

**HSBC Gibbs  
International Property Limited**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 1999**

**REGISTERED NO. 2649812**



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# HSBC Gibbs International Property Limited

## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1999.

### RESULTS AND DIVIDENDS

The results of the Company for the year are detailed in the profit and loss account on page 6. The directors recommend payment of a final dividend of £948,000 (1998: £987,000) to those shareholders on the Register at the close of business on 31 December 1999.

### PRINCIPAL ACTIVITY

The Company's principal activity is that of an introducing 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.

### DIRECTORS

The Directors who served during the year were:-

G.F. Puttergill	(Chairman)
P.D. Playford	(Managing Director)
N.J.R. Burn	
C.J. Shaer	
R.V. Culberson	(Resigned 31 May 1999)
A.M.M. Dixon	

### DIRECTORS INTERESTS

According to the Register of Directors' interests maintained by the Company in accordance with Section 325 of the Companies Act 1985, the interests of the directors in the share capital of the Company were-

	No. of £1 ordinary shares	
	1 January 1999	31 December 1999
P.D. Playford	156	104
N.J.R. Burn	105	70
C.J. Shaer	52	34

# HSBC Gibbs International Property Limited

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS CONTINUED

The Directors' interests in the share and loan capital of HSBC Holdings plc, the ultimate parent undertaking, as required to be disclosed under the Companies Act 1985, are set out below. As a result of a share capital reorganisation implemented on 2 July 1999, each ordinary share of 75p each was replaced with three ordinary shares of US\$0.50 each.

	<u>At 1/1/99</u>	<u>At 31/12/99</u>
	Ordinary shares of 75p each	Ordinary shares of US\$0.50 each
G F Puttergill	6,689	21,231
C J Shaer	-	2,949

As a consequence of the share capital reorganisation, all awards under the Share Option Schemes, made in ordinary shares of 75p each, were adjusted by multiplying the number of shares by three and dividing the relevant exercise price by three. During the year options over shares were granted/exercised as follows:

	Granted Ordinary shares of 75p each	Exercised Ordinary shares of US\$0.50 each
A M M Dixon	7,000	-
G F Puttergill	-	4,428
C J Shaer	2,000	2,949

## **HSBC Gibbs International Property Limited**

### **DIRECTORS' REPORT**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities, 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 profit or loss for the financial year. The Directors are required to prepare these financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The Directors consider that in preparing the financial statements, 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.

#### **SUPPLIER PAYMENT POLICY**

During the year, the Company only received goods and services from group undertakings. Part VI of Schedule 7 of Companies Act 1985, setting out reporting requirements in relation to the policy and practice on payment of creditors, is therefore, not applicable.

#### **YEAR 2000**

There has been no disruption to the Company's operations, during or since the turn of the millennium, as a result of the systems, upon which the Company relies, not being Year 2000 compliant. No disruption is expected and the Directors continue to monitor the position.

The costs of the Year 2000 modifications have been assessed on a group basis and are incorporated within the report of HSBC Holdings plc.

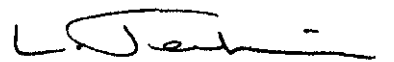
# **HSBC Gibbs International Property Limited**

## **DIRECTORS' REPORT**

### **AUDITORS**

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



10 Lower Thames Street  
London  
EC3R 6AE

L.J. Jenkinson  
Secretary  
15 February 2000

REGISTERED NO. 2649812

## **HSBC Gibbs International Property Limited**

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

We have audited the financial statements on pages 6 to 14.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, 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 affairs of the Company as at 31 December 1999 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

24 February 2000

8 Salisbury Square  
London  
EC4Y 8BB

# HSBC Gibbs International Property Limited

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	1999 £	1998 £
<b>Turnover</b>	1(b)/2	2,346,059	2,274,404
Staff costs	3		(156,345)
Other operating charges		(1,282,796)	(1,123,711)
Interest receivable from Group undertakings		304,187	448,132
<b>Profit on ordinary activities before taxation</b>	4	1,367,450	1,442,480
Tax on profit on ordinary activities	6	(419,806)	(455,630)
<b>Profit on ordinary activities after taxation</b>		947,644	986,850
Dividends proposed		(948,000)	(987,000)
<b>Retained (loss) for the financial year</b>		(356)	(150)
Retained profit brought forward		1,744	1,894
<b>Retained profit carried forward</b>		1,388	1,744

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

The notes on pages 8 to 14 form part of these financial statements.

# HSBC Gibbs International Property Limited

## BALANCE SHEET AS AT 31 DECEMBER 1999

	Note	1999 £	1998 £
<b>Current assets</b>			
Debtors	7	1,185,200	1,382,884
		1,185,200	1,382,884
<b>Creditors: Amounts falling due within one year</b>	8	(1,180,812)	(1,378,140)
<b>Net current assets</b>		4,388	4,744
<b>Capital and reserves</b>			
Called up share capital	10	3,000	3,000
Profit and loss account		1,388	1,744
		4,388	4,744

The financial statements were approved  
by the Board of Directors on 15 February 2000

  
G.F. PUTTERGILL

  
P.D. PLAYFORD

Directors

The notes on pages 8 to 14 form part of these financial statements.



## HSBC Gibbs 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 for the introduction of business to a placing insurance broker, HSBC Insurance Brokers Limited, the Company's immediate parent company.

Commission income is taken into account on the later of:

- (a) when the premium is charged to the client by HSBC Insurance Brokers Limited
- 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

## 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:-

	1999 £	1998 £
United Kingdom	1,127,999	609,360
Europe	9,852	62,416
Rest of World	1,208,208	1,602,628
	2,346,059	2,274,404

### 3. STAFF NUMBERS AND COSTS

On 1 April 1998, all staff employed by the company (including certain directors) were transferred to the employment of the Company's immediate parent company, HSBC Insurance Brokers Limited. As a consequence of this transfer, average staff numbers and staff costs after 1 April 1998 are disclosed in the accounts of HSBC Insurance Brokers Limited.

The average number of persons employed by the Company (including directors) during the year to 31 December 1999, (1998 Period to 31 March), analysed by category, was as follows:-

	1999 Number	1998 Number
Insurance broking	-	8
Other	-	4
	-	12

# HSBC Gibbs International Property Limited

## NOTES TO FINANCIAL STATEMENTS

### 3. STAFF NUMBERS AND COSTS CONTINUED

The aggregate payroll costs to 31 December 1999 (31 March 1998) were as follows:-

	1999 £	1998 £
Wages and salaries	-	130,491
Social security costs	-	11,419
Other pension costs	-	14,435
	-	156,345

During 1998 the majority of staff were 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 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 Actuaries and Consultants Limited, a fellow subsidiary undertaking), using the projected unit method. The latest actuarial assessment was made at 1 April 1998 and full details of this scheme are given in the financial statements of HSBC Gibbs Holdings Limited, an intermediate holding company.

With effect from 17<sup>th</sup> January 2000 the Gibbs Pension and Life Assurance Plan has been merged into the HSBC Bank plc Pension Scheme, which is the HSBC Group's main pension scheme for Group employees in the UK.

### 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	1999 £	1998 £
Directors' remuneration (see note 5)	448,123	453,059
Auditors' remuneration - for audit work	2,512	2,300

From 1 April 1998 Directors remuneration was charged to the Company by means of a management charge from its immediate parent company, HSBC Insurance Brokers Limited.

# HSBC Gibbs International Property Limited

## NOTES TO FINANCIAL STATEMENTS

### 5. REMUNERATION OF DIRECTORS

G.F.Puttergill and A.M.M.Dixon were employed and remunerated by a parent undertaking. Details of all other directors' emoluments are given below.

	1999 £	1998 £
Directors' emoluments	416,940	417,204

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £156,840 (1998: £142,509). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £10,570 (1998: £8,760). During the year, the highest paid director exercised rights to sell shares under a shareholders agreement.

	Number of directors	
	1999	1998
Retirement benefits are accruing to the following number of directors under defined benefit schemes	3	4

The number of directors who exercised rights to sell shares under shareholders agreements was	4	4
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### 6. TAXATION

The taxation charge consists of the following:-

	1999 £	1998 £
UK Corporation Tax at 30.25% (1998: 31%)	419,327	452,864
Under provision in prior years	479	2,766
	419,806	455,630

# HSBC Gibbs International Property Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 7. DEBTORS

	1999 £	1998 £
Amounts owed by parent and fellow undertakings	1,185,200	1,342,746
Advance Corporation Tax	-	40,138
	1,185,200	1,382,884

Advance Corporation Tax due after more than one year is £Nil (1998: £40,138).

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Other creditors including taxation and social security	232,812	391,140
Proposed dividend	948,000	987,000
	1,180,812	1,378,140
Other creditors including taxation and social security comprise:		
Corporation Tax	232,812	351,002
Advance Corporation Tax payable	-	40,138
	232,812	391,140

At 31 December 1999 there was no material liability or potential liability for deferred taxation (1998: £nil).

# HSBC Gibbs International Property Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Retained loss for the year	(356)	(150)
Shareholders' funds brought forward	4,744	4,894
Shareholders' funds carried forward	4,388	4,744

### 10. SHARE CAPITAL

	1999 £	1998 £
<b>Authorised:</b>		
3,000 ordinary shares of £1 each	3,000	3,000
<b>Issued:</b>		
Share capital allotted, called up, and fully paid:		
At 31 December	3,000	3,000

### 11. RELATED PARTIES

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

	<u>Services Received</u>	<u>Services Provided</u>
HSBC Insurance Brokers Limited	Management services	Introduction of insurance business

Management services are charged at cost plus a margin where appropriate.

## **HSBC Gibbs International Property Limited**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **12. 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 Insurance Brokers Limited, registered in England and Wales. The financial statements of HSBC Insurance Brokers Limited are available from 10 Lower Thames Street, London EC3R 6AE.

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.