

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

Registered Number: 171831

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CHARTERHOUSE MANAGEMENT SERVICES LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007

Principal activities

The principal activity of the Company is to act as the main United Kingdom investment holding company for HSBC France 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 income statement shown in these accounts.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of the net return on each individual underlying transaction the Company enters into. Monthly management accounts are prepared and reviewed by the management of the HSBC business in which the Company resides.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2007 (2006: £nil).

Business review

During the year, the main income items in the income statement relate to interest receivable on bank deposits and distributions from the Company's investments.

On 14 February 2007 the Company repurchased the entire Ordinary Shares of EUR 1 each and also 42,000,000 £1 Ordinary Shares plus the share premium of £10,000,000.

Support services for the Company were provided by HSBC Bank plc. These services include the maintaining of accurate accounting and other records such as cash management and the collection and settlement of receivables and payables as they become due.

The Company has no employees. Services are provided by HSBC Bank plc.

The Company has no stakeholders other than its parent company.

Risk management

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. HSBC has standards, policies and procedures dedicated to controlling and monitoring the risk. Each operating company is required to implement credit policies, procedures and lending guidelines which conform to HSBC Group standards.

At the reporting date, there were no significant concentrations of credit risk, no financial asset which is past due or impaired, and no collateral. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Market risk

Market risk is the risk that movements in market risk factors including foreign exchange rates and interest rates will reduce the Company's income or the value of its investment.

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

(a) Foreign exchange risk

The Company is exposed to foreign exchange risk on its cash and cash equivalents. Of the balance of £42,967,116 (2006 £334,319,222) disclosed in Note 11, the amount of £1,959 (2006 £245,860,161) is denominated in currencies other than Sterling.

Management keeps this risk under review, by monitoring the foreign exchange rates applied upon the Company's cash and cash equivalents.

(b) Interest rate risk

The Company is exposed to interest rate risk due to the interest receivable on the Company's deposits with group undertakings. Interest on deposits is receivable at floating market rates.

Management keeps this risk under review, by monitoring the interest rates applied upon the Company's deposits.

Investment risk

The Company invests in listed and unlisted companies, by direct investment. By its nature these private equity investments are long-term and subject to risk that will reduce the Company's income or the value of its portfolio.

Management keeps the investment risk exposure under review, through a six monthly review of all investments held by the Company.

Future developments

No major changes are envisaged over the next twelve months.

Directors

The Directors who served during the year were as follows:

Name

C P Gill

G Lombard

V J B Mansell

P J Reid

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 1985. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors.

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.

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

Supplier payment policy (continued)

Copies of, and information about, the Code is available from BERR Publications Orderline, Admail 528, London SW1W 8YT. It is company practice to organise payment to its suppliers through a central purchasing unit operated by HSBC Bank plc. The payment performance of this unit is incorporated within the results of that Company.

Disclosure of information to auditors

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to Section 234ZA of the UK Companies Act 1985 and should be interpreted in accordance therewith.

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities, is made with a view to distinguishing for the shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the Company. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these 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 they have been prepared in accordance with IFRS as adopted by the EU, and
- 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They 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.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



V J B Mansell
Director

Date 17 October 2008

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 of Charterhouse Management Services Limited for the year ended 31 December 2007 which comprise the income statement, the balance sheet, the cash flow statement, the statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditors

As described in the Statement of Directors' Responsibilities set out on page 4 the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with IFRS as adopted by the EU, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountant, London
Registered Auditor

17 OCTOBER 2008

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £'000	2006 £'000
Interest income	3	1,495	4,336
Interest expense	4	-	(12)
Investment income	5	447	702
		<u>1,942</u>	<u>5,026</u>
Other income	6	9	523
Administrative expense	7	(579)	(5,983)
PROFIT/ (LOSS) BEFORE TAX		1,372	(434)
Income tax benefit	8	3,591	4,636
PROFIT FOR THE YEAR		<u>4,963</u>	<u>4,202</u>

The notes on pages 10 to 25 form part of the financial statements

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED
31 DECEMBER 2007

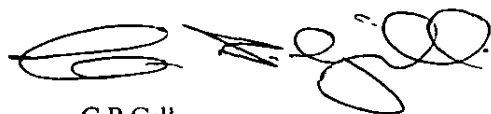
	Notes	2007 £'000	2006 £'000
Foreign exchange translation differences		-	(43)
Foreign exchange gain arising on repurchase of share capital		13,380	-
Actuarial gains on post-employment benefits	20	1,300	220
Less deferred tax on movement in post-employment benefit surplus directly in equity		(381)	(406)
Change in fair value of equity securities available for sale	9	(634)	8
Less associated deferred tax recognised directly in equity		190	(2)
Deferred tax recognised in respect of the change in the tax rate in relation to the change in fair value of equity securities available for sale		15	-
Net income recognised directly in equity		13,870	(223)
Profit for the year		4,963	4,202
Total recognised income and expense for the year	13	18,833	3,979

The notes on pages 10 to 25 form part of the financial statements

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
BALANCE SHEET AT 31 DECEMBER 2007

	Notes	2007 £'000	2006 (Restated) £'000
ASSETS			
Investments	9	1,269	2,013
Investments in subsidiary undertakings	9	2,018	2,018
Post-employment benefits	20	4,120	2,578
TOTAL NON-CURRENT ASSETS		7,407	6,609
Trade and other receivables	10	1,782	8,220
Cash and cash equivalents	11	42,967	334,319
TOTAL CURRENT ASSETS		44,749	342,539
TOTAL ASSETS		52,156	349,148
EQUITY			
Called up share capital	12	25,000	325,585
Share premium account	13	-	10,000
Fair value reserve	13	529	958
Retained earnings	13	24,264	5,565
TOTAL EQUITY	13	49,793	342,108
LIABILITIES			
Deferred tax liabilities	14	1,174	918
TOTAL NON - CURRENT LIABILITIES		1,174	918
Trade and other payables	15	1,189	6,122
TOTAL CURRENT LIABILITIES		1,189	6,122
TOTAL LIABILITIES		2,363	7,040
TOTAL EQUITY AND LIABILITIES		52,156	349,148

Approved by the board and signed on its behalf on 17 October 2008



C P Gill
Director

The notes on pages 10 to 25 form part of the financial statements

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £'000	2006 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		1,372	(434)
Adjustments for			
Interest income		(1,495)	(4,336)
Interest expense		-	12
Investment income		(447)	-
Income – pension contribution paid by others		(34)	-
Pension cost recognised in the income statement		(232)	(224)
Operating loss before changes in working capital		(836)	(4,982)
Decrease in trade receivables		243	503
Increase in trade payables		(62)	468
Pension fund contribution to be made		-	(908)
Elimination of exchange differences expensed through the income statement		-	(43)
Elimination of loss on sale of investments		-	46
Cash generated from operations		(655)	(4,916)
Income taxes received		9,878	2,054
NET CASH FROM OPERATING ACTIVITIES		9,223	(2,862)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of financial investments net of capital returned and additional provision made		-	87
Proceeds from the movement in the financial investments value		110	-
Preference dividend received		447	-
Interest received		1,495	4,228
Interest paid		-	(12)
NET CASH FROM INVESTING ACTIVITIES		2,052	4,303
CASH FLOWS FROM FINANCING ACTIVITIES			
Share repurchase	13	(297,768)	-
Decrease in amounts owing by group undertakings		-	3,164
(Decrease)/Increase in amounts owed to group undertakings		(4,859)	4,868
NET CASH FROM FINANCING ACTIVITIES		(302,627)	8,032
Net (decrease)/ increase in cash and cash equivalents		(291,352)	9,473
Cash and cash equivalents at 1 January		334,319	324,846
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	42,967	334,319

The notes on pages 10 to 25 form part of the financial statements

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 Basis of preparation

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU') as if those requirements were to apply. EU-endorsed IFRS may differ from IFRS as published by the International Accounting Standards Board ('IASB') if new or amended IFRS have not been endorsed by the EU. At 31 December 2007, there were no unendorsed standards effective for 31 December 2007 affecting these financial statements, and there was no difference in application to the Company between IFRS endorsed by the EU and IFRS issued by the IASB.

IFRS comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

As at 31 December 2007 the IASB had issued the following EU-endorsed Standards

- (a) IFRS 8 'Operating segments' (effective for periods commencing on or after 1 January 2009)

As at 31 December 2007 IFRIC had issued the following EU-endorsed Interpretations

- (a) IFRIC Interpretation 11 'Group and Treasury Share Transactions' (effective for periods commencing on or after 1 March 2007)

These standards and interpretations are not expected to have any impact upon the Company when adopted.

At 31 December 2007, the Company had adopted all IFRS and Interpretations that had been issued by the IASB and IFRIC, and endorsed by the EU. Except as stated above, there are currently no IFRS or Interpretations that have been issued by the IASB and endorsed by the EU which become effective after 31 December 2007 that have not already been adopted by the Company.

The Company is not required to prepare consolidated financial statements by virtue of the exemption conferred by section 228 of the Companies Act 1985 and paragraph 41 of International Accounting Standard 27 "*Consolidated and separate financial statements*", as if they were to apply to the Company. The results of the Company are included within the consolidated financial statements of HSBC Holdings plc which is incorporated in England.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

General information

Charterhouse Management Services Limited is a company domiciled and incorporated in England and Wales.

2 Principal accounting policies

(a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in 'interest income' and 'interest expense' in the income statement using the effective interest rates of the financial assets or financial liabilities to which they relate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(continued)

2 Principal accounting policies (continued)

(b) Accounting for foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined. Gains and losses therein are recognised in the statement of income and expense.

(c) Financial investments

Equity securities are classified as non-current financial investments. Financial investments are recognised on trade date when Charterhouse Management Services Limited enters into contractual arrangements with counterparties to purchase securities and are derecognised when the securities are sold.

These securities are initially measured at fair value. They are subsequently re-measured at fair value and changes in this are recognised in equity in the 'fair value reserve' (see Note 13) until the securities are either sold or impaired. The fair value of the investment that is quoted in an active market is based on bid prices. For the investment held by the Company which is not traded in an active market, fair value is estimated based upon an analysis of the investee's financial position and results, risk profile, prospects and other factors. The exercise of judgement is required and because of uncertainties inherent in estimating fair value for such an investment, ultimately it is not until realisation of the investment that true performance is completely apparent.

On the sale of these securities, cumulative gains or losses previously recognised in equity are recognised in the income statement and classified as 'investment income'. Dividends are recognised in the income statement when the right to receive payment has been established and are classified as 'investment income'.

An assessment is made at each balance sheet date as to whether there is any objective evidence of impairment, being circumstances where an adverse impact on estimated future cash flows of the financial asset or group of assets can be reliably estimated.

If an AFS security is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(d) Subsidiaries

Investment in subsidiaries is stated at cost less any impairment losses. Reversal of impairment loss is recognised in the income statement if there has been a change in the estimates used to determine the recoverable amount of the investment.

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(continued)

2 Principal accounting policies (continued)

(e) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholders' equity, in which case it is recognised in shareholders' equity.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to the set-off exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in periods in which the assets will be realised or the liabilities settled. Deferred tax assets and liabilities are offset when they arise in the same reporting entity and relate to income taxes levied by the same taxation authority, and when a legal right to set off exists in the entity.

Deferred tax relating to actuarial gains and losses on post-employment benefits is recognised directly in equity. From 1 January 2005, deferred tax relating to fair value remeasurement of available-for-sale investments and cash flow hedges which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement when the deferred fair value gain or loss is recognised in the income statement.

(f) Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

(g) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash.

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(continued)

2 Principal accounting policies (continued)

(h) Pension benefits

The Company operates a defined benefit plan

The costs recognised for funding the defined benefit plan are determined using the Projected Unit Cost Method, with tri-annual actuarial valuations performed on the plan. Actuarial differences that arise are recognised in shareholders' equity and presented in the Statement of Recognised Income and Expense in the period in which they arise. Past service costs are recognised immediately to the extent that the benefits have vested, and are otherwise recognised on a straight line basis over the average period until the benefits vest. Current service costs and any past service costs, together with the unwinding of the discount on plan liabilities less the expected return on plan assets, are charged to operating expenses.

The defined benefit asset recognised in the balance sheet represents the fair value of plan assets less the present value of defined benefit obligations adjusted for unrecognised past service costs.

3 Interest income

	2007	2006
	£'000	£'000
Interest receivable on bank deposits	<u>1,495</u>	<u>4,336</u>

4 Interest expense

	2007	2006
	£'000	£'000
Interest payable on deposit administration agreement	<u>-</u>	<u>(12)</u>

5 Investment income

	2007	2006
	£'000	£'000
Dividend income – financial investments	<u>447</u>	<u>702</u>

6 Other income

	2007	2006
	£'000	£'000
Debt recovery on investment previously written off	-	523
Other fees	<u>9</u>	<u>-</u>
	<u>9</u>	<u>523</u>

CHARTERHOUSE MANAGEMENT SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**
(continued)**7 Administrative expenses**

	2007	2006
	£'000	£'000
Income from pension scheme	266	224
Auditor's remuneration	(69)	(87)
Foreign exchange losses	(631)	(5,944)
Other	(145)	(176)
	<u>(579)</u>	<u>(5,983)</u>

Included in income from pension scheme is pension contribution made by related company of £34,000 (2006 £nil)

The amount of auditor's remuneration in relation to statutory audit of the Company and amount borne on behalf of subsidiaries were £11,425 (2006 £34,601) and £57,115 (2006 £51,901) respectively

The Company had no employees during the financial year (2006 Nil)

No emoluments were received or are receivable by any of the Directors in respect of their services to the Company during the year (2006 £nil)

8 Income tax expense

	2007	2006
	£'000	£'000
The charge for taxation comprises		
Corporation tax payable	146	907
Corporation tax payable in respect of prior years	(3,817)	(5,277)
Deferred tax origination and reversal of temporary differences	66	(266)
Effect of changes in tax rates	14	-
Tax benefit	<u>(3,591)</u>	<u>(4,636)</u>

Factors affecting tax charge for the year

The tax charge assessed for the year is based on the standard rate of corporation tax in the United Kingdom (30%) The differences are explained below -

	2007	2006
	£'000	£'000
Analysis of overall tax charge		
Profit/(Loss) before tax	<u>1,372</u>	<u>(434)</u>
Taxation at UK corporate tax rate of 30% (2006 30%)	412	(130)
Income not subject to tax	(204)	(278)
Expenses not deductible for tax purposes	15	1,673
Capital allowances in excess of depreciation	-	(88)
Prior period adjustments	(3,817)	(5,277)
Effect of changes in tax rates	14	-
Timing differences between accounting and tax allocations	-	(266)
Expense deductible on a paid basis	<u>(11)</u>	<u>(270)</u>
Overall tax benefit	<u>(3,591)</u>	<u>(4,636)</u>

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(continued)

9 Investments

a) Listed Investments

	2007	2006
	£'000	£'000
At 1 January	1,629	1,621
Fair value adjustment	(634)	8
At 31 December	<u>995</u>	<u>1,629</u>

b) Unlisted Investments

	2007	2006
	£'000	£'000
At 1 January	2,402	2,489
Disposals	(110)	(87)
At 31 December	<u>2,292</u>	<u>2,402</u>

Included in the unlisted investment, is the investment in subsidiaries of £2,017,982 (2006 £2,017,982)

The following are the principal subsidiary undertakings of the Company at 31 December 2007

Name of Undertaking	Country of incorporation / registration	Holding	Proportion held	Nature of business
CCF Charterhouse Limited	United Kingdom	1,000 Ordinary shares of £1 each	100%	Holding Company
Shield Property & Investments (Holdings) Limited	United Kingdom	18,000,100 Ordinary shares of 25p each, and 6,721,399 Deferred ordinary shares of 25p each	100%	Property Investment
Charterhouse Administrators (DT) Limited	United Kingdom	6,877,464 Ordinary shares of £1 each	100%	Investment Company
Charterhouse Securities Holdings	United Kingdom	100 Ordinary shares of £1 each	100%	Investment Company
Myrayarn Limited	United Kingdom	100 Ordinary shares of £1 each	100%	Investment Company

10 Trade and other receivables

	2007	2006
	£'000	£'000
Trust deposits (Note 16)	303	297
Amounts owed by group undertakings	2	-
Taxation recoverable	1,477	7,674
Prepayments and accrued income	-	249
	<u>1,782</u>	<u>8,220</u>

11 Cash and cash equivalents

	2007	2006
	£'000	£'000
Cash and cash equivalents	<u>42,967</u>	<u>334,319</u>

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(continued)

12 Share capital

	Authorised		Issued and fully paid up	
	2007	2006	2007	2006
	Shares'000	Shares'000	£'000	£'000
Ordinary shares of £1 each	150,000	150,000	25,000	67,000
Ordinary shares of EUR 1 each	500,000	500,000	-	258,585

The Ordinary sterling and Ordinary Euro shareholders have voting rights and are entitled to a dividend

13 Capital and reserves

Reconciliation of movement in capital and reserves

	Notes	Share capital £'000	Share Premium £'000	Fair Value Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2006 as previously reported		325,585	10,000	952	692	337,229
Prior year adjustment – pension	25	-	-	-	900	900
At 1 January 2006 restated		325,585	10,000	952	1,592	338,129
Total recognised income and expense		-	-	6	3,973	3,979
At 31 December 2006 restated		325,585	10,000	958	5,565	342,108
At 1 January 2007 restated		325,585	10,000	958	5,565	342,108
Total recognised income and expense		-	-	(429)	19,262	18,833
Share repurchase	12	(300,585)	(10,000)	-	(563)	(311,148)
Balance at 31 December 2007		25,000	-	529	24,264	49,793

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(continued)

13 Capital and reserves (continued)

The fair value reserve includes the cumulative net change in the fair value of available for sale investments until the investment is derecognised

On 14 February 2007, pursuant to a restructuring exercise, CMSL repurchased the entire 366,443,319 Ordinary Shares of EUR 1 each and 42,000,000 £1 Ordinary Shares plus the share premium of £10,000,000. The shares repurchased were funded partly out of distributable reserves of £563,107 (2006: £nil) and partly out of capital. The repurchase of the entire Ordinary Shares of EUR 1 each resulted in a gain on exchange of £13,381,821 (2006: £nil) which was credited directly to equity.

Capital management

The Company defines capital as total shareholders' equity. The Company's capital resource policy is to maintain a strong capital base. It seeks to maintain at all times a prudent relationship between total capital and the varied risks of its business. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets £'000	Liabilities £'000
Balance as at 1 January 2007	266	1,184
Accelerated capital allowances	(80)	-
Charge to equity – revaluation of Available For Sale financial assets	-	(205)
Charge to equity – retirement benefits	-	381
Balance as at 31 December 2007	<u>186</u>	<u>1,360</u>

The deferred tax asset is in respect of accelerated capital allowances on the general pool.

Deferred tax liabilities

	2007 £'000	2006 £'000
Post-employment benefit surplus	1,154	773
Available for sale investments	<u>206</u>	<u>411</u>
Balance as at 31 December	<u>1,360</u>	<u>1,184</u>

The deferred tax liabilities were recognised directly in equity as an adjustment in respect of the adoption of IAS 19, 32 and 39.

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(continued)

15 Trade and other payables

	2007	2006
	£'000	(Restated)
		£'000
Customer accounts (Note 16)	303	297
Amounts owing to group undertakings	13	4,870
Accruals and deferred income	232	232
Other payables	641	723
	<u>1,189</u>	<u>6,122</u>

16 Customer accounts

	2007	2006
	£'000	£'000
Repayable on demand	<u>303</u>	<u>297</u>

At the date of surrender of the Company's authorisation as a bank there was £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 10). 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 £1,014,083 (2006 £1,014,083).

17 Risk management

Exposure to credit risk, liquidity risk, market risk and investment risk arises in the normal course of the Company's business. The Company's risk management policies are consistent with the HSBC Group's risk management policies. During the year the Company has no significant exposure to liquidity risk.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. HSBC has standards, policies and procedures dedicated to controlling and monitoring the risk. Each operating company is required to implement credit policies, procedures and lending guidelines which conform to HSBC Group standards.

At the reporting date, there were no significant concentrations of credit risk, no financial asset which is past due or impaired, and no collateral. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Market risk

Market risk is the risk that movements in market risk factors including foreign exchange rates and interest rates will reduce the Company's income or the value of its investment.

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

(continued)

17 Risk management (continued)

Market risk (continued)

(a) Foreign exchange risk

The Company is exposed to foreign exchange risk on its cash and cash equivalents. Of the balance of £42,967,116 (2006 £334,319,222) disclosed in Note 11, the amount of £1,959 (2006 £245,860,161) is denominated in currencies other than Sterling.

Management keeps this risk under review, by monitoring the foreign exchange rates applied upon the Company's cash and cash equivalents.

(b) Interest rate risk

The Company is exposed to interest rate risk due to the interest receivable on the Company's deposits with group undertakings. Interest on deposits is receivable at floating market rates.

Management keeps this risk under review, by monitoring the interest rates applied upon the Company's deposits.

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis for 2006.

	Profit or Loss	
	100 bps increase £'000	100 bps decrease £'000
As at 31 December 2007:		
Financial assets		
Cash and cash equivalents	1,878	(1,878)
Total increase/(decrease)	<u>1,878</u>	<u>(1,878)</u>
As at 31 December 2006:		
Financial assets		
Cash and cash equivalents	3,297	(3,297)
Total increase/(decrease)	<u>3,297</u>	<u>(3,297)</u>

Investment risk

The Company holds investments in listed and unlisted companies, by direct investment. By nature these investments are long-term and subject to risk that will reduce the Company's income or the value of its portfolio.

Management keeps the investment risk exposure under review, through a six monthly review of all investments held by the Company.

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(continued)

18 Interest rate analysis of financial instruments

In respect of interest earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the years in which they re-price

	Not more than one year	Weighted average effective interest rate	Not more than one year	Weighted average effective interest rate
	2007 £'000	2007 %	2006 £'000	2006 %
Cash and cash equivalents	42,967	2.025%	334,319	1.33%
	<u>42,967</u>	<u>2.025%</u>	<u>334,319</u>	<u>1.33%</u>

Other non interest bearing receivables and payables are excluded from these disclosures

19 Fair value of financial assets and liabilities

	Carrying amount 2007 £'000	Estimated fair value 2007 £'000	Carrying amount 2006 £'000	Estimated fair value 2006 £'000
Financial assets				
Equity investments	995	995	1,629	1,629
Preference share investments	274	274	384	384
	<u>1,269</u>	<u>1,269</u>	<u>2,013</u>	<u>2,013</u>

The method used to determine fair value for the investment for the purpose of measurement and disclosure is set out in Note 2

Short-term receivables and payables are excluded from these disclosures because their carrying amount is a reasonable approximation to fair value

20 Retirement Benefit Plan

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. This is a closed fund, where there are currently no employees with the Company and there will be no additional service costs.

The assets of the Fund are held in separate trustee administered funds.

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

(continued)

20 Retirement Benefit Plan (continued)

The latest valuation for the Fund was at 31 December 2007 by Robert Latham, Fellow of the Institute of Actuaries, of HSBC Actuaries and Consultants Limited. At that date, the actuarial value of the assets was £27.0 million (2006: £26.5 million) and was sufficient to cover the benefits that had accrued to members. After allowing for expected future increases in earnings, the Fund had a surplus of £4.1 million (2006: £2.6 million surplus).

No contribution payment is made by the Company in 2007 (2006: £900,000). The pension contribution of £10,000 made in 2007 was paid by a related company. The related company also paid £24,000 in relation to 2004 to 2006 pension contribution to the fund. The Company does not expect to make any contribution for the period starting 1 January 2008.

The pension plan does not hold any HSBC securities directly but has around £1.5 million invested in HSBC shares through HSBC Investments (UK) Limited.

The overall expected rate of return of the plan assets has been based on the average expected return for each asset class, weighted by the amount of assets in each class.

The principal actuarial financial assumptions used to calculate the Company's obligations under its defined benefit pension plan as at 31 December 2007 were as follows:

	2007	2006
Discount rate	5.8%	5.1%
Inflation	3.3%	3.0%
Rate of increase in salaries	3.8%	3.5%
Rate of increase of pensions in payment	3.3%	3.0%

The mortality tables and average life expectancy at 65 used at 31 December 2007 were as follows:

	Mortality Table	Life expectancy at age 65 for a male member currently:		Life expectancy at age 65 for a female member currently:	
		Aged 65	Aged 45	Aged 65	Aged 45
UK	PXA92U2005MC	20.4	21.7	23.4	24.6

The mortality tables and average life expectancy at 65 used at 31 December 2006 were as follows:

	Mortality Table	Life expectancy at age 65 for a male member currently:		Life expectancy at age 65 for a female member currently:	
		Aged 65	Aged 45	Aged 65	Aged 45
UK	PMA92C05	20.3	21.6		
	PFA92C05			23.3	24.6

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(continued)

20 Retirement Benefit Plan (continued)

Assets in the plan and the expected rate of return were -

	Long-term rate of return expected at 31 Dec 2007 %	Value at 31 Dec 2007 £'000	Long-term rate of return expected at 31 Dec 2006 %	Value at 31 Dec 2006 £'000
Fixed interest bonds	5.50	19,076	4.50	18,698
Equities	8.00	7,780	8.00	7,459
Cash/Other	4.80	113	4.50	338
Weighted average return	6.22		5.49	
Total fair value of plan assets		26,969		26,495
Present value of funded obligation		(22,849)		(23,917)
Present value of unfunded obligation		-		-
Defined benefit obligation		(22,849)		(23,917)
Net asset		4,120		2,578
Actual return on plan assets		1,693		960

The defined benefit plan asset in the balance sheet represents the present value of the defined benefit obligations adjusted for the past service costs and increased by the value of the plan assets. Amounts recognised in the income statement in respect of the defined benefit plan are as follows:

	2007 £'000	2006 £'000
Current service cost	-	-
Interest on obligation	1,188	1,138
Expected return on assets	(1,420)	(1,362)
Actuarial losses recognised in year	-	-
Past service cost	-	-
Pension contribution made by related company	(34)	-
Employee benefits gain	(266)	(224)

The charge for the year is included in the administrative expense in the income statement.

Amounts recognised in the Statement of Recognised Income and Expense in respect of the defined benefit plan are as follows:

	2007 £'000	2006 £'000
Net actuarial gains in the year	1,300	220
Net cumulative actuarial gains	1,520	220

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(continued)

20 Retirement Benefit Plan (continued)

Changes in the present value of the defined benefit obligation are as follows

	2007	2006
	£'000	£'000
Opening defined benefit obligation	23,917	24,498
Service cost	-	-
Interest cost	1,188	1,138
Actuarial gains	(1,027)	(622)
Benefits paid	(1,229)	(1,097)
Closing defined benefit obligation	<u>22,849</u>	<u>23,917</u>

Changes in the fair value of the plan for the current and prior period are as follows

	2007	2006
	£'000	£'000
Present value of the defined benefit assets		
Fair value of plan assets	26,495	25,724
Expected return	1,420	1,362
Actuarial gains/ (losses)	273	(402)
Contributions by employer	10	908
Benefits paid	(1,229)	(1,097)
Fair value of plan assets at the end of the year	<u>26,969</u>	<u>26,495</u>

The amounts related to the retirement benefit plan for the current and previous years are as follows

	2007	2006	2005
	£'000	£'000	£'000
Defined benefits obligation	(22,849)	(23,917)	(24,498)
Plan assets	<u>26,969</u>	<u>26,495</u>	<u>25,724</u>
Surplus/(Deficit)	<u>4,120</u>	<u>2,578</u>	<u>1,226</u>
Actual return less expected return on plan assets			
Amount	273	(402)	2,178
% of plan assets	1.0%	(1.5%)	8.5%
Experience gains/ (losses) on plan liabilities			
Amount	-	61	522
% of the present value of the plan liabilities	0.0%	0.3%	2.1%

CHARTERHOUSE MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(continued)

21 Related party transactions

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

The Company's ultimate controlling party is HSBC Holdings plc. The Company is controlled by HSBC France SA

In 2007 and 2006 there were no disposals of any subsidiaries

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

Copies of the financial statements of HSBC France SA and HSBC Holdings plc may be obtained from

HSBC France SA
103 avenue des Champs-Élysées
75008
Paris
France

HSBC Holdings plc
8 Canada Square
London
E14 5HQ
www.hsbc.com

Particulars of transactions, arrangements and agreements involving related parties are as follows

a) Subsidiary undertakings

The Company intends to support the operations of Shield Properties & Investments (Holdings) Limited for the foreseeable future

At 31 December 2007, the Company had loans owed to CCF Charterhouse Limited of £5,592 (2006 £15,000). These loans were non-interest bearing

b) Fellow subsidiaries

At 31 December 2007, the Company had loans owed to Charterhouse Development Limited of £nil (2006 £4,837,000). These loans were non-interest bearing

c) Intermediate parent undertakings

At 31 December 2007, the Company had deposits with HSBC Bank plc of £42,967,116 (2006 £334,319,322). These deposits were interest bearing at market rates

During the year ended 31 December 2007, the interest receivable arising from these deposits amounted to £1,494,186 (2006 £4,335,812)

At 31 December 2007, the Company had borrowings owed to HSBC Bank plc of £7,000 (2006 £27,446). These borrowings were non-interest bearing

22 Subsequent events

There are no subsequent events requiring disclosure in the financial statements

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

(continued)

23 Accounting estimates and judgements

Management discussed the development, selection and disclosure of the Company's critical accounting policies (Note 2) and estimates and the application of these policies and estimates

Fair values are based on the quoted market value of assets at the balance sheet date. Valuation of unlisted investments is in accordance with the International Private Equity and Venture Capital valuation guidelines issued by AFIC, BVCA and EVCA.

Actuarial assumptions are made in valuing future pension obligations as set out in note 20 and are updated periodically. The principal assumptions relate to the rate of inflation and the discount rate. The assumed rate of inflation affects the rate at which salaries grow and therefore the size of the pensions that employees receive on retirement. The discount rate is equal to the yield on high-quality corporate bonds which have a term to maturity approximating that of the related liability, and is potentially subject to significant variation. As a result, there is uncertainty that these assumptions will continue in the future. For example, if the discount rate for the fund increased by one per cent, the present value of the defined benefit obligation would decrease by approximately £2,800,000 and *ceteris paribus* the net pension asset would increase by the same amount.

24 Contingent liabilities

There were no contingent liabilities at 31 December 2007 (2006: £nil).

25 Prior year adjustment

During 2004, the Company incorrectly accounted for the pension contribution paid. A pension contribution amounting to £900,000 was charged to the income statement rather than being included as part of pension assets. In 2005m, the Company rectified the error by recording this amount as part of pension assets. However, the corresponding entry was incorrectly passed to other payables. During the year, this entry has now been rectified by reducing other payables and increasing retained earnings.

The effect on the comparatives is as follows:

	As restated £'000	As previously reported £'000
Balance Sheet		
Retained earnings	5,565	4,665
Trade and other payables	6,122	7,022
- Other payables	723	1,623