CHARTERHOUSE BANK LIMITED

REGISTERED NUMBER: 171831

CHARTERHOUSE BANK LIMITED

CHARTERHOUSE

ANNUAL REPORT & ACCOUNTS 1994

CHARTERHOUSE

CHAIRMAN'S STATEMENT

Charterhouse has established a unique partnership with BHF-BANK and CCF. Our task is to ensure that Charterhouse, with its partners, becomes a compelling choice as a truly European investment bank. We will achieve this through a continuing commitment to excellence in all our services, whilst offering to our clients the key to our strength in Europe - our partnership.

What sets us apart from other investment banks is that where our competitors might have branches in other countries, our partnership has banks - strong, established and local.

BHF-BANK and CCF hold an equal number of shares in Charterhouse and each is committed to Charterhouse and to the development of our joint European banking vision. Backed by their connections, their understanding, their experience and their assets, which when combined total in excess of £68bn, Charterhouse is well positioned.

During the year under review we have dramatically expanded our capacity to help our clients. Our structured finance activities have been strengthened by the presence of skilled executives from both BHF-BANK and from CCF, expanding our product range to include project finance and export finance as well as the acquisition finance and advisory work which was conducted before.

In corporate finance, we have international teams working together from each of the banks, and we have specialised knowledge in a number of industrial sectors. The corporate finance activities of the partners in Spain, Italy, Scandinavia, Benelux, USA and Hong Kong are centralised under Charterhouse management. As a result, we have seen a dramatic increase in our level of cross-border activity.

We have been in the property business for many years, as providers of debt and of equity. Even through the darkest moments of the recession, we continued to lend and to invest, and our commitment to our clients and the skill of our people has ensured quality backing for our clients and excellent returns for the business.

Treasury further developed its presence on the foreign exchange and interest rate markets where it has specialised and been consistently profitable for more than 10 years. Market conditions last year contrasted sharply with those prevailing in 1992 and 1993, reducing trading opportunities. Thanks to our low risk style of trading and to the quality of our risk management systems, we managed to limit the impact of market conditions and continued to be profitable.

In financial terms, the fruits of our development plans began to show in the year with profits for Charterhouse for the year ended 31 December 1994 of £11m (as against an annualised £9m for 1993).

1995 is a year in which our broadened range of products, our partnership strength and our renewed commitment to our clients will lead them increasingly to appreciate the special skills that we have to offer. The environment in which we operate should also help us as the UK economy continues its steady recovery, and the economies of most of the other major European countries improve.

A single European investment banking service

As we develop our business jointly with BHF-BANK and CCF, we are steadily pursuing our goal of providing clients with a seamless, Europe-wide investment banking service. An ambitious goal such as this requires much effort and many changes to a corporate culture. One visible change is our new corporate identity and logo. This is the first step in moving towards a single identity and symbolises the strong links between our partners and ourselves.

A people business

The key to our success is the quality, skill and commitment of the people who work for Charterhouse. As part of the process of building our partnership into a truly European investment banking business, there are many secondments and exchanges of personnel throughout our network of offices. I am delighted to welcome colleagues from BHF-BANK and CCF to London and to thank Charterhouse staff who are helping our colleagues overseas so enthusiastically.

In particular, Jean Christian Metz, who joined us from CCF in late 1993, and Werner von Guionneau, who came from BHF-BANK in January 1995, have augmented our senior management team. The additional experience and expertise that they bring and their knowledge and contacts within our partner banks have proved invaluable. Werner replaced Dieter Rampl who was pivotal in ensuring that in the initial stages of our partnership the links between Charterhouse and BHF-BANK were solid and productive and I would like to record my appreciation to Dieter for his management contribution.

In July of last year, Howard Hyman joined Charterhouse as Head of Corporate Finance and as Deputy Chairman of Charterhouse Bank. Howard's 20 year career at Price Waterhouse saw him establish, amongst many other achievements, a European corporate finance network, before becoming World Head of Corporate Finance. His experience and skills will help us build our European cross-border corporate finance business and he brings additional strengths to our senior management team.

In the course of 1994, the people within both the business and service areas of Charterhouse showed yet again their commitment to the business through both hard work and adaptation to change. I would like to take this opportunity to thank all of them for that. They are instrumental to our success as we offer our clients a quality service and a unique strength and knowledge across Europe.

Victor Blank

BUSINESS REVIEW

Corporate Finance

1994 was a year of mixed fortunes for the UK corporate finance industry. At Charterhouse, our objectives at the beginning of the year were to have a high level of involvement in the new issues market, and to develop stronger operational ties with BHF-BANK and CCF.

In meeting one of our key objectives of working closely with our colleagues in Europe, we are concentrating our resources in the areas that play to our strengths. Our efforts will be highly focused and targeted in order to benefit our clients further.

As part of these efforts we have been concentrating our skills on a number of specific industrial sectors where the partnership has in depth knowledge and can add significant value. We have taken the knowledge that exists in all three banks and organised specialist multi-national teams to serve customers in these sectors. These teams offer services in mergers and acquisitions origination, flotations and other fund raisings, restructurings, strategic advice and public take-overs. During the year, we have increased emphasis on privatisations, and indeed were appointed to privatise the Government agency ADAS, the agricultural advisers.

We have a large number of joint initiatives with our partners in hand at the moment and, although we are still at an early stage of developing our business together, we have been fortunate enough to have an increasing portfolio of completed cross-border transactions on which we have worked jointly. Those recently completed include the acquisition of Sykes-Pickavant, a UK engineering company, by Facom, a French light engineering company; the acquisition of Cafe Flo, a chain of restaurants in the UK by Groupe Flo, a leading restaurant operator in France; and the acquisition of a substantial minority stake by Lex Service in the privately owned PGA Motors, the largest car dealership group in France.

In the new issues market, we have been particularly active and, in conjunction with Charterhouse Tilney Securities, we ranked third in this area in the 18 month period to September 1994. Amongst the highlights, we were advisers, sponsors and underwriters to a wide variety of different companies. These included Ashbourne, the UK nursing home group, Wainhomes, the regional housebuilder, Lombard Insurance, the general insurance company, Brewin Dolphin, one of the UK's leading private client portfolio fund managers and Cassell, the London-based book publisher.

In addition, in early 1995 we again advised Lombard Insurance, this time in relation to its purchase by Groupama, one of France's largest composite insurers.

Together with Structured Finance, we put together a major restructuring of Wembley plc of over £100m including a £62.5m capital raising. This was another example of the Bank's capabilities in advising on highly complex restructuring situations; and in this case contained the rare combination of a simultaneous debt conversion and equity raising.

For Charterhouse Inc., 1994 was a year of transition. At the start of the year, the focus was primarily domestic US corporate finance and M&A activity, with the link to Europe being solely through Charterhouse in London. The goal was to integrate with and utilise the partnership effectively. There is now daily interaction with the offices in Frankfurt, London, Milan and Paris, and there are joint marketing programmes on both sides of the Atlantic. As in London, we have concentrated Charterhouse Inc.'s skills on specific sectors that reflect both our knowledge and the cross-over of skills represented by BHF-BANK, CCF and Charterhouse.

During what was a busy year, we are pleased with our efforts to develop closer links with our partners and we intend to build on these efforts and fully expect to see cross-border transactions introduced by our partners featuring more prominently during 1995.

Property Finance

Property Services has again had an active year, building on the foundations laid by its counter-cyclical approach to lending and investment from 1991 to 1993. Both the debt and equity teams have been involved in a wide range of transactions.

On the lending side the year started very well with the underwriting and subsequent syndication of a £16m facility for a subsidiary of Dwyer Estates plc to acquire the Arndale Shopping Centre in Middleton, Greater Manchester. This transaction illustrated the benefits of our European banking connections. The transaction was underwritten jointly with BHF-BANK, meeting the client's tight timescale which related to a Stock Exchange rights issue. The subsequent syndication was to two major German mortgage banks.

Further investment based loans were granted during the year, encompassing all of the retail, office and industrial property sectors and spread throughout the UK.

Development, a field in which we have a particular understanding, also became a more significant property activity during 1994. New facilities included transactions as diverse as an industrial development in East Anglia and social housing in London.

A significant part of our approach to providing a comprehensive property financing service has been the provision of equity finance in joint venture and consortium transactions. Four new investments were completed in the year, once again providing a spread of exposures from development to investment on a national basis.

We also saw the first significant realisations from the initial investments in the portfolio. With stock market conditions currently unfavourable to the raising of new quoted equity we see possibilities for significant further expansion in this area, particularly as we continue to develop our placement capacity with our shareholders and with other like-minded financial institutions.

Structured Finance

During the year Charterhouse re-focused its corporate banking activities into a new Structured Finance department, specialising in debt advisory work, acquisition, project and export finance. Responsibility for development of Charterhouse's interests in Eastern Europe has also been incorporated into this new initiative. Our team has been strengthened by the addition of staff from BHF-BANK and CCF, bringing to us a range of skills and experience in these areas.

Structured Finance has continued its close collaboration with Corporate Finance in the field of debt restructuring, with a number of high profile assignments including that of acting for Wembley plc. Our international reach was illustrated by the successful completion of a reconstruction of a Swedish leasing company.

The new Export Credit team has made its mark with the signing of the first ECGD credit for Romania since that country has been placed on cover again. The marketing of the partnership's multi-source export financing capability consisting of ECGD in London, COFACE in Paris and HERMES in Frankfurt has been well received with a number of promising leads for 1995.

During 1994 we committed resources to the development of an advisory business in connection with the Government's Private Finance Initiative. This resulted in the award of a mandate from the Department of Social Security to advise on the tender process for a major information technology project. Activity in this sector is anticipated to grow significantly over the next few years.

In Eastern Europe we are focusing on our regional specialisation in South Eastern Europe and developing our links with our partners' network. We tendered for and won one of only four EBRD Multi-Lateral Framework Contracts. It is anticipated that the assignments under this contract will commence in 1995.

Given the expanded product range within Structured Finance and the international network of BHF-BANK and CCF, we will be seeking to grow our business with large UK corporates and the subsidiaries of major French and German companies. In order to facilitate this process we have formed special industry teams to cover sectors such as infrastructure, environment and power among others. This approach will also benefit the drive to win project finance mandates both domestically and overseas.

Treasury

1994 was considered by all market practitioners to be one of the most difficult years for Treasury activities of the last decade. The first half was dominated by steep rises in longer term interest rates with the five year Sterling swap rate moving up from 6% to 9% at its peak. The catalyst for these upward movements was the decision of the US Federal Reserve to raise the federal funds rate by 0.25% in February. This resulted in a large scale sell-off of long term markets catching analysts by surprise, and was compounded by further selling in the market as short term investors unwound their positions.

The second half of the year saw a reduction in market activity and margins were squeezed significantly. Within that difficult context, Treasury and Trading experienced a reduction in some of its previously consistent income streams, but remained profitable. Our tradition for strong risk management ensured that the large losses incurred by many of our competitors were avoided. However, results were adversely affected by reduced levels of market activity, particularly during the second half of the year.

Charterhouse is long established in the London foreign exchange and money markets and has been an active market maker in interest rate derivatives since the mid-1980's. We trade in all the major currencies with particular emphasis on transactions in Sterling, US Dollars and Deutschemarks. Also traded are Yen, French Francs, Swiss Francs and ECU's, as well as many minor currencies.

Throughout 1994, we made steps towards further improving the quality of the Treasury services we offer to our customers by increasing our product range and expanding our customer desk.

As well as providing customers with a comprehensive standard product range we continue to offer instruments or solutions tailored to meet our clients' requirements. Examples of tailored transactions that we worked on with our customers during the year included the hedging of debt and lease financings, acquisition hedging, the formulation of interest rate investment strategies and tax driven structures.

Our main focus will continue to be the delivery of the highest quality service to our clients combined with tailor made solutions to meet their treasury needs.

OUR PARTNERS IN 1994

We have made significant progress with our partnership and believe that Charterhouse will continue to benefit from its ownership structure.

We believe that our strong parentage in BHF-BANK and CCF, with their combined assets in excess of £68bn and a combined total capital of over £3bn, will help Charterhouse to continue to develop its customer base. BHF-BANK has made a stand-by declaration for Charterhouse Bank Limited, which is not dependent on the amount of their equity holding. CCF have made a similar stand-by declaration for Charterhouse Bank Limited.

BHF-BANK

BHF-BANK's consolidated total assets grew by 5.3% to DM58.1bn (£26bn). The bank itself and its mortgage subsidiary, Deutsche Hypothekenbank, were the principal contributors to this expansion. The services of BHF-BANK were again mainly used by international customers, which accounted for 62% of the bank's total assets. The operating result for the group was DM348m (£156m) which exceeded 1993's figure by some 7.6%.

The partnership with CCF and Charterhouse is part of a comprehensive process for the reorientation of the bank, as it selectively develops its strengths as a European consulting and trading bank with world-wide operations over the next few years. In following this strategy, BHF-BANK is concentrating its activities in three business units: Corporate Banking (which includes corporate finance), Financial Markets (treasury, securities, money market and foreign exchange trading) and Private Banking & Asset Management.

CCF

For the 11th consecutive year, CCF reported a satisfactory improvement in earnings over the previous year. In 1994, this performance was achieved despite a particularly harsh environment for the French banking sector. Consolidated net income for the CCF group for 1994 amounted to FFR1,203.2m (£154.3m) which represents an 11.6% increase over the previous year.

CCF also significantly strengthened shareholder equity which by the end of the year exceeded FFR13.7bn (£1.7bn), 26.4% higher than at 31 December 1993. This increase resulted primarily from a FFR1,547m (£198m) share issue and an allocation to retained earnings (FFR0.9m).

CCF's overall capital adequacy ratio rose to 13%, with tier one capital ratio of 9% (minimum acceptable international norms being 8%and 4% respectively). The total consolidated assets for CCF are FFR329bn (£42.2bn).

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 1994.

FINANCIAL STATEMENTS

The consolidated profit, before taxation, for the year amounted to £11.4m (restated, 1 October 1992 to 31 December 1993: £32.3m). After a proposed dividend of £4.0m (1993 : £21.7m) a profit of £3.7m (restated, 1 October 1992 to 31 December 1993 : £9.3m) was transferred to reserves.

BUSINESS REVIEW

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

The year was the first full year in partnership with BHF-Bank and Credit Commercial de France. The company continued to develop its treasury services, corporate banking, corporate finance and property services.

The Directors are hopeful that, with improving economic conditions, the company will be able, in co-operation with its partners, to increase its profitability in 1995.

DIRECTORS

The Directors of the company listed at the back of the report served as such for the whole of the year except for Mr DM Cockrell and Mr RD Poynder, who were appointed Directors on 1 July 1994, Mr HJ Hyman who was appointed a Director on 18 July 1994, Mrs PT Emburey who was appointed a director on 5 September 1994, Mr P Curry, Mr KA Robinson and Mr WMF von Guionneau who were appointed Directors on 1 January 1995 and Mr WK Gardener and Mr AMF Perricone who were appointed directors on 6 March 1995.

Mrs JE Short served as a Director until 23 February 1994, Mr CJ Southgate until 28 February 1994, Mr MH Legge until 31 March 1994, Mr MA Borrelli until 30 April 1994, Mr SJ Lockley until 31 May 1994, Mr RJ Kretowicz until 31 July 1994, Mr AD Turrell until 23 September 1994, Mr D Rampl until 31 October 1994 and Mr PC Button until 31 December 1994.

Apart from those persons listed at the back 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 or loan capital of the company or in the securities of any other company in the group of which it is a member.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE POLICY

During the year, the company maintained cover for its Directors and officers and those of its subsidiary undertakings, under a Directors' and officers' liability insurance policy, as permitted by section 310(3) of the Companies Act 1985.

CORPORATE GOVERNANCE

The Directors have reviewed the company's system of corporate governance and, more specifically, have compared the scope and effectiveness of internal procedures and practices against the standards set by the Cadbury Committee on the Financial Aspects of Corporate Governance. As a result of this review, and in order to place beyond doubt the Directors' commitment to the highest standards of corporate behaviour, the Directors have deemed it appropriate to formalise many of the requirements contained in the Code of Best Practice.

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).

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 £75,000 (1 October 1992 to 31 December 1993: £59,000).

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
London 29th March 1995

Registered Number : 171831

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 its profit or loss for that period. 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 bank 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 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 7 to 24.

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 1994 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

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
7th April 1995

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994 £m	15 Month Period 1993 £m
Interest receivable			
Interest receivable & similar income arising from debt securities & other fixed income securities		20.0	12.7
Other interest receivable and similar income		35.4	76.8
Interest payable		(44.7)	(73.4)
Net interest income		10.7	16.1
Dividend income from equity shares		1.0	1.2
Fees and commissions receivable		13.9	22.3
Fees and commissions payable		(1.6)	(1.3)
Dealing profits		5.1	22.2
Other operating income		10.6	13.7
Operating income		39.7	74.2
Continuing businesses		39.7	63.5
Discontinued business		-	10.7
Administrative expenses	3	(33.0)	(48.2)
Depreciation and amortisation		(0.9)	(1.6)
Other operating charges		(0.1)	(6.4)
Provision releases and recoveries	4	4.1	2.5
Adjustments to/amounts written off fixed asset investments	5	1.2	(4.0)
Operating profit		11.0	16.5
Continuing businesses		11.0	10.8
Discontinued business		-	5.7
Income from associated undertaking		0.4	0.1
Profit on disposal of discontinued operations		-	15.7
Profit on ordinary activities before tax	6	11.4	32.3
Tax on profit on ordinary activities	7	(3.7)	(1.3)
Profit on ordinary activities after tax		7.7	31.0
Dividends	8	(4.0)	(21.7)
Retained profit for the financial year	28	3.7	9.3

Movements in profit and loss account reserves are shown in Note 28 to these financial statements.

All activities of the Group are regarded as continuing apart from the discontinued operation as detailed above and in Note 3.

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 1994

	Notes	1994 £m	1993 £m
Assets			
Cash and balances at central banks		0.1	0.5
Treasury bills and other eligible bills	10	4.9	-
Loans and advances to banks	11	825.6	451.6
Loans and advances to customers	12	189.5	218.1
Debt securities	15	411.5	261.7
Equity shares	16	3.9	4.7
Interests in associated undertakings	17	1.5	1.1
Tangible fixed assets	19	30.6	29.8
Other assets	20	147.7	115.0
Prepayments and accrued income		19.3	7.7
Total assets		1,634.6	1,090.2
Liabilities			
Deposits by banks	21	799.7	447.8
Customer accounts	22	460.6	380.2
Certificates of deposit in issue	23	100.8	37.0
Other liabilities	24	110.5	84.5
Accruals and deferred income		30.4	11.5
Provisions for liabilities and charges			
- deferred taxation	25	5.1	5.1
- other provisions for liabilities and charges	26	14.6	14.6
		1,521.7	980.7
Capital & reserves			
Called up share capital	27	42.0	42.0
Share premium account	28	10.0	10.0
Profit & loss account	28	60.9	57.5
Equity shareholders' funds	30	112.9	109.5
Total liabilities		1,634.6	1,090.2
Memorandum items			
Contingent liabilities			
- acceptances and endorsements		109.2	96.6
- guarantees and assets pledged as collateral security		1.9	2.3
	32	111.1	98.9
Commitments			
- other commitments	33	0.1	0.1

The financial statements on pages 7 to 24 were approved by the Board of Directors on 29th March 1995 and are signed on its behalf by:-

M V Blank)
) Directors
R W Dix)

BALANCE SHEET
AT 31 DECEMBER 1994

	Notes	1994 £m	1993 £m
Assets			
Cash and balances at central banks		0.1	0.5
Treasury bills and other eligible bills	10	4.9	-
Loans and advances to banks	11	822.3	449.8
Loans and advances to customers	12	193.7	222.6
Debt securities	15	411.5	261.7
Equity shares	16	3.9	4.7
Interests in associated undertakings	17	0.2	-
Shares in group undertakings	18	26.5	24.4
Tangible fixed assets	19	20.2	20.2
Other assets	20	110.1	77.9
Prepayments and accrued income		19.5	7.7
Total assets		1,612.9	1,069.5
Liabilities			
Deposits by banks	21	772.5	421.5
Customer accounts	22	472.8	392.5
Certificates of deposit in issue	23	100.8	37.0
Other liabilities	24	108.9	83.3
Accruals and deferred income		30.4	11.1
Provisions for liabilities and charges			
- other provisions for liabilities and charges	26	14.6	14.6
		1,500.0	960.0
Capital & reserves			
Called up share capital	27	42.0	42.0
Share premium account	28	10.0	10.0
Revaluation reserve	28	17.4	16.5
Profit & loss account	28	43.5	41.0
Equity shareholders' funds	30	112.9	109.5
Total liabilities		1,612.9	1,069.5
Memorandum items			
Contingent liabilities			
- acceptances and endorsements		109.2	96.6
- guarantees and assets pledged as collateral security		1.9	2.3
	32	111.1	98.9
Commitments			
- other commitments	33	0.1	0.1

The financial statements on pages 7 to 24 were approved by the Board of Directors on 29th March 1995 and are signed on its behalf by:-

M V Blank) M V Blank
) Directors
R W Dix)

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

a *Basis of preparation*

The consolidated financial statements have been prepared for the first time 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. These requirements include comprehensive changes to the format of the profit and loss account and balance sheet and the comparatives have been restated accordingly.

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 co-terminous with those of Charterhouse Bank Limited, apart from Cromwell Land Holdings Limited and North Eastern Industrial Properties Limited, whose results have been consolidated from management accounts drawn up to 31 December 1994 and 31 October 1994 respectively. The financial statements include twelve months trading from Shield Properties & Investments (Holdings) Limited whose financial statements have been prepared for the fifteen months to 31 December 1994.

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 arising on the acquisition of subsidiary and associated undertakings is written off against reserves in the year of acquisition.

c *Income and Expense Recognition*

In general, income and expense 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 net present value basis. The net present 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 net present 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 credit risk, market risk and identifiable dealing costs.

The amount receivable and payable in respect of trading assets and liabilities included at net present value, is included as a debtor or creditor respectively with "other" accounts, on both sides of the balance sheet. In accordance with industry standard practice, no offset between amounts receivable and payable to a counterparty is made unless legally enforceable.

d *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.

e *Interest Recognition*

Interest is included in the profit and loss account on an accruals basis, except where assets or liabilities are included in a trading portfolio and valued on a mark-to-market basis. Where this is the case, interest is included in the profit and loss account at net present value. Interest is suspended where due but not received on doubtful loans and advances.

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 associate undertakings and related hedging transactions, are taken to reserves. Where foreign currency borrowings are used to provide a hedge against foreign currency investments, exchange gains and losses arising from the foreign currency borrowings are taken to the profit and loss account.

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 net present value.

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. 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 ***Investment Properties***

The properties are expected to be held for two to five 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. In the opinion of the Directors the cost of the properties is not materially different from market value.

k ***Provisions for bad and doubtful debt***

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 ***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.

m ***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.

n ***Equity shares***

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.

o ***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.

p ***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.

q ***Cash flow statements***

The financial statements do not contain a cash flow statement by virtue of the exemptions available to the Company within Financial Reporting Standard No. 1. The cash flows of the Company are included in the consolidated cash flow statement which forms part of the consolidated financial statements of the Company's immediate parent undertaking, Charterhouse plc.

r ***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.

2. CHANGE IN PRESENTATION

Following implementation of the Companies Act 1985 (Bank Accounts) Regulations 1991, the practice of reporting profits after transfers to inner reserves out of which provision for loan losses was made has been ended. Accordingly, the comparative figures for the fifteen months ended 31 December 1993 have been restated (see Note 28). The effect of this change, and other prior year adjustments (see Note 28), on the comparative results for the period ended 31 December 1993 is to increase the profit on ordinary activities after tax and transfer from inner reserves by £6.3m.

3. ADMINISTRATIVE EXPENSES

	1994 £m	15 Mths 1993 £m
Staff costs		
- wages & salaries	(10.0)	(15.4)
- social security costs	(1.2)	(1.7)
- other pension costs	(2.2)	(3.1)
Other administrative expenses	(19.6)	(28.0)
	(33.0)	(48.2)
Continuing businesses	(33.0)	(43.2)
Discontinued business	-	(5.0)
	(33.0)	(48.2)

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

	1994	15 Mths 1993
UK and overseas	304	350

4. PROVISIONS

	1994 £m	15 Mths 1993 £m
Release of provisions for bad & doubtful debts	4.1	2.5

5. ADJUSTMENTS TO/AMOUNTS WRITTEN OFF FIXED ASSET INVESTMENTS

	1994 £m	15 Mths 1993 £m
Investment - equity shares	0.6	(3.0)
Investment - associated undertaking	0.6	(1.0)
	1.2	(4.0)

6. GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

		1994 £m	15 Mths 1993 £m
Is stated after:-			
i) Income			
- Income from listed investments		1.0	1.1
ii) Charges			
- Hire of computers and equipment		-	(0.1)
- Auditors' remuneration	: audit	(0.1)	(0.1)
	: non-audit services	(0.1)	(0.3)

The auditors' remuneration was £115,540 (1993, £82,000) of which £73,500 (1993, £66,000) related to the Company.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1994 £m	15 Mths 1993 £m
Continuing businesses	(3.0)	(2.6)
Discontinued business	-	(0.4)
United Kingdom corporation tax at 33% (1993: 33%)	(3.0)	(3.0)
Adjustments in respect of prior years	(0.3)	2.0
Tax credits on franked investment income	(0.2)	(0.2)
Deferred taxation	-	(0.1)
	(3.5)	(1.3)
Share of associated undertakings' taxation	(0.2)	-
	(3.7)	(1.3)

8. DIVIDENDS

	1994 £m	15 Mths 1993 £m
Interim dividend at nil per share (1993 0.43p)	-	(0.2)
Interim dividend at nil per share (1993 48.94p)	-	(20.5)
Proposed interim dividend at 9.53p per share (1993 2.38p)	(4.0)	(1.0)
	(4.0)	(21.7)

9. DIRECTORS' EMOLUMENTS

	1994 £m	15 Mths 1993 £m
Directors' emoluments	6.2	9.0
Pension contributions	1.2	1.5
	7.4	10.5

This total excludes emoluments received by directors in respect of their services as directors or officers of Charterhouse plc. No apportionment of these emoluments has been made.

The emoluments of the Chairman, who was the highest paid Director, were £670,925 (1993: £775,187). The following table shows the number of all directors receiving emoluments, excluding pension contributions, within the ranges stated below:-

	1994	15 mths 1993		1994	15 mths 1993
Nil - £5,000	3	2	£150,001 - £155,000	1	-
£10,001 - £15,000	2	1	£155,001 - £160,000	2	2
£15,001 - £20,000	-	2	£160,001 - £165,000	2	1
£20,001 - £25,000	1	1	£165,001- £170,000	1	-
£25,001 - £30,000	1	4	£170,001 - £175,000	2	1
£30,001 - £35,000	1	-	£175,001 - £180,000	2	-
£35,001 - £40,000	-	1	£190,001 - £195,000	1	1
£40,001 - £45,000	2	-	£195,001 - £200,000	-	1
£60,001 - £65,000	1	2	£200,001 - £205,000	-	1
£65,001 - £70,000	3	1	£225,001 - £230,000	-	3
£70,001 - £75,000	1	-	£230,001 - £235,000	1	1
£75,001 - £80,000	1	-	£235,001 - £240,000	1	1
£80,001 - £85,000	2	-	£250,001 - £255,000	-	2
£85,001 - £90,000	1	1	£260,001 - £265,000	1	-
£90,001 - £95,000	-	1	£265,001 - £270,000	1	-
£95,001 - £100,000	-	-	£280,001 - £285,000	-	1
£100,001 - £105,000	1	3	£300,001 - £305,000	1	-
£105,001 - £110,000	1	2	£330,001 - £335,000	-	1
£110,001 - £115,000	3	-	£335,001 - £340,000	-	1
£115,001 - £120,000	-	1	£345,001 - £350,000	-	1
£120,001 - £125,000	-	2	£360,001 - £365,000	-	1
£125,001 - £130,000	2	2	£435,001 - £440,000	-	1
£130,001 - £135,000	1	1	£500,001 - £505,000	-	1
£135,001 - £140,000	-	1	£595,001 - £600,000	-	1
£140,001 - £145,000	1	-	£670,001 - £675,000	1	-
£145,001 - £150,000	1	1	£775,001 - £780,000	-	1

Payments made to and on behalf of former Directors in connection with their retirement from office amounted to £396,508 for six directors (1993: £711,500 for 6 directors). These payments are not included in the emoluments stated above.

Charterhouse plc has established long term performance incentive plans in which a number of the Company's key senior executives may participate. Deferred, discretionary emoluments under these plans will become payable over several years in the future.

10. TREASURY BILLS AND OTHER ELIGIBLE BILLS

GROUP AND COMPANY

	1994 Balance Sheet £m	1994 Market Value £m	1993 Balance Sheet £m	1993 Market Value £m
Investment securities				
- other eligible bills	4.9	4.9	-	-
	4.9	4.9	-	-

	Cost £m	Provisions £m	Carrying Value £m
At 1 January 1994	-	-	-
Acquisition	4.9	-	4.9
At 31 December 1994	4.9	-	4.9

NOTES TO THE FINANCIAL STATEMENTS

11. LOANS AND ADVANCES TO BANKS

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Repayable on demand	5.9	5.1	2.7	3.3
Other loans and advances remaining maturity				
3 months or less	656.1	361.9	656.0	361.9
1 year or less but over 3 months	158.9	58.1	158.9	58.1
5 years or less but over 1 year	3.9	19.3	3.9	19.3
over 5 years	0.8	7.2	0.8	7.2
	825.6	451.6	822.3	449.8

12. LOANS AND ADVANCES TO CUSTOMERS

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Repayable on demand or at short notice	62.9	0.4	89.5	25.0
Other loans and advances remaining maturity				
3 months or less	18.5	128.0	18.5	131.2
1 year or less but over 3 months	20.5	23.6	22.2	25.3
5 years or less but over 1 year	126.8	119.1	126.8	119.1
over 5 years	4.2	7.5	4.2	7.5
Specific bad and doubtful debt provisions	(43.4)	(60.5)	(67.5)	(85.5)
	189.5	218.1	193.7	222.6
Included above are unsubordinated loans to:-				
- subsidiary undertakings	-	-	7.3	5.9
	-	-	7.3	5.9

13. SPECIFIC PROVISION FOR BAD AND DOUBTFUL DEBTS

	Group £m	Company £m
At 1 January 1994	60.5	85.5
Exchange movements	(0.3)	(0.3)
Charge/(release) for the year	(4.1)	(4.5)
Amounts written off	(12.7)	(13.2)
At 31 December 1994	43.4	67.5
of which;		
- Provided against loans and advances to customers	43.4	67.5

14. INTEREST IN SUSPENSE

	Group £m	Company £m
At 1 January 1994	54.8	63.7
Amounts suspended in the year	10.8	10.8
Recoveries	(1.0)	(1.0)
Irrecoverable amounts written off	(5.5)	(5.5)
At 31 December 1994	59.1	68.0

The value of loans in Group at 31 December 1994 on which interest is suspended was £40.6m (1993: £53.2m)

15. DEBT SECURITIES - GROUP AND COMPANY

	1994 Balance Sheet £m	1994 Market Value £m	1993 Balance Sheet £m	1993 Market Value £m
Investment securities				
- bank and building society certificates of deposit	314.0	314.0	215.4	215.4
- other debt securities	52.0	52.0	17.4	17.4
	366.0	366.0	232.8	232.8
Other Securities				
- bank and building society certificates of deposit	45.5	45.5	28.9	28.9
	411.5	411.5	261.7	261.7
Investment securities				
- listed on a recognised UK exchange	317.6	317.6	219.4	219.4
- listed elsewhere	48.4	48.4	13.4	13.4
	366.0	366.0	232.8	232.8
Other securities				
- listed on a recognised UK exchange	45.5	45.5	28.9	28.9
	411.5	411.5	261.7	261.7

The book cost of Other Securities amounted to £45.1m (1993: £28.9m).

	1994 Balance Sheet £m	1993 Balance Sheet £m
Amounts include		
- due within one year	311.2	223.7
- due one year and over	100.3	38.0
	411.5	261.7
Unamortised discounts and premiums on investment securities	-	-

	Cost £m	Provisions £m	Carrying Value £m
Analysis of Investment Securities			
At 1 January 1994	232.8	-	232.8
Exchange adjustments	0.3	-	0.3
Acquisitions	1760.6	-	1760.6
Disposals	(1,627.7)	-	(1,627.7)
At 31 December 1994	366.0	-	366.0

16. EQUITY SHARES - GROUP AND COMPANY

	1994 Balance Sheet £m	1994 Market Value £m	1993 Balance Sheet £m	1993 Market Value £m
Investment securities				
- listed on a recognised UK exchange	3.2	21.2	3.9	31.1
- unlisted	0.7	0.7	0.8	0.8
	3.9	21.9	4.7	31.9

16. EQUITY SHARES - GROUP AND COMPANY (continued)

	Cost £m	Provisions £m	Carrying Value £m
Investment securities			
At 1 January 1994	14.1	(9.4)	4.7
Acquisitions	0.5	(0.4)	0.1
Disposals	(2.2)	1.3	(0.9)
Cost written-off	(1.6)	1.6	-
At 31 December 1994	10.8	(6.9)	3.9

17. INTERESTS IN ASSOCIATED UNDERTAKINGS

	Group			Company		
Unlisted - non-bank	Cost/ Net worth £m	Provisions £m	Carrying Value £m	Cost/ Net worth £m	Provisions £m	Carrying Value £m
At 1 January 1994	3.4	(2.3)	1.1	2.3	(2.3)	-
Acquisitions	0.6	-	0.6	0.2	-	0.2
Goodwill written-off	(0.3)	-	(0.3)	-	-	-
Disposal	(0.8)	0.6	(0.2)	(0.6)	0.6	-
Cost written-off	(1.7)	1.7	-	(1.7)	1.7	-
Retained profits	0.3	-	0.3	-	-	-
At 31 December 1994	1.5	-	1.5	0.2	-	0.2

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
North Eastern Industrial Properties Limited	275,000 [2]	26.5	1.1	England & Wales	Property Investment

* Held directly by Charterhouse Bank Limited.
[1] ordinary shares
[2] preferred ordinary shares

18. SHARES IN GROUP UNDERTAKINGS

	1994 £m	1993 £m
Unlisted non-bank	26.5	24.4

	Cost/ Net worth £m	Provisions £m	Carrying Value £m
At 1 January 1994	25.2	(0.8)	24.4
Acquisitions	0.3	-	0.3
Revaluation of investment	1.5	0.3	1.8
At 31 December 1994	27.0	(0.5)	26.5

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	2,500,000 [2]	100	2,500	England & Wales	Property Investment
Shield Properties & Investments (Holdings) Limited	18,000,000 [2]	100	4,500	England & Wales	Property Investment
Shield Properties & Investments (Holdings) Limited	6,051,499 [3]	90	-	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.

Following the introduction of Financial Reporting Standard No. 5, Cromwell Land Holdings Limited has been deemed a quasi-subsidiary and consolidated on a Group basis. The comparatives have been restated accordingly. The company holds 5,000 £1 fixed cumulative preference shares on which the dividend arrears are £20m (1993: £15m). 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 effect on the balance sheet and profit and loss account of the Group of consolidating the quasi-subsidiary is as follows:-

	1994 £m	1993 £m
Profit after tax	1.2	0.5
Other assets	36.6	36.6
Deposits by banks	19.0	19.0
Reserves	12.7	11.5

Other assets represent £36.6m (1993: £36.6m) in respect of properties held on a short term basis.

19. TANGIBLE FIXED ASSETS

	Group				Company		
	Premises £m	Investment Property £m	Equipment £m	Total £m	Premises £m	Equipment £m	Total £m
Cost/valuation:							
At 1 January 1994	19.8	7.3	11.5	38.6	17.6	11.1	28.7
Additions	-	1.5	1.1	2.6	-	1.1	1.1
Disposals	-	(0.7)	(7.2)	(7.9)	-	(7.2)	(7.2)
At 31 December 1994	19.8	8.1	5.4	33.3	17.6	5.0	22.6
Depreciation:							
At 1 January 1994	(0.2)	-	(8.6)	(8.8)	(0.1)	(8.4)	(8.5)
Charge for the year	-	-	(0.9)	(0.9)	-	(0.9)	(0.9)
Disposals	-	-	7.0	7.0	-	7.0	7.0
At 31 December 1994	(0.2)	-	(2.5)	(2.7)	(0.1)	(2.3)	(2.4)
Net book value							
At 31 December 1993	19.6	7.3	2.9	29.8	17.5	2.7	20.2
At 31 December 1994	19.6	8.1	2.9	30.6	17.5	2.7	20.2

The premises owned by the Company 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	19.6	17.6
Short leasehold	0.2	-
	19.8	17.6

The net book value of tangible fixed assets includes an amount of £1.1m (1993: £1.3m) in respect of assets held under finance leases for the Group and the Company, on which the depreciation charge was £0.4m (1993: £0.3m).

20. OTHER ASSETS

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Foreign exchange and interest rate contracts	102.2	59.2	102.2	59.2
Taxation recoverable	1.9	15.2	1.7	14.8
Trade debtors	4.8	2.0	4.4	1.9
Properties held on a short term basis	36.6	36.6	-	-
Other	2.2	2.0	1.8	2.0
	147.7	115.0	110.1	77.9

Foreign exchange and interest rate contracts are held at market value and net present value respectively.
Other for Group and Company includes deferred tax assets of £1.5m (1993: £1.5m) relating to a short term timing difference.

21. DEPOSITS BY BANKS

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
With agreed maturity dates or periods of notice by remaining maturity:-				
Repayable on demand	3.5	1.8	0.7	0.1
3 months or less	617.2	392.8	611.9	390.3
1 year or less but over 3 months	150.9	35.2	149.9	31.1
5 years or less but over 1 year	28.0	18.0	10.0	-
Over 5 years	0.1	-	-	-
	799.7	447.8	772.5	421.5

22. CUSTOMER ACCOUNTS

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
With agreed maturity dates or periods of notice by remaining maturity:-				
Repayable on demand	74.1	2.2	86.3	14.4
3 months or less	260.0	360.3	260.0	360.3
1 year or less but over 3 months	107.1	13.4	107.1	13.5
5 years or less but over 1 year	19.4	-	19.4	-
Over 5 years	-	4.3	-	4.3
	460.6	380.2	472.8	392.5
Included above are amounts:-				
- due to subsidiary undertakings	-	-	12.2	12.3
	-	-	12.2	12.3

23. CERTIFICATES OF DEPOSIT IN ISSUE

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Certificates of deposit in issue by remaining maturity:-				
3 months or less	59.8	35.0	59.8	35.0
1 year or less but over 3 months	39.0	2.0	39.0	2.0
2 years or less but over 1 year	2.0	-	2.0	-
	100.8	37.0	100.8	37.0

24. OTHER LIABILITIES

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Foreign exchange and interest rate contracts	101.8	60.8	101.8	60.8
Trade creditors	2.0	7.3	1.3	7.1
Taxation	4.9	8.9	4.1	8.8
Other liabilities	1.8	7.5	1.7	6.6
	110.5	84.5	108.9	83.3

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

25. DEFERRED TAXATION

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Provision for deferred taxation				
- short term timing differences	5.1	5.1	-	-
At January 1994 and 31 December 1994	5.1	5.1	-	-

26. OTHER PROVISIONS FOR LIABILITIES AND CHARGES

	Provision for Pensions & Similar Obligations £m	General Provision £m	Total £m
Group & Company			
At 1 January 1994 and 31 December 1994	4.6	10.0	14.6

The general provision has been created from inner reserves prior to their release to provide for contingencies and liabilities which may exist within the Group.

27. CALLED UP SHARE CAPITAL

	1994 £m	1993 £m
Authorised, allotted called up and fully paid ordinary shares		
42,000,000 ordinary shares of £1 each	42.0	42.0

28. RESERVES - GROUP

	Share Premium Account £m	Profit & Loss Account £m	Total £m
As reported at 31 December 1993	10.0	26.5	36.5
Prior period adjustments: (see below)			
Post-retirement benefits	-	(1.9)	(1.9)
Depreciation policy	-	(0.3)	(0.3)
Consolidation of quasi-subsidiary (see Note 18)	-	11.5	11.5
Transfer of inner reserves	-	31.7	31.7
General Provision (see Note 26)	-	(10.0)	(10.0)
As restated at 31 December 1993	10.0	57.5	67.5
Retained profits for the year	-	3.7	3.7
Goodwill written off	-	(0.3)	(0.3)
As at 31 December 1994	10.0	60.9	70.9

The cumulative amount of goodwill written-off in reserves is £0.3m (1993: nil). The share of post-acquisition reserves of associated undertakings included above is £0.3m.

The prior period adjustment in respect of post-retirement benefits represents the effect of a change in accounting policy in order to comply with UITF 6. Post-retirement benefits are now recognised in the profit and loss so as to spread the cost over the period employees are expected to work with the Bank. Premiums were previously accounted for on a cash basis. The Bank has assessed the liability with the advice of independent qualified actuaries. The prior period adjustment comprises a £2.8m provision for post-retirement benefits, offset by a deferred taxation asset of £0.9m, giving a reduction in reserves of £1.9m.

After a review of the useful economic life of personal computers, it was concluded that due to the rapid change in technology that they should no longer be depreciated over three years, but expensed straight to the profit and loss account. The comparative figures have been restated reducing the profit before taxation for 1993 by £0.3m.

After implementation of the Companies Act 1985 (Bank Accounts) Regulations 1991 (see Note 2), a general provision of £10.0m has been charged against the inner reserves of £31.7m prior to release.

RESERVES - COMPANY

	Share Premium Account £m	Profit & Loss Account £m	Revaluation Reserve £m	Total £m
As reported at 31 December 1993	10.0	21.5	5.0	36.5
Prior year adjustments:				
Post-retirement benefits	-	(1.9)	-	(1.9)
Depreciation policy	-	(0.3)	-	(0.3)
Consolidation of quasi-subsidiary	-	-	11.5	11.5
Transfer of inner reserves	-	31.7	-	31.7
General Provision	-	(10.0)	-	(10.0)
As restated at 31 December 1993	10.0	41.0	16.5	67.5
Retained profit	-	2.2	-	2.2
Revaluation	-	-	1.5	1.5
Goodwill written off	-	-	(0.3)	(0.3)
As at 31 December 1994	10.0	43.5	17.4	70.9

29. RETAINED PROFIT

	£m
The profit of the Group has been retained by:-	
- Charterhouse Bank Limited	2.2
- Subsidiary undertakings	1.2
	3.4
- Associated undertakings	0.3
	3.7

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

30. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Group		Company	
	1994	1993	1994	1993
	£m	£m	£m	£m
Profit on ordinary activities after tax	7.7	31.0	6.5	31.0
Dividends	(4.0)	(21.7)	(4.0)	(21.7)
Retained profit for the financial year	3.7	9.3	2.5	9.3
Revaluation of subsidiaries	-	-	1.2	-
Write-off of goodwill	(0.3)	-	(0.3)	-
Net addition to shareholders' funds	3.4	9.3	3.4	9.3
Opening shareholders' funds	109.5	69.5	109.5	69.5
Prior year adjustments:-				
Post-retirement benefits	-	(1.9)	-	(1.9)
Depreciation policy	-	(0.1)	-	(0.1)
Consolidation of quasi-subsidiary (see Note 18)	-	11.0	-	11.0
Transfer of inner reserves	-	31.7	-	31.7
General provision	-	(10.0)	-	(10.0)
Closing shareholders' funds	112.9	109.5	112.9	109.5

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

31. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Denominated in sterling	1,265.9	750.3	1,251.9	732.2
Denominated in currency other than sterling	368.7	339.9	361.0	337.3
Total assets	1,634.6	1,090.2	1,612.9	1,069.5
Denominated in sterling	1,265.5	751.2	1,251.5	733.1
Denominated in currency other than sterling	369.1	339.0	361.4	336.4
Total liabilities	1,634.6	1,090.2	1,612.9	1,069.5

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.

32. MEMORANDUM ITEMS, FOREIGN EXCHANGE & INTEREST RATE CONTRACTS

Group and Company

The tables show, for the Group and Company, the nominal principal amounts, credit equivalent amounts (CEAs) and risk weighted amounts of off-balance sheet transactions. The nominal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The credit equivalent and risk weighted amounts have been calculated in accordance with the Bank of England's guidelines implementing the Basle agreement on capital adequacy. The replacement cost of exchange rate, interest rate and equity contracts is obtained by determining the fair value of those contracts and aggregating those with a positive value.

		1994 £m	1993 £m
i)	Contingent Liabilities		
	Acceptances and endorsements		
	- Contract amount	109.2	96.6
	- Credit equivalent amount	109.2	96.6
	- Weighted risk assets	58.4	40.6
	Guarantees and irrevocable letters of credit		
	- Contract amount	1.9	2.3
	- Credit equivalent amount	1.9	2.3
	- Weighted risk assets	1.1	2.3
ii)	Commitments		
	Forward deposits placed		
	- Contract amount	8.6	24.8
	- Credit equivalent amount	8.6	24.8
	- Weighted risk assets	1.7	5.0
	Undrawn credit lines and other commitments to lend		
	Less than one year		
	- Contract amount	2.5	32.9
	- Credit equivalent amount	-	-
	- Weighted risk assets	-	-
	One year and over		
	- Contract amount	87.4	44.5
	- Credit equivalent amount	43.7	22.2
	- Weighted risk assets	20.6	15.2
iii)	Unmatured forward contracts		
	Exchange rate contracts		
	- Contract or underlying principal	2,376.8	1,666.5
	- Replacement cost	12.9	9.8
	- Credit equivalent amount	37.9	26.5
	- Weighted risk assets	7.6	5.4
	Interest rate contracts		
	- Contract or underlying principal	33,257.6	30,484.3
	- Replacement cost	58.3	33.5
	- Credit equivalent amount	64.4	38.7
	- Weighted risk assets	12.9	8.1

The above exchange rate and interest rate contracts represent both hedging and trading transactions.

33. CAPITAL AND OTHER COMMITMENTS

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
There are commitments in respect of capital expenditure, for the Group and Company, authorised but not provided for in the accounts.				
- for which contracts have been entered into	-	-	-	-
- for which contracts have not been entered into	0.1	0.1	0.1	0.1
	0.1	0.1	0.1	0.1

	Land & Buildings 1994 £m	Equipment 1994 £m	Land & Buildings 1993 £m	Equipment 1993 £m
Annual commitments of the Group and Company under non-cancellable operating leases were:-				
- expiring within one year	-	-	-	0.1
- expiring between one year and five years	-	-	-	-
- expiring after five years	-	-	-	-
Total	-	-	-	0.1

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
The net finance lease obligations to which the Group and Company are committed are:-				
- within one year	0.1	0.3	0.1	0.3
- between one year and five years	0.5	0.9	0.5	0.9
- after five years	-	-	-	-
Total	0.6	1.2	0.6	1.2

35. POST-RETIREMENT BENEFITS

The Company is a member of two of the pension schemes provided by Charterhouse plc which cover all 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.

Pension costs included in the profit and loss account in 1994 were £2.2m (1993: £3.1m) and were assessed in accordance with the advice of an independent qualified actuary. The actuarial method for the valuation of the schemes was the projected unit funding method and it was assumed that the rate of return on investments would exceed salary increases by 1%. The latest interim actuarial valuation was made at December 1992 when the market value of the schemes' assets was £14.3m and £52.9m. The actuarial valuation of assets was 110% and 101% of the benefits that had accrued to members. As a result of the differing accounting and funding policies a provision of £1.8m (1993: £1.8m) is included in provisions for liabilities and charges.

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 the liability in accordance with the advice of an independent qualified actuary. The discounted present value at 1 January 1993 of the liability was £2.8m. This has been provided as prior period adjustment in accordance with the requirement of the UITF6. The cost of post-retirement benefits included in the profit and loss account is £0.2m (1993: £0.2m).

37. PARENT UNDERTAKINGS

The Company is a wholly owned subsidiary of Charterhouse plc, 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.

The parent undertaking of the largest group of which the company is a member and for which group accounts are drawn up is European Corporate Finance Holding SA, the company regarded by the directors as being the company's ultimate parent undertaking as at 31 December 1994, which is incorporated in Luxembourg and which is directly or indirectly jointly owned by Berliner Handels-und Frankfurter Bank KGaA, incorporated in Germany, and Credit Commercial de France SA, incorporated in France. Copies of the accounts of European Corporate Finance Holding SA are available from that company at 8 Avenue Marie-Thérèse, L2132, Luxembourg.

CHARTERHOUSE BANK LIMITED DIRECTORS

M V Blank	CHAIRMAN AND CHIEF EXECUTIVE
H J Hyman	DEPUTY CHAIRMAN
P M Baines	MANAGING DIRECTOR
I M Beith	MANAGING DIRECTOR
N F Fryer	MANAGING DIRECTOR
P D Green	MANAGING DIRECTOR
A W Muirhead	MANAGING DIRECTOR
S P de Albuquerque	
N C Aylwin	
P M A Bryans	
P R M Cazalaa	
D M Cockrell	
Mrs J Cohen *	
E G Cox *	
P Curry	
D P Dancaster	
R W Dix	
P F Doye	
Mrs P T Emburey	
W K Gardener	
M R B Gatenby	
E D Glover	
W M F von Guionneau	
A P Hawkins	
M J Higgins	
R F Kinsky	
T A Lebus	
J S Liddle	
P E Mackey	
P N J May	
J-C Metz	
L N Midby	
D Nussbaum *	
D W Parish	
A M F Perricone	
G R M Pigache	
R D Poynder	
K A Robinson	
A F Rose	
A P Seymour	
D H Stenhouse	
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

Auditors : Coopers & Lybrand, Plumtree Court, London EC4A 4HT