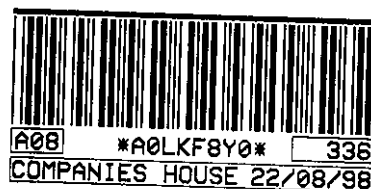


CHARTERHOUSE BANK LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1997

Registered Number 171831



CHARTERHOUSE BANK LIMITED DIRECTORS

M L Hepher	CHAIRMAN AND CHIEF EXECUTIVE
P M Baines	MANAGING DIRECTOR
I M Beith	MANAGING DIRECTOR
N F Fryer	MANAGING DIRECTOR

S P de Albuquerque

I Barrass

P D Bowman

P R M Cazalaa

D M Cockrell

Mrs J Cohen *

G I Craig

R J Cumbley

L H Derriey

R W Dix

P F Doye *

D Ellis

Mrs P T Emburey

W K Gardener

E D Glover

J C Grassi

W M F von Guionneau

R W Heley

Mrs C Holbrook

R F Kinsky

J S Liddle

P E Mackey

A N Margetts

P N J May

A D J Moffat

D W Parish

G R M Pigache

R D Poynder

Mrs J E Prescott

P J Ranger

S D Ringer

K A Robinson

A F Rose

A P Seymour

M Z Shapiro

J P Smith

A A Speak

T H Walker

* Non-Executive Director

Joint Secretaries :	J P Craze
	M G Hotchin

Registered Office :	1 Paternoster Row, St Paul's, London EC4M 7DH
	Tel: 0171 248 4000

Registered Number :	171831
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Auditors :	Coopers & Lybrand, 1 Embankment Place, London WC2N 6NN
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CHARTERHOUSE BANK LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 1997.

Dividends

An interim dividend of £4m has been paid and a second interim dividend of £2m is proposed.

Business Review

The principal activity of the Company and its subsidiary undertakings is merchant banking.

The Company continued, throughout the year, to develop its treasury, structured finance, property services and corporate finance activities.

Directors

The Directors of the Company listed at the front of this report served as such for the whole of the year except for Mr R J Cumbley, Mrs C Holbrook, Mr A N Margetts and Mr J P Smith who were appointed Directors on 1 April 1997, Mr P J Ranger who was appointed a Director on 1 October 1997, Mr S D Ringer who was appointed a Director on 5 January 1998 and Mr D Ellis, Mr J C Grassi and Mr M Z Shapiro who were appointed Directors on 1 April 1998.

Mr N C Aylwin, Mr M V Blank, Mr P M A Bryans, Mr A M Dearsley, Mr O B Ellingham, Mr T A Lebus, Mr J-C Metz, Mr L N Midby, Mr J J Moczarski and Mr C Postel-Vinay served as Directors until their resignations on 3 June, 31 October, 4 June, 7 May, 4 August, 31 October, 31 July, 12 December, 30 September and 30 June 1997 respectively. Mr G M Coomber and Mr E G Cox who served as Directors throughout the year retired on 31 January 1998 and 1 March 1998 respectively.

Apart from those persons listed at the front of the report and those mentioned above, no other person served as a Director of the Company at any time during the year.

Directors' Interests

None of the Directors held, at the end of the year under review, any interests in the share capital of the Company or in the securities of any other company in the Group of which it is a member.

Corporate Governance

In order to place beyond doubt the Directors' commitment to the highest standards of corporate behaviour, it has been deemed appropriate to formalise many of the requirements contained in the Code of Best Practice, established as a result of the deliberations of the Cadbury Committee.

The following summary outlines the framework within which the Company operates its system of corporate governance.

The board, which has a formal schedule of matters specifically reserved to it for decision, has ultimate responsibility for the proper stewardship of the Group in all its undertakings. It meets regularly throughout the year to discharge its responsibilities for all important aspects of the Group's affairs, including monitoring performance, considering major strategic issues, approving budgets and business plans and reporting to its shareholder.

To facilitate the effective management of the Company's affairs, certain functions and responsibilities have been delegated by the board to formal committees whose terms of reference and membership are under continual review by the board.

Whilst the Company has no formal audit committee of its own, this function is fulfilled by the Charterhouse Audit Committee (a

formal committee of the board of Charterhouse European Holding Limited, a parent undertaking of the Company).

Payment Policies

Suppliers to the Company and its subsidiary undertakings are numerous and operate in a diverse range of businesses. As such, the Company and its subsidiary undertakings do not employ a single payment policy for their suppliers but ensure that payments are made upon receipt of an invoice from a supplier, or alternatively in accordance with agreed terms and conditions.

The number of supplier creditor days outstanding at 31 December 1997 was 21.

Employment Policies

The Company is firmly committed to the continuation of its policy of communication and consultation with its employees. Arrangements, including regular briefing meetings and a joint consultative committee, have been established for the provision of information to all employees on matters which affect them.

The Company gives full and fair consideration to applications for employment made by disabled persons. Continuing employment and opportunities for training are also provided for employees who become disabled.


Charitable and Other Contributions

The total amount given for charitable purposes by the Company and its subsidiary undertakings during the year was £37,716 (1996: £27,112).

Auditors

The auditors of the Company, Coopers & Lybrand, have indicated their willingness to continue in office. Resolutions to appoint them and to authorise the Directors to fix their remuneration will be proposed at the annual general meeting.

By order of the board


John P Craze
Joint Secretary
24 April 1998

Registered Number : 171831

CHARTERHOUSE BANK LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT AND AUDITORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss of the Group for the year. The financial statements must be prepared in accordance with applicable accounting standards.

In addition, the Directors are required:-

- to adopt suitable accounting policies and then apply them consistently, supported by judgements and estimates that are reasonable and prudent;
- to prepare financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements and confirm that these comply with the above requirements.

The Directors are also responsible for maintaining adequate accounting records, for safeguarding the assets of the Company and the Group and for preventing and detecting fraud and other irregularities.

REPORT OF THE AUDITORS

To the Members of Charterhouse Bank Limited

We have audited the financial statements on pages 3 to 21.

Respective Responsibilities of Directors and Auditors

As described above, 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 and the Group at 31 December 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors

London

 April 1998

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997 £m	1996 £m
Interest receivable			
Interest receivable & similar income arising from debt securities & other fixed income securities		35.5	23.2
Other interest receivable and similar income		42.8	37.7
Interest payable		<u>(68.0)</u>	<u>(50.2)</u>
Net interest income		10.3	10.7
Dividend income from equity shares		0.3	0.3
Fees and commissions receivable		15.7	16.0
Fees and commissions payable		(0.1)	(0.3)
Dealing profits		4.0	3.6
Other operating income	2	<u>15.5</u>	<u>16.9</u>
Operating income		45.7	47.2
Administrative expenses	3	(29.2)	(35.4)
Depreciation and amortisation	15	(0.9)	(1.0)
Provision releases and recoveries	10	1.4	1.0
Provision for liabilities and charges	22	<u>(1.6)</u>	<u>0.2</u>
Operating profit		15.4	12.0
Income from associated undertakings		<u>0.1</u>	<u>-</u>
Profit on ordinary activities before taxation	4	15.5	12.0
Tax on profit on ordinary activities	5	<u>(7.6)</u>	<u>(6.0)</u>
Profit on ordinary activities after taxation		7.9	6.0
Equity minority interests		<u>(0.8)</u>	<u>-</u>
Profit for the financial year		7.1	6.0
Equity dividends	6	<u>(6.0)</u>	<u>(6.0)</u>
Retained profit	24	<u>1.1</u>	<u>-</u>

All activities of the Group are regarded as continuing.

The Group has no recognised gains and losses other than those included in the consolidated profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

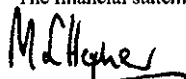
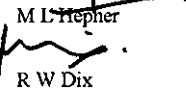
There is no difference between the profit on ordinary activities before tax and the profit retained by the Group for the financial year stated above, and their historical cost equivalents.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 1997

	Notes	1997 £m	1996 £m
Assets			
Cash and balances at central banks		0.1	0.1
Loans and advances to banks	8	342.9	578.3
Loans and advances to customers	9	111.7	152.0
Debt securities	11	762.7	702.6
Equity shares	12	0.5	0.8
Interests in associated undertakings	13	2.7	4.1
Tangible fixed assets	15	27.0	30.8
Other assets	16	144.5	165.2
Prepayments and accrued income		10.2	9.2
Total assets		1,402.3	1,643.1
Liabilities			
Deposits by banks	17	619.7	761.8
Customer accounts	18	357.4	447.7
Certificates of deposit in issue	19	200.5	163.6
Other liabilities	20	53.2	101.0
Accruals and deferred income		25.1	28.3
Provisions for liabilities and charges			
- deferred taxation	21	7.1	4.5
- other provisions for liabilities and charges	22	16.3	14.7
		1,279.3	1,521.6
Capital and reserves			
Called up share capital	23	42.0	42.0
Share premium account	24	10.0	10.0
Profit & loss account	24	70.6	69.5
Equity shareholders' funds	26	122.6	121.5
Equity minority interest		0.4	-
Total liabilities		1,402.3	1,643.1
Memorandum items			
Contingent liabilities			
- acceptances and endorsements	29	54.4	78.5
- guarantees and assets pledged as collateral security	29	5.2	5.9
		59.6	84.4
Commitments			
- credit lines	29	82.4	82.3

The financial statements on pages 3 to 21 were approved by the Board of Directors on 24 April 1998 and are signed on its behalf by:-


M L Hepher)

R W Dix)

Directors

BALANCE SHEET AT 31 DECEMBER 1997

	Notes	1997 £m	1996 £m
Assets			
Cash and balances at central banks		0.1	0.1
Loans and advances to banks	8	335.5	571.8
Loans and advances to customers	9	116.4	149.4
Debt securities	11	762.7	702.6
Equity shares	12	0.5	0.8
Interests in associated undertakings	13	0.2	0.2
Shares in group undertakings	14	32.0	28.4
Tangible fixed assets	15	19.6	20.0
Other assets	16	66.8	110.5
Prepayments and accrued income		9.4	9.1
Total assets		1,343.2	1,592.9
Liabilities			
Deposits by banks	17	555.5	713.9
Customer accounts	18	377.1	457.5
Certificates of deposit in issue	19	200.5	163.6
Other liabilities	20	48.1	93.4
Accruals and deferred income		23.1	28.3
Provisions for liabilities and charges	22	16.3	14.7
		1,220.6	1,471.4
Capital and reserves			
Called up share capital	23	42.0	42.0
Share premium account	24	10.0	10.0
Revaluation reserve	24	17.9	15.3
Profit & loss account	24	52.7	54.2
Equity shareholders' funds	26	122.6	121.5
Total liabilities		1,343.2	1,592.9
Memorandum items			
Contingent liabilities			
- acceptances and endorsements	29	54.4	78.5
- guarantees and assets pledged as collateral security	29	3.8	4.8
		58.2	83.3
Commitments			
- credit lines	29	91.3	91.1

The financial statements on pages 3 to 21 were approved by the Board of Directors on 24 April 1998 and are signed on its behalf by:-

M L Hephew

R W Dix

Directors

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

a Basis of preparation

The consolidated financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to banking companies and banking groups. The presentation of these accounts reflects the Companies Act 1985 (Bank Accounts) Regulations 1991 which brought into effect the requirements of the EC Bank Accounts Directive.

The financial statements have been prepared under the historical cost convention, modified by the revaluation of investments in subsidiary and associated undertakings, fixed assets and certain trading assets, and in accordance with applicable accounting standards.

b Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary and quasi-subsidiary undertakings and the Group's share of the results and post-acquisition reserves of its associated undertakings. The financial statements of subsidiary and associated undertakings are coterminous with those of Charterhouse Bank Limited, apart from Cromwell Land Holdings Limited, the results of which have been consolidated from management accounts drawn up to 31 December 1997 and 31 December 1996 respectively.

Interests in unincorporated joint ventures are consolidated by including the Group's share of the joint venture balance sheet and profit and loss account on a proportional basis.

The results of subsidiary and associated undertakings acquired or sold are included from the date of acquisition or to the date of sale respectively.

Goodwill is calculated as the difference between the cost of investment in subsidiary and associated undertakings and the fair value of the assets and liabilities purchased at the date of acquisition. Goodwill is charged to reserves in the year of acquisition.

c Income and expense recognition

In general, income and expenses are included in the profit and loss account on an accruals basis, except where assets and liabilities are included in trading portfolios which are accounted for on a fair value basis. The fair value, less any associated dealing costs incurred, is calculated by reference to all anticipated future cash flows, valued at year end interest and exchange rates, net of cash paid or received, discounted back to net present value. The net movement in fair value during the period is taken to the profit and loss account after making an adjustment to reflect all anticipated future risks and costs, including the potential cost of closing out positions and identifiable dealing costs.

The amount receivable and payable in respect of trading assets and liabilities included at fair value is included as a debtor or creditor respectively within other assets and liabilities. In accordance with industry standard practice, no offset between amounts receivable and payable to a counterparty is made unless legally enforceable.

d Dealing profits

Dealing profits comprise profits and losses from transactions in securities and foreign exchange activities from dealing in financial instruments, including interest, less associated funding costs.

e Fees & commissions

Lending fees and commissions charged in lieu of interest are amortised over the lives of the underlying contracts. All other fees and commissions are accounted for when invoiced on completion of services provided to clients.

f Foreign currencies

Assets, liabilities and trading results denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences relating to trading are dealt with in the profit and loss account; those arising from the application of closing rates of exchange to the opening net assets of overseas subsidiary and associated undertakings and related hedging transactions, are taken to reserves.

g Financial instruments with off-balance sheet risk

Off-balance sheet items such as forward rate agreements, interest rate swaps, currency swaps, interest rate options, foreign currency options and financial futures are segregated into hedging transactions and trading transactions. The valuation of trading transactions is as disclosed in Principal Accounting Policy (c).

Generally, hedging transactions are valued on the same basis as the assets, liabilities or positions which are the subject of the hedge. Any profit or loss is recognised at the same time as any profit or loss arising from the transactions which are the subject of the hedge.

Fees and amounts receivable and payable arising from transactions in trading portfolios are included in the profit and loss account at their fair value.

NOTES TO THE FINANCIAL STATEMENTS

g Financial instruments with off-balance sheet risk (continued)

Forward foreign exchange contracts are valued at the forward market rates ruling at the balance sheet date and the differences between those values and the contract prices are taken to the profit and loss account. Where, however, matched spot against forward contracts are entered into in conjunction with loans and deposits the resultant gains or losses are apportioned over the period of the contracts.

h Depreciation

Long leasehold buildings are maintained to a high standard by regular expenditure charged to the profit and loss account. No depreciation is charged where, in the opinion of the Directors, the residual value would be sufficiently high to make any depreciation charge immaterial. The residual values are based on a recent valuation of the properties in question. Should the Directors consider there to be a permanent diminution in value the asset will be written down.

Motor cars and other equipment are depreciated on a straight line basis over their anticipated useful lives, being 3 to 4 years for motor cars and 3 to 10 years for other equipment.

i Post-retirement benefits

The Group operates pension schemes and provides health insurance in retirement for the majority of pensioners and staff. Contributions are charged to the profit and loss account so as to spread the cost over the period the employees are expected to work with the Group.

j Properties

Investment properties are expected to be held for 3 to 5 years. The Directors consider it prudent, given the nature of the investment, to defer recognition of any change in property values until disposal of the property. Costs associated with entering into the property transaction, which are not considered by the Directors to be capital in nature, are written-off as incurred. Where the Directors consider there is a diminution in the value of the property, depreciation amounts are charged to the profit and loss account. In the opinion of the Directors the cost of the properties is not materially different from market value.

Other properties which are expected to be held for less than three years are held at the lower of cost and net realisable value.

k Provisions for bad and doubtful debts

Specific provisions are made against advances when, as a result of a detailed appraisal of the advances portfolio, it is considered that recovery is doubtful. The provisions are netted against advances. Provisions made during the period (less amounts released and recoveries of amounts written off in previous years) are charged to the profit and loss account. Advances classified as bad debts are written off in part or in whole when the extent of the loss incurred has been confirmed. Interest on doubtful advances is not recognised in the profit and loss account but held in suspense.

l General provision

A general provision has been established to provide for contingencies and liabilities which may exist within the Group.

m Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements, which transfer to the Group substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is included in other liabilities. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the profit and loss account. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets.

n Debt securities

Debt securities, including certificates of deposit, bills discounted and fixed and floating rate notes are included at market value except where it is intended that they should be held to maturity, when they are included at cost adjusted for accrued interest and the amortisation of premium or discount to redemption. The profit or loss arising from the sale of debt securities which are intended to be held to maturity is amortised over the period to maturity of the asset sold.

o Equity shares

All equity shares are classified as investment securities. Listed investments are stated individually at the lower of cost and market value, unless the Directors consider there has been a permanent diminution in value, in which case the investment is stated at cost less amounts written off. Unlisted investments are stated in aggregate at the lower of cost less amounts written off and Directors' valuation.

p Taxation

Taxation is based on the Group profit for the period. Provision has been made for deferred taxation on timing differences between profits stated in the financial statements and profits computed for taxation purposes at the rate of taxation expected to be applicable on reversal, where there is a probability that an asset or liability will crystallise.

NOTES TO THE FINANCIAL STATEMENTS

q Investments in subsidiary and associated undertakings

Investments in subsidiary and associated undertakings are included in the balance sheet of the Company at the Company's share of the net assets.

r Cash flow statements

The financial statements do not contain a cash flow statement by virtue of the exemptions available to the Company under paragraph 5(a) of Financial Reporting Standard No. 1 (Revised), as the Company's financial statements are included in the consolidated financial statements of its ultimate parent undertaking, which are publicly available.

s Segmental reporting

The Directors consider that the investment and merchant banking operations constitute one business in the United Kingdom. In these circumstances segmental information is not required to be disclosed under Statement of Standard Accounting Practice Number 25.

t Minority interests

Minority interests represent the share of profits less losses on ordinary activities after taxation attributable to outside interests in subsidiaries which are not wholly controlled by the Group.

2. OTHER OPERATING INCOME

	1997	1996
	£m	£m
Equity share realisations	-	7.8
Other realisations	7.2	0.2
Rental income	6.7	5.0
Other	1.6	3.9
	<u>15.5</u>	<u>16.9</u>

3. ADMINISTRATIVE EXPENSES

	1997	1996
	£m	£m
Staff costs		
- wages & salaries	17.6	18.8
- social security costs	1.2	1.4
- other pension costs	1.2	1.7
Other administrative expenses	9.2	13.5
	<u>29.2</u>	<u>35.4</u>

During the year £3.1m (1996: £4.5m) has been charged to other Group companies in respect of services provided.

The average number of persons employed by the Group during the year was as follows:-

	243	264
	<u> </u>	<u> </u>
UK and overseas		

4. GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997	1996
	£m	£m
Is stated after:-		
- Income from listed investments	0.3	0.3
	<u> </u>	<u> </u>

The auditors' remuneration was £122,860 (1996: £105,295) for audit services, and £32,360 (1996: £34,075) was payable for non-audit services.

NOTES TO THE FINANCIAL STATEMENTS

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997	1996
	£m	£m
United Kingdom corporation tax at 31.5% (1996: 33%)	5.0	3.4
Adjustments in respect of prior years	(0.1)	1.4
Taxation on franked investment income	0.1	0.1
Deferred taxation	2.6	1.1
	<u>7.6</u>	<u>6.0</u>

6. EQUITY DIVIDENDS

	1997	1996
	£m	£m
Interim dividend at 9.52p per share (1996 : 4.76p)	4.0	2.0
Proposed second interim dividend at 4.76p per share (1996 : 9.52p)	2.0	4.0
	<u>6.0</u>	<u>6.0</u>

7. DIRECTORS' EMOLUMENTS

	1997	1996
	£m	£m
Directors' emoluments	5.5	6.1
(excluding pension contributions and awards under long term incentive schemes)		
Awards receivable during the year under long term incentive schemes	1.1	0.9
Company pension contributions to money purchase schemes	0.3	0.2
	<u>6.9</u>	<u>7.2</u>

This total excludes emoluments received by Directors in respect of their services as Directors or officers of Charterhouse plc.

	1997	1996
	£	£
The emoluments (including awards under long term incentive schemes) of the highest paid Director was:	<u>578,000</u>	<u>463,000</u>

	1997	1996
The number of Directors who:		
- are members of a defined benefit scheme	31	28
- are members of a money purchase scheme*	12	10
- have received awards during the year in the form of long term incentive schemes	<u>19</u>	<u>16</u>

* includes 4 Directors (1996: 2) who are also members of a defined benefit scheme.

Payments made to and on behalf of former Directors in connection with their retirement from office amounted to £732,980 for 5 Directors (1996: £652,380 for 4 Directors). These payments are not included in the emoluments stated above.

Payments totalling £74,162 were paid to 10 past Directors in respect of their entitlements from incentive schemes.

Incentive schemes

Charterhouse plc, the immediate parent company, has established long term incentive schemes in which a number of the Company's senior executives may participate. Amounts under these schemes may become payable in the future but, because the amounts are discretionary, they have no monetary value to potential beneficiaries at the balance sheet date. Amounts received by directors will be disclosed in Directors' emoluments if, or when, paid.

NOTES TO THE FINANCIAL STATEMENTS

8. LOANS AND ADVANCES TO BANKS

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
Repayable on demand	9.3	8.6	1.8	2.2
Other loans and advances remaining maturity				
3 months or less	313.5	473.4	313.5	473.3
1 year or less but over 3 months	14.9	90.9	15.0	90.9
5 years or less but over 1 year	4.0	4.2	4.0	4.2
over 5 years	1.2	1.2	1.2	1.2
	<u>342.9</u>	<u>578.3</u>	<u>335.5</u>	<u>571.8</u>

9. LOANS AND ADVANCES TO CUSTOMERS

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
Repayable on demand or at short notice	32.4	42.4	66.8	70.5
Other loans and advances remaining maturity				
3 months or less	12.4	26.1	12.5	26.1
1 year or less but over 3 months	27.5	24.1	27.6	24.1
5 years or less but over 1 year	59.7	77.2	59.7	77.2
over 5 years	9.8	13.7	9.8	13.7
Specific bad and doubtful debt provisions	<u>(30.1)</u>	<u>(31.5)</u>	<u>(60.0)</u>	<u>(62.2)</u>
	<u>111.7</u>	<u>152.0</u>	<u>116.4</u>	<u>149.4</u>

Included above are unsubordinated loans to:-

- subsidiary undertakings

	<u>-</u>	<u>-</u>	<u>4.9</u>	<u>1.5</u>
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10. SPECIFIC PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
At 1 January	31.5	33.2	62.2	64.5
Exchange movements	-	(0.1)	0.1	-
Release for the year	(1.4)	(1.0)	(2.3)	(1.7)
Amounts written off	-	(0.6)	-	(0.6)
At 31 December	<u>30.1</u>	<u>31.5</u>	<u>60.0</u>	<u>62.2</u>

NOTES TO THE FINANCIAL STATEMENTS

11. DEBT SECURITIES - GROUP AND COMPANY

	1997 Balance Sheet £m	1997 Market Value £m	1996 Balance Sheet £m	1996 Market Value £m
Investment securities				
- bank and building society certificates of deposit	614.0	615.6	436.4	436.3
- other private sector debt securities	<u>135.9</u>	<u>135.9</u>	<u>113.4</u>	<u>113.4</u>
	749.9	751.5	549.8	549.7
Other securities				
- bank and building society certificates of deposit	<u>12.8</u>	<u>12.7</u>	<u>152.8</u>	<u>152.5</u>
	<u>762.7</u>	<u>764.2</u>	<u>702.6</u>	<u>702.2</u>
Investment securities				
- listed on a recognised UK exchange	4.8	4.8	-	-
- listed elsewhere	130.4	130.4	105.1	105.1
- unlisted	<u>614.7</u>	<u>616.3</u>	<u>444.7</u>	<u>444.6</u>
	749.9	751.5	549.8	549.7
Other securities				
- listed on a recognised UK exchange	<u>12.8</u>	<u>12.7</u>	<u>152.8</u>	<u>152.5</u>
	<u>762.7</u>	<u>764.2</u>	<u>702.6</u>	<u>702.2</u>

Included within unlisted securities are transferable securities of £614.0m (1996: £436.4m). The book cost of other securities amounted to £12.3m (1996: £149.0m).

	1997	1996
	Balance	Balance
	Sheet	Sheet
	£m	£m
Amounts include		
- due within one year	661.3	608.4
- due one year and over	101.4	94.2
	<u>762.7</u>	<u>702.6</u>
Unamortised premiums on investment securities	-	0.2
	Cost	Carrying
	£m	Value
		£m
Analysis of investment securities		
At 1 January 1997	549.8	549.8
Acquisitions	1,587.4	1,587.4
Disposals	(1,387.3)	(1,387.3)
At 31 December 1997	749.9	749.9

12. EQUITY SHARES - GROUP AND COMPANY

	1997 Balance Sheet £m	1997 Market Value £m	1996 Balance Sheet £m	1996 Market Value £m
Investment securities				
- listed on a recognised UK exchange	0.4	10.5	0.5	7.9
- unlisted	<u>0.1</u>	<u>0.1</u>	<u>0.3</u>	<u>0.3</u>
	<u>0.5</u>	<u>10.6</u>	<u>0.8</u>	<u>8.2</u>

NOTES TO THE FINANCIAL STATEMENTS

12. EQUITY SHARES - GROUP AND COMPANY (continued)

	Cost £m	Provisions £m	Carrying Value £m
Investment securities			
At 1 January 1997	1.4	(0.6)	0.8
Disposals	(0.3)	-	(0.3)
At 31 December 1997	<u>1.1</u>	<u>(0.6)</u>	<u>0.5</u>

13. INTERESTS IN ASSOCIATED UNDERTAKINGS

	Share of Net Assets	
	Group £m	Company £m
At 1 January 1997	4.1	0.2
Acquisitions	0.1	-
Return of capital invested	(1.6)	-
Retained profits	0.1	-
At 31 December 1997	<u>2.7</u>	<u>0.2</u>

On the historical cost basis, the interest in associated undertakings would have been included as follows:-

	Group		Company	
	1997 £m	1996 £m	1997 £m	1996 £m
Cost	2.8	4.3	0.3	0.3
Provisions	(0.1)	(0.2)	(0.1)	(0.1)
Net book value	<u>2.7</u>	<u>4.1</u>	<u>0.2</u>	<u>0.2</u>

The interests in associated undertakings comprise unlisted non-bank undertakings.

The principal associated undertakings are listed below:-

Name of Undertaking	Shares Held	Owned %	Cost £m	Country of Registration /Incorporation	Business
CCF Charterhouse SpA *	480 ¹	20.0	0.2	Italy	Corporate Finance
Finanzas Charterhouse Iberica SA*	1,000 ¹	20.0	0.1	Spain	Corporate Finance
CIBI Investments Limited	50 ¹	50.0	-	England and Wales	Property Investment
East Grinstead Holdings Limited	50 ¹	33.0	-	England and Wales	Property Investment
Geranium Limited	37,500 ¹	50.0	-	England and Wales	Property Investment
Patime Limited	50 ¹	50.0	-	England and Wales	Property Investment
Peaston (South West) Limited	1,000 ¹	50.0	-	England and Wales	Property Investment

City Estates Limited, a 25% associated undertaking, was disposed of during the year.

* Held directly by Charterhouse Bank Limited.

¹ Ordinary shares

14. SHARES IN GROUP UNDERTAKINGS

	Cost/ Net worth £m	Provisions £m	Carrying Value £m
At 1 January 1997	28.9	(0.5)	28.4
Additional investment	1.0	-	1.0
Revaluation of investment	2.6	-	2.6
At 31 December 1997	<u>32.5</u>	<u>(0.5)</u>	<u>32.0</u>

NOTES TO THE FINANCIAL STATEMENTS

14. SHARES IN GROUP UNDERTAKINGS (continued)

The shares in Group undertakings comprise unlisted non-bank undertakings.

The principal subsidiary and quasi-subsidiary undertakings are listed below:-

Name of Undertaking	Shares Held	Owned %	Cost £000	Country of Registration /Incorporation	Business
Charterhouse North America Inc*	200 ¹	100	80	United States of America	Corporate Finance
Charterhouse Property Investments Limited	7,500,000 ²	100	7,500	England & Wales	Property Investment
Shield Properties & Investments (Holdings) Limited	18,000,100 ²	100	4,500	England & Wales	Property Investment
Shield Properties & Investments (Holdings) Limited	6,721,399 ³	100	-	England & Wales	Property Investment
Cromwell Land Holdings Limited **	5,000 ⁴	N/A	2,000	England & Wales	Property Investment

* held indirectly by Charterhouse Bank Limited

** quasi-subsidiary

¹ common stock

² ordinary shares

³ deferred ordinary shares

⁴ cumulative preference shares

All subsidiary undertakings have been included in the consolidated financial statements and operate principally in the country of incorporation or registration.

In accordance with Financial Reporting Standard No. 5, Cromwell Land Holdings Limited has been deemed a quasi-subsidiary and consolidated on a Group basis. The Company holds 5,000 £1 fixed cumulative preference shares on which the dividend arrears are £29.8m (1996: £24.8m). In addition there is an entitlement to subscribe for "B" ordinary shares (on the basis of one "B" share for one preference share), which would entitle the Company to 99.9% of post-preference dividend profits. Hence any profits arising will accrue to Charterhouse Bank Limited as if Cromwell Land Holdings Limited was a subsidiary undertaking. The balances of the quasi subsidiary included in the balance sheet and profit and loss account of the Group are as follows:-

	1997 £m	1996 £m
Profit after tax	4.2	1.7
Fixed assets	0.1	0.1
Other assets	39.9	34.7
Deposits by banks	16.0	17.0
Deferred tax	5.8	5.8
Reserves	14.2	10.0

Other assets include £29.7m (1996: £33.3m) in respect of properties held on a short term basis.

NOTES TO THE FINANCIAL STATEMENTS

15. TANGIBLE FIXED ASSETS

	Group			Company		
	Premises	Investment Property	Equipment	Premises	Equipment	Total
	£m	£m	£m	£m	£m	£m
Cost/valuation:						
At 1 January 1997	17.8	10.6	6.0	17.6	5.5	23.1
Additions	-	-	0.7	-	0.7	0.7
Disposals	-	(3.3)	(2.0)	-	(1.9)	(1.9)
At 31 December 1997	<u>17.8</u>	<u>7.3</u>	<u>4.7</u>	<u>17.6</u>	<u>4.3</u>	<u>21.9</u>
Depreciation:						
At 1 January 1997	(0.2)	(0.1)	(3.3)	(0.1)	(3.0)	(3.1)
Charge for the year	-	(0.1)	(0.8)	-	(0.8)	(0.8)
Disposals	-	-	1.7	-	1.6	1.6
At 31 December 1997	<u>(0.2)</u>	<u>(0.2)</u>	<u>(2.4)</u>	<u>(0.1)</u>	<u>(2.2)</u>	<u>(2.3)</u>
Net book value						
At 31 December 1997	<u>17.6</u>	<u>7.1</u>	<u>2.3</u>	<u>17.5</u>	<u>2.1</u>	<u>19.6</u>
At 31 December 1996	<u>17.6</u>	<u>10.5</u>	<u>2.7</u>	<u>17.5</u>	<u>2.5</u>	<u>20.0</u>

The premises owned by the Group are long leasehold, held at Directors' open market valuation, and occupied solely for own activities.

	Group £m	Company £m
The cost/valuation of premises is made up as follows:-		
Long leasehold	17.6	17.6
Short leasehold	<u>0.2</u>	<u>-</u>
	<u>17.8</u>	<u>17.6</u>

The net book value of tangible fixed assets includes an amount of £0.1m (1996: £0.2m) in respect of assets held under finance leases for the Group and the Company, on which the depreciation charge was £0.1m (1996: £0.2m).

16. OTHER ASSETS

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
Foreign exchange and interest rate contracts	55.5	101.8	55.5	101.8
Present value of future interest flows	0.4	0.9	0.4	0.9
Taxation recoverable	1.3	-	-	-
Trade debtors	5.1	3.1	4.0	2.9
Properties held on a short term basis	76.4	53.4	-	-
Other debtors	<u>5.8</u>	<u>6.0</u>	<u>6.9</u>	<u>4.9</u>
	<u>144.5</u>	<u>165.2</u>	<u>66.8</u>	<u>110.5</u>

Foreign exchange and interest rate contracts are held at market value and net present value respectively.

The present value of future interest flows represents the present value of future interest receivable on loans and certificates of deposit, which are included in trading portfolios.

Included in the Company's other debtors are deferred tax assets of £1.6m (1996: £1.4m) relating to short term timing differences. These have been offset against the Group deferred tax liabilities on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

17. DEPOSITS BY BANKS

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
With agreed maturity dates or periods of notice by remaining maturity:-				
Repayable on demand	40.2	12.7	24.0	6.5
3 months or less	407.4	649.6	398.0	646.1
1 year or less but over 3 months	133.5	62.5	133.5	61.3
5 years or less but over 1 year	37.0	37.0	-	-
Over 5 years	1.6	-	-	-
	<u>619.7</u>	<u>761.8</u>	<u>555.5</u>	<u>713.9</u>

18. CUSTOMER ACCOUNTS

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
With agreed maturity dates or periods of notice by remaining maturity:-				
Repayable on demand	121.8	72.1	141.5	81.9
3 months or less	157.8	318.5	157.8	318.5
1 year or less but over 3 months	61.8	52.8	61.8	52.8
5 years or less but over 1 year	16.0	4.3	16.0	4.3
	<u>357.4</u>	<u>447.7</u>	<u>377.1</u>	<u>457.5</u>
Included above are amounts:-				
- due to subsidiary undertakings			<u>19.8</u>	<u>10.4</u>

19. CERTIFICATES OF DEPOSIT IN ISSUE GROUP AND COMPANY

	1997 £m	1996 £m
Certificates of deposit in issue by remaining maturity:-		
3 months or less	88.2	108.8
1 year or less but over 3 months	<u>112.3</u>	<u>54.8</u>
	<u>200.5</u>	<u>163.6</u>

20. OTHER LIABILITIES

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
Foreign exchange and interest rate contracts	38.2	75.4	38.2	75.4
Present value of future interest flows	0.2	0.8	0.2	0.8
Trade creditors	1.5	3.8	0.7	1.0
Taxation	10.1	6.8	6.7	6.7
Other liabilities	3.2	14.2	2.3	9.5
	<u>53.2</u>	<u>101.0</u>	<u>48.1</u>	<u>93.4</u>

Foreign exchange and interest rate contracts are held at market value and net present value respectively.

The present value of future interest flows represents the present value of future interest payable on loans and certificates of deposit, which are included in trading portfolios.

NOTES TO THE FINANCIAL STATEMENTS

20. OTHER LIABILITIES (continued)

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
The net finance lease obligations to which the Group and Company are committed are:-				
- within one year	<u>-</u>	<u>0.2</u>	<u>-</u>	<u>0.2</u>

21. DEFERRED TAXATION

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
Full provision for deferred taxation				
- timing differences	<u>7.1</u>	<u>4.5</u>	<u>-</u>	<u>-</u>
At 1 January 1997	4.5	3.4	-	-
Transfer from profit and loss account	<u>2.6</u>	<u>1.1</u>	<u>-</u>	<u>-</u>
At 31 December 1997	<u>7.1</u>	<u>4.5</u>	<u>-</u>	<u>-</u>

22. OTHER PROVISIONS FOR LIABILITIES AND CHARGES GROUP AND COMPANY

	Provision for Pensions and PRMB * £m	General Provision £m	Other Provision £m	Total £m
At 1 January 1997	4.1	10.0	0.6	14.7
Net charge for the year	<u>1.2</u>	<u>-</u>	<u>0.4</u>	<u>1.6</u>
At 31 December 1997	<u>5.3</u>	<u>10.0</u>	<u>1.0</u>	<u>16.3</u>

* Post Retirement Medical Benefits. The charge is net of £0.3m release of the provision for pensions (see note 30).

23. CALLED UP SHARE CAPITAL

	1997 £m	1996 £m
Authorised, allotted, called up and fully paid ordinary shares		
42,000,000 ordinary shares of £1 each	<u>42.0</u>	<u>42.0</u>

24. RESERVES - GROUP

	Share Premium Account £m	Profit & Loss Account £m	Total £m
As at 1 January 1997	10.0	69.5	79.5
Retained profit	<u>-</u>	<u>1.1</u>	<u>1.1</u>
As at 31 December 1997	<u>10.0</u>	<u>70.6</u>	<u>80.6</u>

NOTES TO THE FINANCIAL STATEMENTS

24. RESERVES - COMPANY

	Share Premium Account £m	Revaluation Reserve £m	Profit & Loss Account £m	Total £m
As at 1 January 1997	10.0	15.3	54.2	79.5
Retained deficit	-	-	(1.5)	(1.5)
Revaluation	-	2.6	-	2.6
As at 31 December 1997	<u>10.0</u>	<u>17.9</u>	<u>52.7</u>	<u>80.6</u>

25. COMPANY PROFIT AND LOSS ACCOUNT

The profit and loss account of the Company is not presented, as permitted by Section 230(3) of the Companies Act 1985.

26. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Group		Company	
	1997 £m	1996 £m	1997 £m	1996 £m
Profit on ordinary activities after taxation	7.9	6.0	4.5	9.0
Dividends	(6.0)	(6.0)	(6.0)	(6.0)
Minority interests	<u>(0.8)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Retained profit	1.1	-	(1.5)	3.0
Revaluation of subsidiaries	<u>-</u>	<u>-</u>	<u>2.6</u>	<u>(3.0)</u>
Net addition to shareholders' funds	1.1	-	1.1	-
Opening shareholders' funds	<u>121.5</u>	<u>121.5</u>	<u>121.5</u>	<u>121.5</u>
Closing shareholders' funds	<u>122.6</u>	<u>121.5</u>	<u>122.6</u>	<u>121.5</u>

All of shareholders' funds for Group and Company are attributable to equity interests.

27. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
Denominated in sterling	968.5	1,956.2	913.0	1,909.3
Denominated in currency other than sterling	<u>433.8</u>	<u>(313.1)</u>	<u>430.2</u>	<u>(316.4)</u>
Total assets	<u>1,402.3</u>	<u>1,643.1</u>	<u>1,343.2</u>	<u>1,592.9</u>
Denominated in sterling	1,044.0	1,956.8	985.4	1,909.9
Denominated in currency other than sterling	<u>358.3</u>	<u>(313.7)</u>	<u>357.8</u>	<u>(317.0)</u>
Total liabilities	<u>1,402.3</u>	<u>1,643.1</u>	<u>1,343.2</u>	<u>1,592.9</u>

The Group also has commitments under forward and future exchange rate contracts and therefore the above does not represent the Group's exposure to foreign exchange rate movements.

NOTES TO THE FINANCIAL STATEMENTS

28. DERIVATIVES TRANSACTIONS

Quantitative disclosures

The table below highlights the notional principal of the Group's non-trading and trading derivatives. The latter is further split between gross positive and negative fair value.

	1997 Non- Trading Notional Principal £m	1997 Trading Notional Principal £m	1997 Trading Gross Positive Fair value £m	1997 Trading Gross Negative Fair value £m	1996 Non- Trading Notional Principal £m	1996 Trading Notional Principal £m	1996 Trading Gross Positive Fair value £m	1996 Trading Gross Negative Fair value £m
Exchange rate contracts	-	1,764.5	53.4	33.5	-	2,832.5	96.1	63.0
Interest rate contracts	83.2	1,583.9	2.1	4.7	67.7	1,733.9	5.7	12.4
	<u>83.2</u>	<u>3,348.4</u>	<u>55.5</u>	<u>38.2</u>	<u>67.7</u>	<u>4,566.4</u>	<u>101.8</u>	<u>75.4</u>

Exchange rate contracts include forward foreign exchange, foreign exchange swaps and foreign exchange options. Interest rate contracts include forward rate agreements (FRAs), interest rate swaps and options. In addition to the amounts in the table above, the Company entered into exchange traded financial futures contracts with an outstanding aggregate notional principal amount of £2,829m (1996: £2,374m) of which £97m are classified as non-trading. Such contracts generally involve lower credit risk than over-the-counter transactions, as they are cleared through exchanges that require daily settlement of gains and losses through margin calls. Notional principal and positive replacement cost for non-trading and trading transactions is further analysed by residual maturity:

	1997 Within One Year £m	1997 One to Five Years £m	1997 Over Five Years £m	1997 Total £m	1996 Within One Year £m	1996 One to Five Years £m	1996 Over Five Years £m	1996 Total £m
Positive replacement cost								
- Exchange rate contracts	46.5	6.9	-	53.4	92.2	3.9	-	96.1
- Interest rate contracts	0.4	1.9	-	2.3	3.6	1.8	0.3	5.7
	<u>46.9</u>	<u>8.8</u>	<u>-</u>	<u>55.7</u>	<u>95.8</u>	<u>5.7</u>	<u>0.3</u>	<u>101.8</u>

Notional principal of the above

- Exchange rate contracts	778.6	66.0	-	844.6	1,523.0	102.9	-	1,625.9
- Interest rate contracts	614.7	170.0	-	784.7	574.4	210.0	18.9	803.3
	<u>1,393.3</u>	<u>236.0</u>	<u>-</u>	<u>1,629.3</u>	<u>2,097.4</u>	<u>312.9</u>	<u>18.9</u>	<u>2,429.2</u>

NOTES TO THE FINANCIAL STATEMENTS

28. DERIVATIVES TRANSACTIONS (continued)

The table below highlights the notional principal and positive replacement cost by counterparty.

	1997 Notional Principal £m	1996 Notional Principal £m	1997 Positive Replacement Cost £m	1996 Positive Replacement Cost £m
Financial institutions	1,619.6	2,366.0	55.7	100.5
Other	9.7	63.2	-	1.3
Total	<u>1,629.3</u>	<u>2,429.2</u>	<u>55.7</u>	<u>101.8</u>
OECD	1,629.3	2,352.5	55.7	95.4
Non OECD	-	76.7	-	6.4
Total	<u>1,629.3</u>	<u>2,429.2</u>	<u>55.7</u>	<u>101.8</u>

Qualitative disclosures

In the normal course of its business, the Company enters into both exchange traded and over the counter derivative transactions in the foreign exchange and interest rate markets. In common with all other dealing activities in the Company, all such products have to be pre-approved, and a formal policy exists clearly setting out the trading limits. The majority of such trades are proprietary and with counterparties who are primarily banks and other financial institutions also operating within counterparty limits.

Dealing in derivative instruments gives rise to three different types of risk, for which limits are set. These are market risk, liquidity risk and credit risk.

Market risk is the risk of incurring losses if either the interest rate, the foreign exchange rate, or the market value of the underlying security, moves adversely. These risks are quantified on a daily basis and a limit is set on the size of the potential loss, expressed in sterling terms, that could occur over a given period. This risk is measured in terms of Value at Risk (VAR) which, for interest rate books, is calculated using a historical simulations approach to determine the effect on the portfolios of adverse movements in market rates. All movements in rates, on an overnight basis, are compiled using a one year observation period and the results expressed using a probability factor of 99%. Whilst the Basle Committee's Accord on Banking Supervision concluded that the holding period used to measure VAR for market risk capital purposes should be ten business days, it is considered that a one day holding period for calculation of position risk for trading purposes is reasonable, given that normal market conditions provide adequate liquidity in the instruments in which the bank trades to enable trading managers to adjust risk on a daily basis. As at 31 December 1997 the VAR utilisation amounted to £0.4m (1996: £0.6m) against a limit of £1.25m (1996: £1.0m). The average daily VAR during 1997 was £0.6m (1996: £0.6m). Independent specified scenarios are also reviewed on a regular basis as part of a stress testing approach.

Liquidity risk is the risk that the Group will have insufficient funds to meet its liabilities. The bank has a formal policy designed to ensure that it is able, at all times, to meet its obligations as they fall due, ensuring that the liquidity risk is minimised. Liquidity limits are monitored daily and include all cash flows resulting from derivative transactions.

All matters concerning market risk, liquidity risk and trading limits are reviewed on a fortnightly basis by the Market Risk Committee, which consists of both Treasury and independent Financial Control management. Proposals for changes in these risk limits are agreed within this forum, and permission is then sought from the Bank Executive Committee which is composed of senior bank management. The implementation and monitoring of these policies is undertaken by the Risk Management Unit which is independent of Treasury management, and reports directly to the Financial Control Department. The calculation of both profit and loss and VAR (and all other sub-limits) for the Treasury division is carried out on a daily basis.

The Credit department is responsible for all matters relating to credit risk. The credit risk on derivatives is calculated using the current "mark to market plus an add-on percentage" approach. This percentage is weighted according to maturity and product, and allows for any increased exposure to loss due to interest rate movements. It is a principal role of the Credit Committee to review and sanction all changes in counterparty credit limits.

NOTES TO THE FINANCIAL STATEMENTS

29. CONTINGENT LIABILITIES AND COMMITMENTS

	Group		Company	
	1997	1996	1997	1996
	£m	£m	£m	£m
i) Contingent Liabilities				
Acceptances and endorsements				
- Contract amount	54.4	78.5	54.4	78.5
- Credit equivalent amount	54.4	78.5	54.4	78.5
- Weighted risk assets	<u>36.5</u>	<u>26.1</u>	<u>36.5</u>	<u>26.1</u>
Guarantees and irrevocable letters of credit				
- Contract amount	5.2	5.9	3.8	4.8
- Credit equivalent amount	3.5	4.1	2.2	2.9
- Weighted risk assets	<u>2.3</u>	<u>2.8</u>	<u>1.0</u>	<u>1.6</u>
ii) Commitments				
Undrawn credit lines and other commitments to lend				
Less than one year				
- Contract amount	<u>1.4</u>	<u>3.6</u>	<u>6.5</u>	<u>8.7</u>
One year and over				
- Contract amount	81.0	78.7	84.8	82.4
- Credit equivalent amount	40.5	50.4	42.4	52.2
- Weighted risk assets	<u>23.4</u>	<u>24.2</u>	<u>25.3</u>	<u>26.1</u>

30. PENSION SCHEMES AND POST-RETIREMENT MEDICAL BENEFITS

The Company's employees are eligible for membership, subject to meeting entry criteria, of two pension schemes, the Charterhouse Group Security Benefits Scheme ("the Scheme") and the Keyser Ullmann Group Pension Fund ("the Fund"), provided by Charterhouse plc, which cover UK employees of the Charterhouse Group. Contributions to the schemes, which are of the defined benefit type, are based upon pension costs across the Charterhouse Group as a whole.

The pension schemes' assets are held in separate trustee administered funds. The pension costs relating to the pension schemes are assessed in accordance with the advice of a qualified actuary using the projected unit funding method. The latest valuations for the schemes were at 31 March 1997 for both the Scheme and the Fund, at which dates the actuarial values of the assets were £67.9m and £17.7m respectively and the actuarial values were sufficient to cover 114.9% and 111.3% respectively of the benefits that had accrued to members, after allowing for expected future increases in earnings. The principal assumptions used in the latest valuations of the schemes were that the annual rate of return on investments would be 2% higher than the annual increase in salaries and 4% higher than the annual increase in pensions in payment.

The pension schemes are funded in accordance with actuarial recommendations and, for the Scheme, the past service surplus has been spread over twelve and a half years, reducing contributions by 9.4% of Pensionable Salary. The surplus in the Fund has resulted in a total contribution holiday. As a result of the differing accounting and funding policies a provision of £1.0m (1996: £1.3m) is included in provisions for liabilities and charges. Both the contribution holiday and the provision are in accord with the accounting treatment stipulated by SSAP 24.

The Company has arrangements in place to provide health insurance in retirement for the majority of pensioners and staff. As a result of UITF6, the Company has assessed this liability in accordance with the advice of an independent qualified actuary. The cost of post-retirement benefits included in the profit and loss account is £1.3m (1996: £0.2m).

NOTES TO THE FINANCIAL STATEMENTS

31. RELATED PARTY TRANSACTIONS

Under the terms of the Financial Reporting Standard No. 8, the Company is exempt from disclosing transactions with companies 90% or more controlled within the same group, as the consolidated financial statements in which the Company is included are publicly available.

At 31 December 1997 the Group had the following balances outstanding with Crédit Commercial de France SA and BHF-BANK AG (see note 33):

	Crédit Commercial de France		BHF-BANK	
	1997	1996	1997	1996
	£m	£m	£m	£m
Loans and advances to banks	1.0	17.5	0.2	11.3
Deposits by banks	(110.1)	(84.5)	(3.8)	(9.7)
Interest receivable	0.6	0.2	0.7	0.1
Interest payable	(3.0)	(1.7)	(0.5)	(0.7)
Fees and commissions	1.8	-	0.5	-

In addition to the above transactions, the Group has entered into off balance sheet and other derivative transactions with Crédit Commercial de France SA and BHF-BANK AG. The volume of these transactions, however, is not significant in relation to the volume of these transactions carried out by the Group.

The directors consider that the transactions entered into by the Group and Crédit Commercial de France SA and BHF-BANK AG are at commercial rates in the normal course of the Group's activities.

Banks are obliged by law to observe a strict duty of confidentiality in respect of their customers' affairs. This is recognised by Financial Reporting Standard No 8 and advantage has been taken of this exemption by not disclosing deposits and other transactions covered by the exemption transacted in the normal course of business on standard third party terms by Directors with Charterhouse Bank Limited.

32. PARENT UNDERTAKINGS

The Company is a wholly owned subsidiary of Charterhouse plc, its controlling entity, which is registered in England and Wales, and which is the parent undertaking of the smallest group of which the Company is a member and for which group accounts have been drawn up. Copies of these accounts may be obtained from the Company Secretary, Charterhouse plc, 1 Paternoster Row, St Paul's, London, EC4M 7DH.

At 31 December 1997 the parent undertaking of the largest group of which the Company was a member and for which group accounts were drawn up was European Corporate Finance Holding SA, which is incorporated in Luxembourg and which was then directly or indirectly jointly owned by BHF-BANK AG, incorporated in Germany, and Crédit Commercial de France SA, incorporated in France. This company was regarded by the Directors as being the Company's ultimate parent company and its ultimate controlling entity as at 31 December 1997. Copies of the accounts of European Corporate Finance Holding SA are available from that company at 8 Avenue Marie-Thérèse, L2132, Luxembourg.

On 30 March 1998 Crédit Commercial de France SA purchased the 50 per cent equity interest held by BHF-BANK AG in European Corporate Finance Holding SA, as a result of which that company became a wholly owned subsidiary undertaking of Crédit Commercial de France SA.