

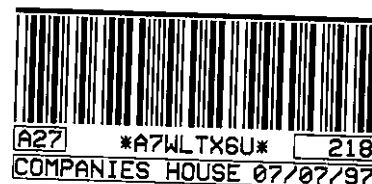
Registrar

**HSBC Gibbs Treaty Limited**  
(Formerly Gibbs Hartley Cooper Treaty Limited)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 1996**

**REGISTERED NO. 2185318**



**HSBC Gibbs Treaty Limited**  
**(Formerly Gibbs Hartley Cooper Treaty 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 £1,390,000 (1995: £1,105,000) to those 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 Treaty Limited.

**DIRECTORS AND DIRECTORS' INTERESTS**

G.F. Puttergill	(Chairman)
M.E. Bishop	(Joint Managing Director)
P.S. Cazeaux	(Joint Managing Director)
P.W. Bumpstead	(Deputy Managing Director)
J. Cabourne	
A.M.M. Dixon	
M.W. Speed	

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

	<b>No. of shares</b>	
	<b>31 December 1996</b>	<b>31 December 1995</b>
	<b>£1 ordinary shares</b>	
M.E. Bishop	244	244
P.W. Bumpstead	244	244
P.S. Cazeaux	244	244
M.W. Speed	184	184
J. Cabourne	60	60

**HSBC Gibbs Treaty Limited**  
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**DIRECTORS' REPORT**

**DIRECTORS AND 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
M.E. Bishop	-	-	-
P.S. Cazeaux	1,476	-	1,476
P.W. Bumpstead	-	-	-
J. Cabourne	2,749	-	2,749
A.M.M. Dixon	-	751	751
M.W. Speed	491	-	491

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 Treaty Limited**  
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**DIRECTORS' REPORT**

**AUDITORS**

KPMG resigned as auditors of the Company on 27 September 1996. On 3 October 1996, KPMG Audit Plc were appointed as auditor 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 auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Bishops Court  
27/33 Artillery Lane  
London E1 7LP

By Order of the Board



C.E.R. Ledsam  
Secretary  
25 February 1997

REGISTERED NO. 2185318

**HSBC Gibbs Treaty Limited**  
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**AUDITORS' REPORT TO THE MEMBERS OF**  
**HSBC Gibbs Treaty 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.

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.

*[Handwritten signature]*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditors  
27 February 1997

8 Salisbury Square  
London  
EC4Y 8BB

**HSBC Gibbs Treaty Limited**  
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**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 1996**

	Note	1996 £	1995 £
<b>Turnover</b>	1(b)/2	5,318,991	4,370,432
Staff costs	3	(1,844,272)	(1,441,277)
Other operating charges		(1,697,114)	(1,397,152)
Interest receivable from Group undertakings		354,241	166,235
<b>Profit on ordinary activities before taxation</b>	4	2,131,846	1,698,238
Tax on profit on ordinary activities	6	(740,233)	(592,091)
<b>Profit on ordinary activities after taxation</b>		1,391,613	1,106,147
Dividends proposed		(1,390,000)	(1,105,000)
<b>Retained profit for the financial year</b>		1,613	1,147
Retained profit brought forward		59,727	58,580
<b>Retained profit carried forward</b>		61,340	59,727

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.

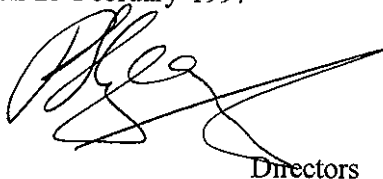
**HSBC Gibbs Treaty Limited**  
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**BALANCE SHEET AS AT 31 DECEMBER 1996**

	Note	1996 £	1995 £
<b>Current assets</b>			
Debtors	7	2,223,625	1,772,975
		2,223,625	1,772,975
<b>Creditors:</b> Amounts falling due within one year	8	(2,159,785)	(1,710,748)
<b>Net current assets</b>		63,840	62,227
<b>Capital and reserves</b>			
Called up share capital	10	2,500	2,500
Profit and loss account		61,340	59,727
		63,840	62,227

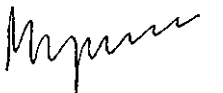
The financial statements were approved  
by the Board of Directors on 25 February 1997

P.S. CAZEAUX



Directors

M.W. SPEED



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

**HSBC Gibbs Treaty Limited**  
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**NOTES TO 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 except in the case of reinsurance treaty business when income is recognised on policies incepting on 1 January of the following year.

**(c) 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 translation and conversion of amounts in foreign currencies are dealt with in the profit and loss account.

**d) 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.



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**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	3,308,187	2,626,351
Rest of Europe	1,021,794	651,240
Other	989,010	1,092,841
	5,318,991	4,370,432

**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	27	24
Other	6	6
	33	30

**HSBC Gibbs Treaty Limited**  
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**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	1,576,044	1,240,717
Social security costs	149,857	121,169
Other pension costs	118,371	79,391
	1,844,272	1,441,277

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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 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**

	1996 £	1995 £
Profit on ordinary activities before taxation is stated after charging the following:		
Directors' remuneration (see note 5)	636,116	588,614
Auditors' remuneration - for audit work	2,200	2,100

**HSBC Gibbs Treaty Limited**  
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**NOTES TO FINANCIAL STATEMENTS**

**5. DIRECTORS' EMOLUMENTS**

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

Excluding pension contributions, the emoluments of the highest paid director were £129,717 (1995: £117,834). The emoluments of the directors were within the following ranges:-

	1996 Number	1995 Number		1996 Number	1995 Number
0 - 5,000	2	2	110,001 - 115,000	1	1
85,001 - 90,000	-	1	115,001 - 120,000	1	1
95,001 - 100,000	1	-	120,001 - 125,000	1	-
105,001 - 110,000	-	2	125,001 - 130,000	1	-

**6. TAXATION**

The taxation charge consists of the following:-

	1996 £	1995 £
UK Corporation tax at 33% (1995: 33%)	740,230	591,746
Under-provision in prior years	3	345
	<b>740,233</b>	<b>592,091</b>

**7. DEBTORS**

	1996 £	1995 £
Amounts owed by parent and fellow undertakings	2,079,482	1,658,386
Advance Corporation Tax	144,143	114,589
	<b>2,223,625</b>	<b>1,772,975</b>

The Advance Corporation Tax is due after more than one year.

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**NOTES TO FINANCIAL STATEMENTS**

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

	1996 £	1995 £
Other creditors including taxation and social security	769,785	605,748
Proposed dividend	1,390,000	1,105,000
	2,159,785	1,710,748
Other creditors including taxation and social security comprise:		
Corporation Tax	625,642	491,159
Advance Corporation Tax payable	144,143	114,589
	769,785	605,748

At 31 December 1996 there was no material liability or potential liability for deferred taxation.

**9. RECONCILIATION OF SHAREHOLDERS' FUNDS**

	1996 £	1995 £
Retained profit for the year	1,613	1,147
Shareholders' funds brought forward	62,227	61,080
Shareholders' funds carried forward	63,840	62,227

**HSBC Gibbs Treaty Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**10. SHARE CAPITAL**

	1996 £	1995 £
<b>Authorised:</b>		
2,500 ordinary shares of £1 each	2,500	2,500
<b>Issued:</b>		
Share capital allotted, called up, and fully paid:		
2,500 ordinary shares of £1 each	2,500	2,500

**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>
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.

**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 Gibbs Limited, which is 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.