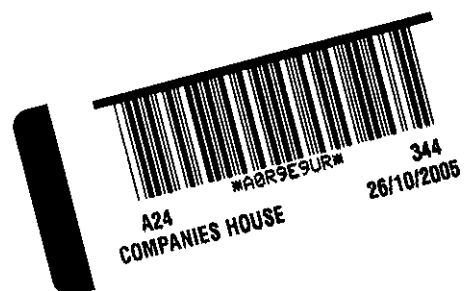


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CHARTERHOUSE MANAGEMENT SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

Registered Number: 171831



CHARTERHOUSE MANAGEMENT SERVICES LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004

Principal activities

The principal activity of the Company was the provision of management services. The Company continued to act as the main United Kingdom investment holding company, for CCF SA. No change in the Company's activities is anticipated.

Results and dividends

The Company's results for the year under review are as detailed in the statement of profit and loss shown in these accounts.

The Directors do not recommend the payment of a dividend of in respect of the year ended 31 December 2004 (2003: £14,211,167.53 and €7,729,236.32 (£5,456,881.66)).

Business review

On 30 November 1999, the Company surrendered its authorisation as a bank. The Company has continued to realise its assets during the year.

On 21 January 2004, one of the Company's subsidiaries, HSBC Private Bank France SA, reduced its issued share capital from 41,293,904 shares of €2 each to 20,646,952 shares of €2 each. This has led to an increase in the Company's shareholding in HSBC Private Bank France SA by 9.32% to 66.77% (2003: 57.45%).

Following an impairment review of the Company's foreign subsidiary investments, it was considered prudent to provide for an amount of €52,500,000 (£37,047,256) against its investment in Financiere Groupe Dewaay.

The Company also continues to wind-up and dissolve its non-active subsidiary undertakings.

Directors

The directors who served during the year were as follows:

Name	Appointed	Resigned
G Denoyel		21 September 2004
C P Gill	21 September 2004	
G Lombard	21 September 2004	
V J B Mansell	21 September 2004	
P J Reid		
H J Rogers		21 September 2004

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

Directors' interests

All the directors' interests in the share and loan capital of HSBC Holdings plc, the ultimate parent undertaking, required to be disclosed under the Companies Act 1985, are set out below:

HSBC Holdings plc		
Ordinary shares of US\$0.50 each		
	1 January 2004 (or appointment date)	31 December 2004
C P Gill	12,615	12,691
G Lombard	90,581	122,780
V J B Mansell	7,592	7,592
P J Reid	8,073	8,073

During the year options over HSBC Holdings plc ordinary shares of US\$0.50 each were granted/exercised as follows:

	<i>Granted</i>	<i>Exercised</i>
C P Gill	1,010	1,250
G Lombard	50,000	0
V J B Mansell	3,510	1,250
P J Reid	0	0

The terms of a number of Employee Benefit Trusts provide that all employees of HSBC Holdings plc and any of its subsidiary undertakings are potential beneficiaries of the Trusts. As potential beneficiaries of the Trusts, each Director of the Company is deemed to have a technical interest in all of the HSBC Holdings plc ordinary shares of US\$0.50 each held by the Trusts. At 31 December 2004 the Trusts held a total of 123,108,967 ordinary shares of US\$0.50 each (1 January 2004: 110,770,974).

Supplier payment policy

The Company subscribes to the Better Payment Practice Code, the four principles of which are: to agree payment terms at the outset and stick to them; to explain payment procedures to suppliers; to pay bills in accordance with any contract agreed with the supplier or as required by law; and to tell suppliers without delay when an invoice is contested and settle disputes quickly. Copies of, and information about, the Code is available from: The Department of Trade and Industry, No. 1 Victoria Street, London SW1H 0ET.

It is Company practice to organise payment to its suppliers through a central purchasing unit operated by HSBC Bank plc, an intermediate parent undertaking. The payment performance of this unit is incorporated within the results of that company.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004 (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 in their report on page 5, is made with a view to distinguishing for the shareholder 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 these financial statements on the going concern basis unless it is not appropriate. Since the directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the 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 at any time 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



A Read
Secretary

13th October 2005

Registered Office:
8 Canada Square
London
E14 5HQ

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHARTERHOUSE MANAGEMENT SERVICES LIMITED

We have audited the financial statements on pages 6 to 19.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and independent auditors

The directors are responsible for preparing the directors' report and, as described on page 4, 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 1985. 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 audit 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

London

21 October 2005

CHARTERHOUSE MANAGEMENT SERVICES LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	2004 £000	2003 £000
Income from fixed asset investments	2	192	418
Income from shares in group undertakings	3	6,505	11,256
Other operating income	4	1,937	897
Administration expenses		(999)	(1,751)
Operating profit		7,635	10,820
Profit on sale of tangible fixed assets		-	1
Release of provision against investments		-	223
Provision against shares in group undertakings	15	(37,047)	-
Profit on disposal of investments	5	-	919
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(29,412)	11,963
Interest receivable and similar income	6	1,606	505
Interest payable and similar charges	7	(33)	(59)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	(27,839)	12,409
Taxation (charge)/credit on (loss)/profit on ordinary activities	10	(1,134)	7,259
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(28,973)	19,668
Dividends	11	-	(19,668)
Retained loss for the financial year	21	(28,973)	-

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

(Loss)/profit on ordinary activities after taxation	(28,973)	19,668
Exchange differences on shares in group undertakings	(126)	14,403
Exchange differences on foreign currency share capital used as a hedge against the shares in group undertakings	126	(14,403)
Total recognised gains and losses for the financial year	(28,973)	19,668

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the year.

HISTORICAL COST PROFITS AND LOSSES

No note of historical cost profits and losses has been presented as there is no material difference between the Company's results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

The notes on pages 8 to 19 form part of the financial statements

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £000	2003 £000
FIXED ASSETS			
Tangible fixed assets	13	46	46
Investments	14	1,229	1,840
Shares in group undertakings	15	275,744	312,917
		<u>277,019</u>	<u>314,803</u>
CURRENT ASSETS			
Debtors	16	46,500	88,430
Cash at bank	17	54,277	8,502
		<u>100,777</u>	<u>96,932</u>
CREDITORS: amounts falling due within one year	18	(71,184)	(76,024)
NET CURRENT ASSETS		<u>29,593</u>	<u>20,908</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>306,612</u>	<u>335,711</u>
CAPITAL AND RESERVES			
Called up share capital	20	325,585	325,711
Reserves	21	(18,973)	10,000
TOTAL SHAREHOLDER'S FUNDS	22	<u>306,612</u>	<u>335,711</u>

Approved by the board and signed on its behalf on 13th October 2005



P J Reid
Director

The notes on pages 8 to 19 form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1. Accounting policies

(a) Basis of preparation

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

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

(b) Income and expense recognition

Income and expenses, including interest, are included in the profit and loss account on an accruals basis, except realisation profits which are credited to income as received.

(c) Turnover

The Directors are of the opinion that turnover and cost of sales do not have meaningful equivalents in the business and they are therefore not included in the profit and loss account.

(d) Foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. The resulting transaction differences are dealt with in the profit and loss account.

Shares in group undertakings held in foreign currencies are translated into Sterling at the balance sheet date and, where these are funded by long term foreign currency liabilities, the translation differences arising from matched assets and liabilities are taken to reserves.

(e) Depreciation

Artwork held by the Company is not depreciated.

(f) Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes in accordance with Financial Reporting Standard 19 "Deferred Tax".

(g) Post-retirement benefits

The Company operates a pension scheme for former employees. 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.

(h) Provisions for bad and doubtful debts

Specific provisions are made against assets when, as a result of a detailed appraisal of the assets portfolio, it is considered that recovery is doubtful. The provisions are netted against assets. Provisions made during the year (less amounts released and recoveries of amounts written off in previous years) are charged to the profit and loss account. Assets classified as bad debts are written off in part or in whole when the extent of the loss incurred has been confirmed.

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)

1. Accounting policies (continued)

(i) Investments

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.

(j) Investments in subsidiary undertakings

Investments in subsidiary undertakings are included in the balance sheet at cost less provision for permanent diminution in value, with the exception of investments held in foreign currencies which are translated into Sterling at the balance sheet date (see note 1(d)).

(k) Cash flow statements

Under Financial Reporting Standard 1 "Cash Flow Statements", the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

2. Income from fixed asset investments

	2004	2003
	£000	£000
Ordinary dividend income	-	87
Preference dividend income	192	331
	<hr/> 192	<hr/> 418
	<hr/>	<hr/>

3. Income from shares in group undertakings

	2004	2003
	£000	£000
Dividend income from group undertakings	6,505	11,256
	<hr/> 6,505	<hr/> 11,256
	<hr/>	<hr/>

4. Other operating income

	2004	2003
	£000	£000
Debt recovery	964	8
Other fees	973	889
	<hr/> 1,937	<hr/> 897
	<hr/>	<hr/>

5. Profit on disposal of investments

	2004	2003
	£000	£000
Profit on disposal of listed equities	-	919
	<hr/> -	<hr/> 919
	<hr/>	<hr/>

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(continued)

6.	<u>Interest receivable and similar income</u>	2004	2003
		£000	£000
	Interest receivable on bank deposits with a group undertaking	1,603	498
	Interest receivable on other bank deposits	-	6
	Other	3	1
		<hr/>	<hr/>
		1,606	505
		<hr/>	<hr/>

7.	<u>Interest payable and similar charges</u>	2004	2003
		£000	£000
	Interest payable on overdue tax	-	(5)
	Interest payable on overdue National Insurance	-	(1)
	Other	(33)	(53)
		<hr/>	<hr/>
		(33)	(59)
		<hr/>	<hr/>

8.	<u>Profit on ordinary activities before taxation</u>	2004	2003
		£000	£000

(Loss)/profit on ordinary activities before taxation is stated after:

Charging/(crediting) -

Staff costs

- wages and salaries	(4)	101
- social security costs	17	(10)
- other pension costs	900	900

Depreciation and amortisation

- 2

Auditors' remuneration in respect of :-

- audit services for the Company and its UK subsidiaries	76	60
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Other than audit services, no other services were provided by the Auditors for the year.

Foreign exchange movements	(309)	88
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9. **Employees**

The Company had no employees during the financial year (2003:nil)

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)

10.	<u>Taxation (charge)/credit on profit on ordinary activities</u>	2004	2003
		£000	£000
	Analysis of tax (charge)/credit for the year		
	Current taxation:		
	UK corporation taxation payable at 30% (2003: 30%)	(3,221)	(1,426)
	Overseas taxation	-	(284)
	Adjustments in respect of prior year	(157)	6,655
		<hr/>	<hr/>
		(3,378)	4,945
	Double taxation relief	2,244	2,314
		<hr/>	<hr/>
		(1,134)	7,259
		<hr/>	<hr/>
	Factors affecting taxation (charge)/credit for the year		
	The taxation assessed for the year is greater than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
		2004	2003
		£000	£000
	(Loss)/profit on ordinary activities before taxation	(27,839)	12,409
		<hr/>	<hr/>
	(Loss)/profit on ordinary activities before tax at 30%	8,352	(3,723)
	Effects of:		
	Expenses not deductible for tax purposes (primarily provisions)	(11,114)	(1)
	Difference between tax and accounting profit on disposal of investment	-	897
	Income not chargeable for tax purposes (primarily UK dividend income)	57	1,797
	Capital allowances for year in excess of depreciation	157	213
	Adjustment to tax charge in respect of previous years	(157)	6,655
	Other (primarily effect of double taxation relief on overseas income)	1,571	1,421
		<hr/>	<hr/>
	Current taxation (charge)/credit for the year	(1,134)	7,259
		<hr/>	<hr/>
11.	<u>Dividends</u>	2004	2003
		£000	£000
	Interim dividend at 0p per share (2003: 21.21p)	-	14,211
	Interim dividend at 0centimes per Euro share (2003: 2.11 c)	-	5,457
		<hr/>	<hr/>
		-	19,668
		<hr/>	<hr/>

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(continued)

12.	<u>Directors' remuneration</u>	2004	2003
		£000	£000
	Aggregate Directors' emoluments (excluding pension contributions and awards under long term incentive schemes)	-	60
	Company pension contributions to a defined benefit scheme	-	9
		<hr/>	<hr/>
		-	69
		<hr/>	<hr/>
	The emoluments (including payments under long term incentive schemes) of the highest paid Director were:	-	69
		<hr/>	<hr/>

During the year no emoluments were received or are receivable by any of the directors in respect of their services to the Company.

Payments totalling £96,689 (2003: £217,221) were made to seven (2003: seven) former Directors under long term incentive plans.

13.	<u>Tangible fixed assets</u>	Art	2004
		£000	£000
	Cost/valuation:		
	At 1 January and 31 December 2004	<hr/>	<hr/>
		46	46
		<hr/>	<hr/>
	Depreciation:		
	At 1 January and 31 December 2004	<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
	Net book value		
	At 31 December 2004	<hr/>	<hr/>
		46	46
		<hr/>	<hr/>
	At 31 December 2003	<hr/>	<hr/>
		46	46
		<hr/>	<hr/>

14.	<u>Investments</u>	Cost	Provisions	2004
		£000	£000	Carrying Value
				£000
	At 1 January 2004	5,719	(3,879)	1,840
	Additions	24	(46)	(22)
	Disposals	(589)	-	(589)
		<hr/>	<hr/>	<hr/>
	At 31 December 2004	5,154	(3,925)	1,229
		<hr/>	<hr/>	<hr/>

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)

14. Investments (Continued)

	2004	2003
	£000	£000
Listed investments	261	261
Unlisted investments	968	1,579
	<u>1,229</u>	<u>1,840</u>
Valuation of listed investments on London Stock Exchange – market value as at 31 December 2004	<u>2,121</u>	<u>1,903</u>

15. Shares in group undertakings

	Cost	Provisions	2004 Carrying Value
	£000	£000	£000
At 1 January 2004	321,158	(8,241)	312,917
Charge to profit and loss	-	(37,047)	(37,047)
Foreign exchange movement	(126)	-	(126)
At 31 December 2004	<u>321,032</u>	<u>(45,288)</u>	<u>275,744</u>

The following are the principal subsidiary undertakings of the Company at 31 December 2004:

Name of Undertaking	Shareholding %	Country of Incorporation	Business
Charterhouse Development Limited	100	United Kingdom	Private Equity Investment
Charterhouse Finance Corporation Limited	100	United Kingdom	Private Equity Investment
CCF Charterhouse Limited	100	United Kingdom	Holding Company
Shield Properties & Investments (Holdings) Limited	100	United Kingdom	Property Investment
Charterhouse Administrators D.T. Limited	100	United Kingdom	Investment Company
Charterhouse Securities Holdings	100 ⁽¹⁾	United Kingdom	Investment Company
Myrayarn Limited	100	United Kingdom	Investment Company
Charterhouse Buy-Out Fund Investment Advisors Limited	100	Jersey	Investment Company
HSBC Private Bank France SA	66.77	France	French Bank
Financiere Groupe Dewaay	100	Luxembourg	Luxembourg Bank

⁽¹⁾ Indirectly owned

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

(continued)

16.	<u>Debtors</u>	2004	2003
		£000	£000
	Amounts due from group undertakings	42,681	76,111
	Trust deposits	802	802
	Taxation recoverable	3,013	5,078
	Dividends receivable	-	5,570
	Other	4	869
		<hr/>	<hr/>
		46,500	88,430
		<hr/>	<hr/>

The trust deposits represent the monies placed into an independent trust arrangement following the surrender of the Company's authorisation as a bank (see note 19).

Amounts due from group undertakings are unsecured, interest free with no fixed terms of repayment.

17.	<u>Cash at bank</u>	2004	2003
		£000	£000
	Deposits held with a group undertaking	54,277	8,502
		<hr/>	<hr/>
18.	<u>Creditors: amounts falling due within one year</u>	2004	2003
		£000	£000
	Customer accounts (see note 19)	802	802
	Amounts due to group undertakings	67,425	52,562
	Taxation	1,194	1,000
	Dividends payable	-	19,668
	Other liabilities	503	1,396
	Accruals and deferred income	1,260	596
		<hr/>	<hr/>
		71,184	76,024
		<hr/>	<hr/>

19.	<u>Customer accounts</u>	2004	2003
		£000	£000
	With agreed maturity dates or periods of notice by remaining maturity:		
	Repayable on demand	802	802
		<hr/>	<hr/>

At the date of surrender of the Company's authorisation as a bank there were £1,306,984 (representing 169 deposit accounts) of Banking Act deposits which could not be repaid because certain account holders could not be contacted. These accounts were transferred into an independent trustee arrangement managed by Charterhouse Administrators (D.T.) Limited and the monies placed with HSBC Trust Managers Limited (see note 16). The Financial Services Authority (FSA) has accepted this arrangement. Since the date of surrender the Company has via HSBC Trust Managers Limited repaid amounts totalling £505,043 (2003: £505,043).

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

20. Share capital

Authorised:

The authorised ordinary share capital at 31 December 2004 is £150 million (2003: £150 million) divided into 150 million (2003: 150 million) ordinary shares of £1 each.

At 31 December 2004, the authorised "A" ordinary share capital is €500 million (2003: €500 million) divided into 500 million (2003: 500 million) "A" ordinary shares of €1 each.

	Number of shares '000	£000
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each		
At 1 January and 31 December 2004	67,000	67,000
"A" ordinary shares of €1 each		
At 1 January 2004	366,443	258,711
Exchange movements	-	(126)
At 31 December 2004	366,443	258,585
Total share capital as at 31 December 2004		325,585

21. Reserves

	Share Premium Account £000	Profit and Loss Account £000	Total £000
As at 1 January 2004	10,000	-	10,000
Retained loss for the financial year	-	(28,973)	(28,973)
As at 31 December 2004	10,000	(28,973)	(18,973)

22. Reconciliation of shareholder's funds

	2004 £000	2003 £000
(Loss)/profit on ordinary activities after taxation	(28,973)	19,668
Dividends	-	(19,668)
Foreign exchange revaluation of Euro share capital	(126)	14,403
Total movements for the year	(29,099)	93,189
Shareholder's funds at 1 January	335,711	242,522
Shareholder's funds at 31 December	306,612	335,711

23. Pension schemes and post-retirement medical benefits

The Keyser Ullmann Group Pension Fund ("the Fund"), the Principal Employer of which is the Company is a defined benefit (final salary) funded pension scheme. The Fund has remained outside the HSBC Bank plc pension scheme and its future is under review.

The assets of the Fund, are held in separate trustee administered funds. Actuarial valuations of the assets and liabilities of the Fund are carried out triannually, using the projected unit funding method, by professionally qualified actuaries to determine the financial position and to enable the principal employer to determine the level of contributions to be made to the Fund.

The latest valuation for the Fund was at 31 March 2002 by C Norden, Fellow of the Institute of Actuaries, of Hewitt Bacon and Woodrow. At that date, the actuarial value of the assets was £22.5 million (1999: £25.3 million) and was sufficient to cover 102% (1999: 103%) of the benefits that had accrued to members. After allowing for expected future increases in earnings, the Fund had a surplus of £0.4 million (1999: £0.8 million). The principal assumptions used in the latest valuation of the Fund were a long term investment rate of return and discount rate of 5.7% per annum (1999: 5.2%), post-retirement pension increases of 3.6% per annum (1999: 3.6%), general pay increases of 4.0% per annum (1999: 4.3%) and price inflation of 2.8% (1999: 2.8%).

In consultation with the actuaries, the principal employer has also agreed that contributions of 6.1% of pensionable salaries be payable for all members of the Fund. As a result of similar accounting and funding policies, a provision of £900,000 (2003: £900,000) has been created. The 2003 provision was paid on 23 March 2004 and will be followed by two further payments of £900,000 each in March 2005 and March 2006.

As the Fund is closed to new entrants, under the projected unit method, the current service cost for the Fund will increase as the members approach retirement. During the year the employers paid contributions of £907,000 (2003: £7,326) to the Fund.

Whilst the Company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under Financial Reporting Standard 17 "Retirement Benefits" (FRS17) the following transitional disclosures are required:

The valuation was updated by Robert Latham, Fellow of the Institute of Actuaries, of HSBC Actuaries and Consultants Limited on an FRS 17 basis as at 31 December 2003 and 31 December 2004.

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)

23. **Pension schemes and post-retirement medical benefits (continued)**

The major financial assumptions used to calculate the Fund's liabilities under FRS 17 are:

	31 December 2004 %	31 December 2003 %
Discount rate	5.30	5.50
Inflation assumption	2.70	2.50
Rate of increase for pensions in payment and deferred pensions	3.00	3.00
Rate of increase in salaries	3.20	3.00

The assets in the Fund under FRS 17 are:

	Expected rate of return at 31 December 2004 %	Value at 31 December 2004 £m	Expected rate of return at 31 December 2003 %	Value at 31 December 2003 £m
Equities	8.1	6.95	8.5	9.76
Bonds	4.7	15.41	5.0	9.12
Other	3.6	0.33	4.0	2.04
Total market value of assets		22.69		20.91
Present value of Fund liabilities		(22.56)		(21.16)
Surplus/(deficit) in the Fund		0.13		(0.25)

If FRS 17 had been fully adopted the pension costs for the Fund would have been:

Analysis of other pension costs charged in arriving at operating profit	31 December 2004 Fund £m
Service cost	0.00
Past service cost	0.00
Charge to operating profit	0.00

Analysis of amounts included in other financing costs	31 December 2004 Fund £m
Interest cost on pension scheme liabilities	(1.13)
Expected return on pension scheme assets	1.36
Credit to other finance income	0.23

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)

23. Pension schemes and post-retirement medical benefits (continued)

Analysis of amount recognised in statement of total recognised gains and losses ("STRGL")	31 December 2004 Fund £m
Actual return less expected return on assets	0.63
Experience gains and losses arising on the liabilities	(0.08)
Changes in assumptions underlying the present value of liabilities	(1.29)
Actuarial loss recognised in STRGL	0.74

Movement in surplus/(deficit) during the year	31 December 2004 Fund £m
Deficit at beginning of the year	(0.25)
Movement in the year:	
Other finance income	0.22
Current service cost	0.00
Contributions	0.90
Past service costs	0.00
Actuarial loss	(0.74)
Surplus at end of the year	0.13

24. <u>Capital commitments</u>	2004 £000	2003 £000
Commitments		
Undrawn commitments to lend one year and over		
- Contract amount	184	208

25. Related party transactions

Under the terms of Financial Reporting Standard 8 "Related Party Disclosures" (FRS 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. Therefore transactions with companies within the Group of companies have not been disclosed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)

26. Parent undertakings

The Company's immediate parent undertaking is CCF SA, which is incorporated in France.

The Company's ultimate controlling party as defined under FRS 8 is HSBC Holdings plc. The Company is controlled, as defined in FRS 8, by CCF SA.

The smallest and largest groups in which the financial statements of the Company are consolidated are CCF SA and HSBC Holdings plc respectively.

The consolidated financial statements of CCF SA are available from that company at 103, avenue des Champs-Élysées, 75008, Paris, France.

The consolidated financial statements of HSBC Holdings plc are available to the public and may be obtained from HSBC Holdings plc, Group Corporate Affairs, 8 Canada Square, London E14 5HQ.