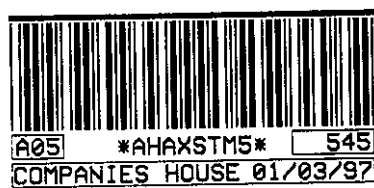


MONTAGU TRUST LIMITED

N° 1435858

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1996



## MONTAGU TRUST LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996

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

#### COMPANY'S BUSINESS AND REVIEW

The Company is a holding company within the HSBC Investment Bank plc Group and no change in this regard is expected in the current year. All of its subsidiary undertakings are nominee companies. As the Company did not receive any income or incur any expenses during the year, a profit and loss account has not been prepared. There have been no recognised gains or losses during the year.

#### DIRECTORS

The directors who served during the year were as follows:

I.C. Cotterill  
R.W. Quin

#### DIRECTORS' INTERESTS

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

	HSBC Holdings plc Ordinary shares of 75p each held	
	31.12.96	1.1.96
R.W. Quin	3,279	181

In addition, during the year the following directors were granted/exercised options to acquire HSBC Holdings plc Ordinary shares of 75p each:

	Granted	Exercised
R.W. Quin	390	3,292

#### CHANGE OF PARENT UNDERTAKING

On 1 April 1996, HSBC Investment Bank plc became the Company's immediate parent undertaking.

#### AUDITORS

During the year KPMG resigned as, and KPMG Audit Plc were appointed, auditor of the Company. The Company is not obliged to reappoint its auditors annually and therefore KPMG Audit Plc will continue in office.

MONTAGU TRUST LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Auditors' statement of their 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 6, 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.

BY ORDER OF THE BOARD

  
S K Bryant  
Secretary

10 Lower Thames Street  
London EC3R 6AE

21 February 1997

MONTAGU TRUST LIMITED

REPORT OF THE AUDITORS, KPMG AUDIT PLC, TO THE MEMBERS OF MONTAGU TRUST LIMITED

We have audited the financial statements on pages 4 to 6.

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 1996 and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

London

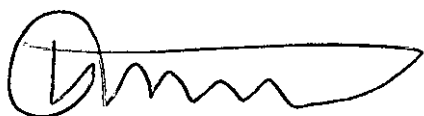
~ February 1997

MONTAGU TRUST LIMITED

BALANCE SHEET AT 31 DECEMBER 1996

		<u>1996</u>	<u>1995</u>
		£	£
	<u>Notes</u>		
<u>FIXED ASSETS</u>			
Investment in subsidiary undertakings	4	106	106
		-----	-----
<u>CREDITORS</u> : amounts falling due within one year	5	(106)	(106)
		-----	-----
CURRENT LIABILITIES		(106)	(106)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		-	-
		=====	=====
<u>CAPITAL AND RESERVES</u>			
Called up share capital	6	2	2
Profit and loss account		(2)	(2)
		-----	-----
Shareholder's funds - equity		-	-
		=====	=====

Approved by the board and signed on its behalf on 24 February 1997.



Director

The notes on pages 5 and 6 form part of the financial statements

# MONTAGU TRUST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

### 1. Accounting policies

#### (a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. Consolidated accounts have not been prepared as the Company is itself a wholly owned subsidiary of a company incorporated in England and Wales.

#### (b) Fixed asset investments

Fixed asset investments are stated at cost except where, in the opinion of the directors, provision should be made for a permanent diminution in value.

#### (c) Cash flow statement

As the cash flow statement included in the consolidated financial statements for the ultimate parent company complies with the conditions of Financial Reporting Standard N°. 1 (Revised 1996) ("FRS 1") - "Cash Flow Statements" the Company is exempt under FRS 1 from the requirement to prepare a separate cash flow statement.

### 2. Profit on ordinary activities before taxation

As the Company neither received any income nor incurred any expenses during the year a profit and loss account has not been prepared.

As in 1995, certain expenses, including auditors' remuneration, have been borne by the immediate parent company.

### 3. Directors' emoluments

No emoluments were received or are receivable by the directors in respect of their services during the year (1995 - nil).

### 4. Investment in subsidiary undertakings

The subsidiary undertakings, all of which are wholly owned and registered in England and Wales, are as follows:

	<u>1996</u>	<u>1995</u>
	Number of shares	Number of shares
	of £1 each	of £1 each
Drayton Corporation (Nominees) Limited	100	100
Samuel Montagu & Co. (Nominees) Limited	2	2
SM Nominees Limited	2	2
Square Mile Nominees Limited	2	2
	-----	-----
	106	106
	=====	=====

# MONTAGU TRUST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

### 4. Investment in subsidiary undertakings (continued)

In the opinion of the directors the value of the investments in the subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

### 5. Creditors: amounts falling due within one year

	<u>1996</u>	<u>1995</u>
	£	£
Amounts owed to fellow subsidiary undertakings	106	106
	-----	-----
	106	106
	=====	=====

### 6. Share capital

	<u>1996</u>	<u>1995</u>
	£	£
Authorised:		
100 shares of £1 each	100	100
	=====	=====
Allotted, called up and fully paid:		
2 shares of £1 each	2	2
	=====	=====

### 7. Parent Undertakings

The ultimate parent company, and the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member, is HSBC Holdings plc. HSBC Holdings plc is registered in England and Wales.

Copies of the group financial statements of HSBC Holdings plc can be obtained from:

HSBC Holdings plc  
10 Lower Thames Street  
London  
EC3R 6AE

### 8. Related party disclosures

As the company is a wholly owned subsidiary of HSBC Holdings plc, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related Party Disclosures" 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.