340,393)	(383,250)
Profit on ordinary activities after taxation		659,699	748,983
Dividends proposed		(660,000)	(752,400)
Retained (loss)/profit for the financial year		(301)	(3,417)
Retained profit brought forward		2,687	6,104
Retained profit carried forward		2,386	2,687

All gains and losses have been dealt with in the profit and loss account.

The notes on pages 7 to 12 form part of these financial statements.

HSBC Gibbs International Property Limited
(Formerly Gibbs Hartley Cooper
International Property Limited)

BALANCE SHEET AS AT 31 DECEMBER 1996

	Note	1996 £	1995 £
Current assets			
Debtors	7	1,007,430	1,158,657
		1,007,430	1,158,657
Creditors: Amounts falling due within one year	8	(1,002,044)	(1,153,120)
Net current assets		5,386	5,537
Capital and reserves			
Called up share capital	10	3,000	2,850
Profit and loss account		2,386	2,687
		5,386	5,537

The financial statements were approved
by the Board of Directors on 7 February 1997

G.F. PUTTERGILL



Directors

P.D. PLAYFORD



The notes on pages 7 to 12 form part of these financial statements.

HSBC Gibbs International Property Limited
(Formerly Gibbs Hartley Cooper
International Property Limited)

NOTES TO THE FINANCIAL STATEMENTS

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 financial statements:

a) Basis of Accounting

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

b) Turnover

Turnover comprises commissions receivable in respect of insurance broking.

Commission income is taken into account on the later of:

(a) when the premium is charged to the client

or (b) the inception date of the policy.

c) Cash Flow Statement

The Company is a subsidiary of another company incorporated in Great Britain, whose consolidated accounts include a cash flow statement prepared under FRS 1 and incorporate the cash flows of this Company, which are wholly or partly dependent on the group's overall cash or funding position. Furthermore, the minority shareholding in the Company will in due course be purchased by the parent company. In the circumstances, the directors consider that a cash flow statement is not meaningful in relation to this Company alone.

d) Foreign Currency

Foreign currency balances in respect of business settled in those currencies are translated at the closing rates of exchange on the balance sheet date.

Commission received in foreign currency is translated at the rate of exchange ruling on the later of when the premium is charged to the client or the inception date of the policy.

Differences arising from the translation and conversion of amounts in foreign currencies are dealt with in the profit and loss account.

HSBC Gibbs International Property Limited
(Formerly Gibbs Hartley Cooper
International Property Limited)

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

e) Pension Costs

Pension contributions comprise the normal contributions for the period, determined according to actuarial advice where appropriate, together with the approximate proportion of actuarial deficiencies or surpluses which are recognised over the average expected remaining service lives of the employees concerned.

f) Deferred Taxation

Deferred taxation in respect of the taxation effect of material timing differences is provided only to the extent that it is probable that liabilities will crystallise. No deferred tax asset is recognised.

2. TURNOVER

The analysis of turnover by geographical area is as follows:-

	1996 £	1995 £
United Kingdom	177,687	326,099
Europe	187,888	120,131
Rest of World	1,537,997	1,529,695
	1,903,572	1,975,925

3. STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:-

	1996 Number	1995 Number
Insurance broking	9	8
Other	5	5
	14	13

HSBC Gibbs International Property Limited
(Formerly Gibbs Hartley Cooper
International Property Limited)

NOTES TO FINANCIAL STATEMENTS

3. STAFF NUMBERS AND COSTS continued

The aggregate payroll costs of these persons were as follows:-

	1996 £	1995 £
Wages and salaries	463,130	392,179
Social security costs	40,812	37,438
Other pension costs	32,185	24,308
	536,127	453,925

The majority of staff are members of the Gibbs Pension and Life Assurance Plan, which is a defined benefit scheme based on final pensionable salary. Its assets are held in a separate trustee-administered fund. Annual profits are charged with pension contributions based on the total pension costs for HSBC Gibbs Holdings Limited and its subsidiaries as a whole, which are assessed in accordance with the advice of qualified actuaries, (who are employees of HSBC Gibbs Actuarial and Advisory Services Limited, a fellow subsidiary undertaking), using the projected unit method. The latest actuarial assessment was made at 1 April 1995 and full details of this scheme are given in the financial statements of HSBC Gibbs Holdings Limited, an intermediate holding company.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging the following:

	1996 £	1995 £
Directors' remuneration (see note 5)	395,043	314,529
Auditors' remuneration - for audit work	2,700	2,100

HSBC Gibbs International Property Limited
(Formerly Gibbs Hartley Cooper
International Property Limited)

NOTES TO FINANCIAL STATEMENTS

5. DIRECTORS' EMOLUMENTS

The Chairman of the Company was employed and remunerated as an executive of a parent undertaking. No charge was made for services provided to the Company. Details of those directors employed and remunerated by HSBC Gibbs International Property Limited are given below.

Excluding pension contributions, the emoluments of the highest paid director were £139,415 (1995: £119,543). The emoluments of the directors were within the following ranges:-

	1996 Number	1995 Number		1996 Number	1995 Number
0 - 5,000	2	2	70,001 - 75,000	-	1
40,001 - 45,000	-	1	80,001 - 85,000	1	-
50,001 - 55,000	1	-	95,001 - 100,000	1	-
60,001 - 70,000	-	1	115,001 - 120,000	-	1
			135,001 - 140,000	1	-

6. TAXATION

The taxation charge consists of the following:-

	1996 £	1995 £
UK Corporation Tax at 33% (1995: 33%)	340,393	381,370
Under provision in prior years	-	1,880
	340,393	383,250

7. DEBTORS

	1996 £	1995 £
Amounts owed by parent and fellow undertakings	966,180	1,119,057
Advance Corporation Tax	41,250	39,600
	1,007,430	1,158,657

Advance Corporation Tax is due after more than one year.

HSBC Gibbs International Property Limited
(Formerly Gibbs Hartley Cooper
International Property Limited)

NOTES TO THE FINANCIAL STATEMENTS

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Other creditors including taxation and social security	342,044	400,720
Proposed dividend	660,000	752,400
	1,002,044	1,153,120
Other creditors including taxation and social security comprise:		
Corporation Tax	300,794	361,120
Advance Corporation Tax payable	41,250	39,600
	342,044	400,720

At 31 December 1996 there was no material liability or potential liability for deferred taxation (1995: £nil).

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Share capital issued during the year	150	-
Retained (loss)/profit for the year	(301)	(3,417)
Shareholders' funds brought forward	5,537	8,954
Shareholders' funds carried forward	5,386	5,537

HSBC Gibbs International Property Limited
(Formerly Gibbs Hartley Cooper
International Property Limited)

NOTES TO THE FINANCIAL STATEMENTS

10. SHARE CAPITAL

	1996 £	1995 £
Authorised:		
3,000 ordinary shares of £1 each	3,000	3,000
Issued:		
Share capital allotted, called up, and fully paid:		
At 1 January	2,850	2,850
Issued during the year	150	-
At 31 December	3,000	2,850

During the year, in accordance with the provision of the Shareholders Agreement, 150 Ordinary shares of £1 each were allotted at par. Of these, 100 shares were allotted to certain directors of the Company.

11. HOLDING COMPANIES

The Company's ultimate holding company is HSBC Holdings plc, which is incorporated in Great Britain and registered in England and Wales.

The parent company of the smallest group of which the Company is a member and for which group accounts are prepared is that headed by HSBC Gibbs Limited, registered in England and Wales. The financial statements of HSBC Gibbs Limited are available from Bishops Court, 27/33 Artillery Lane, London E1 7LP.

The largest group in which the results of the Company are consolidated is that headed by HSBC Holdings plc. The consolidated financial statements of HSBC Holdings plc are available from 10 Lower Thames Street, London, EC3R 6AE.