CHARTERHOUSE MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

Registered Number: 171831

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

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

Business review

The Company has no employees Services required are provided by fellow HSBC Group companies The Company has no stakeholders other than its parent company

Future developments

No major changes are envisaged over the next twelve months

Risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 17 of the financial statements

Performance

The Company prepares its financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') 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

Dividends

The Directors recommended and paid an interim dividend in respect of the year ended 31 December 2009 amounting to £20,000,000, being £0 80 per share (2008 £nil)

Directors

The Directors who served during the year were as follows

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 2006 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 does not currently subscribe to any code or standard on payment practice It is the Company's policy, however, to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment

During the year, the Company received goods and services from group undertakings only Part 5 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, setting out reporting requirements in relation to the policy and practice on payment of creditors is, therefore, not applicable

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

Auditors

KPMG Audit Plc are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006

Going concern basis

The Financial Statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future In making this assessment, the Directors have considered a wide range of information relating to present and future conditions

Statement of Directors' responsibilities in relation to the financial statements

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

The Directors are 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 The Directors have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and the performance of the Company The Companies Act 2006 provide 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

Statement of Directors' responsibilities in relation to the financial statements (continued)

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 2006

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

By order of the Board

V J B Mansell
Director
Date 8 July 2010

Registered Office
8 Canada Square
London
E14 5HQ

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHARTERHOUSE MANAGEMENT SERVICES LIMITED

We have audited the financial statements of Charterhouse Management Services Limited ('the Company') for the year ended 31 December 2009 set out on pages 5 to 27 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditors' 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 explained more fully in the Directors' Responsibilities Statement set out on pages 2 and 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

R. Faulkner

R Faulkner (Senior Statutory Auditor) 8 July 2010
For and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
London, England

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
Interest income	3	122,246	979,094
Other operating income/(expenses)	4	124,478	(178,137)
Administrative (expenses)/income	5	(92,544)	63,998
PROFIT BEFORE TAX		154,180	864,955
Tax expense	6	(827,176)	(441,185)
(LOSS)/PROFIT FOR THE YEAR		(672,996)	423,770
Attributable to			
Owners of the Company		(672,996)	423,770

The notes on pages 10 to 27 form part of the financial statements

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
(Loss)/Profit for the year		(672,996)	423,770
Other comprehensive income			
Actuarial losses on post-employment benefits	15	(4,269,000)	(1,227,000)
Add Associated deferred tax taken directly to equity	13	1,107,867	274,680
Add Associated current tax taken directly to equity		93,333	-
Available for sale investments - valuation gains/(losses) taken to equity	8	642,164	(72,415)
(Less)/add Associated deferred tax taken directly to equity	13	(179,806)	20,276
Total comprehensive income for the year		(3,278,438)	(580,689)
Total comprehensive income for the year is attributable to			
Owners of the Company		(3,278,438)	(580,689)

The notes on pages 10 to 27 form part of the financial statements

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2009

	Notes	2009 £	2008 £
ASSETS			
NON CURRENT ASSETS			
Financial investments	8	1,564,421	922,257
Investments in subsidiaries	9	2,017,982	2,017,982
Post-employment benefits	15	-	3,139,000
TOTAL NON CURRENT ASSETS		3,582,403	6,079,239
CURRENT ASSETS			
Receivables	10	314,916	366,279
Current tax assets		25,145	1,194,135
Cash and cash equivalents	11	23,139,512	43,484,932
TOTAL CURRENT ASSETS		23,479,573	45,045,346
TOTAL ASSETS		27,061,976	51,124,585
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	25,000,000	25,000,000
Fair value reserve		938,363	476,005
(Accumulated losses)/Retained earnings		(3,218)	23,737,578
TOTAL EQUITY		25,935,145	49,213,583
NON CURRENT LIABILITIES			
Deferred tax liabilities	13	39,772	943,683
Post-employment liability		151,000	-
TOTAL NON CURRENT LIABILITIES		190,772	943,683
CURRENT LIABILITIES			
Payables	14	936,059	967,319
TOTAL CURRENT LIABILITIES		936,059	967,319
TOTAL LIABILITIES		1,126,831	1,911,002
TOTAL EQUITY AND LIABILITIES		27,061,976	51,124,585

Approved by the board and signed on its behalf on 8 July 2010

P J Reid
Director

Registered Company Number 171831

The notes on pages 10 to 27 form part of the financial statements

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Fair value reserve	Accumulated gains/(losses)	Total equity
	£	£	£	£
At 1 January 2008	25,000,000	528,144	24,266,128	49,794,272
Loss for the year	-	-	(528,550)	(528,550)
Other comprehensive income	-	(52,139)	-	(52,139)
Balance at 31 December 2008	25,000,000	476,005	23,737,578	49,213,583
Loss for the year	-	-	(3,740,796)	(3,740,796)
Other comprehensive income	-	462,358	-	462,358
Dividends	-	-	(20,000,000)	(20,000,000)
Balance at 31 December 2009	25,000,000	938,363	(3,218)	25,935,145

The notes on pages 10 to 27 form part of the financial statements

CHARTERHOUSE MANAGEMENT SERVICES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		154,180	864,955
Adjustments for			
Interest income	3	(122,246)	(979,094)
Income from pension schemes	5	21,000	(246,000)
Impairment losses	8	-	274,457
(Decrease)/increase in amounts owed to group undertakings		(37,457)	24,865
Operating profit/(loss) before changes in working capital and provisions		15,477	(60,817)
Decrease/(increase) in receivables		334	(7,930)
Increase/(decrease) in payables		6,197	(245,538)
Cash generated from operations		22,008	(314,285)
Pension contributions		(1,000,000)	-
Tax received/(paid)		459,297	(93,536)
NET CASH FROM OPERATING ACTIVITIES		(518,695)	(407,821)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		173,275	985,060
NET CASH FROM INVESTING ACTIVITIES		173,275	985,060
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(20,000,000)	-
NET CASH FROM FINANCING ACTIVITIES		(20,000,000)	-
Net (decrease)/increase in cash and cash equivalents		(20,345,420)	577,239
Opening cash and cash equivalents		43,484,932	42,907,693
CASH AND CASH EQUIVALENTS AT YEAR END	11	23,139,512	43,484,932

The notes on pages 10 to 27 form part of the financial statements

1 Basis of preparation

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the European Union ('EU') EU-endorsed IFRSs may differ from IFRSs as published by the International Accounting Standards Board ('IASB') if, at any point in time, new or amended IFRSs have not been endorsed by the EU At 31 December 2009, there were no unendorsed standards effective for 31 December 2009 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company

IFRSs 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

Except as stated below, there are currently no IFRSs or Interpretations that have been issued by the IASB or IFRIC and endorsed by the EU that have not yet been adopted by the Company

- A revised IFRS 3 'Business Combinations', was issued on 10 January 2008 and will be applied prospectively for periods commencing on or after 1 July 2009 This revised standard will have no impact on the Company when adopted with effect from 1 January 2010
- The IASB issued an amendment to IAS 27 'Consolidated and Separate Financial Statements' on 10 January 2008 and will be applied prospectively for periods commencing on or after 1 July 2009 This standard will have no impact on the Company when adopted with effect from 1 January 2010

At 31 December 2009, the Company had adopted all IFRSs and Interpretations that had been issued by the IASB and IFRIC, and endorsed by the EU Except as stated above, there are currently no IFRSs or Interpretations that have been issued by the IASB and endorsed by the EU which become effective after 31 December 2009 that have not already been adopted by the Company

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

The principal currency in which the Company's business is conducted (which is its functional currency) is GBP These accounts are therefore presented in that currency

By virtue of the exemption conferred by section 400 of the Companies Act 2006 and paragraph 10 of International Accounting Standard 27 "*Consolidated and separate financial statements*" the Company is not required to prepare consolidated financial statements The results of the Company are included within the consolidated financial statements of HSBC Holdings plc which is incorporated in England

General information

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

2 Principal accounting policies

(a) Interest income

Interest income for all interest bearing financial instruments is recognised in 'Interest income' in the income statement using the effective interest method The effective interest method is a way of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but not future credit losses The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts

(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 using the rate of exchange ruling at the end of the reporting period 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

(c) Post-employment 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-ennial actuarial valuations performed on the plan Actuarial differences that arise are recognised in shareholders' equity and presented in the Statement of Other Comprehensive Income 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 liability recognised in the statement of financial position represents the fair value of plan assets less the present value of defined benefit obligations adjusted for unrecognised past service costs

2 Principal accounting policies (continued)

(d) 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

(e) Investments in subsidiaries

Investment in the ordinary share capital of a subsidiary is stated at cost less impairment losses Reversals of impairment losses are recognised in the income statement if there has been a change in the estimates used to determine the recoverable amount of the investment

The carrying amounts of the Company's subsidiary undertakings are reviewed at the end of the reporting period to determine whether there is any indication of impairment If such indication exists, the subsidiary's recoverable amount is estimated as the greater of its net selling price and its value in use

Dividend income is recognised in the income statement on the date the Company's right to receive payments is established

(f) Financial investments

Equity securities are classified as available for sale ('AFS') Financial investments are recognised on trade date when the Company 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' until the securities are either sold or impaired On the sale of these securities, cumulative gains or losses previously recognised in equity are recognised in the income statement and classified as 'Profit on disposal of financial investments'

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

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 the end of the reporting period 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

2 Principal accounting policies (continued)

(f) Financial investments (continued)

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

(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

(h) Financial liabilities

Financial liabilities are initially valued at fair value plus any transaction costs that are directly attributable to the purchase or issue Financial liabilities are recognised if the Company becomes party to the contractual provisions of the liability instrument The Company derecognises the financial liability when the Company's obligations specified in the contract expire, are discharged or cancelled Subsequent to initial recognition financial liabilities are measured at amortised cost using the effective interest rate method

(i) Income tax

Income tax comprises current tax and deferred tax Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in 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 end of the reporting period, and any adjustment to tax payable in respect of previous years Current tax assets and liabilities are offset when Charterhouse Management Services Limited intents to settle on a net basis and the legal right of offset exists

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that 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 the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting period Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when HSBC has a legal right to offset

2 Principal accounting policies (continued)

(i) Income tax (continued)

Deferred tax relating to actuarial gains and losses on post-employment benefits is recognised in other comprehensive income Deferred tax relating to fair value re-measurement of available-for-sale investments which are charged or credited directly to other comprehensive income, is also credited or charged to other comprehensive income and is subsequently recognised in the income statement when the deferred fair value gain or loss is recognised in the income statement

3 Interest income

	2009	2008
	£	£
Interest income from parent entities	122,246	978,029
Interest income from third parties	-	1,065
	122,246	979,094

4 Other operating income/(expenses)

	2009	2008
	£	£
Impairment losses	-	(274,459)
Distribution received	120,676	70,314
Profit on disposal of financial investments	-	17,865
Other income	3,802	8,143
	124,478	(178,137)

5 Administrative (expenses)/ income

	2009	2008
	£	£
(Expenditure)/Income from pension scheme	(21,000)	246,000
Auditors' remuneration	(40,500)	(35,500)
Foreign exchange (loss)/profit	(184)	576
Other expenses	(30,860)	(147,078)
	(92,544)	63,998

The amount of auditors' remuneration in relation to statutory audit of the Company and amount borne on behalf of subsidiary undertakings were £13,000 (2008 £13,000) and £27,500 (2008 £22,500) respectively

"Other expenses" include £nil (2008 £120,000) in respect of group management charges payable to a parent undertaking

The Company had no employees during the financial year (2008 nil)

6 Tax expense

	2009	2008
Current tax expense	£	£
UK corporation tax		
- on current year profit	24,900	214,752
- adjustments in respect of prior years	778,126	161,261
Total tax expense for the year	803,026	376,013
Deferred tax expense		
Origination of temporary differences	24,150	32,583
Adjustment in respect of prior years	-	32,589
Total deferred tax expense for the year	24,150	65,172
Total tax expense for the year	827,176	441,185

6 Tax expense (continued)

Analysis of tax expense for the year	2009 £	2009 %	2008 £	2008 %
Taxation at UK corporation tax rate of 28% (2008 28 5%)	43,170	28 0	246,489	28 5
Adjustments in respect of prior period liabilities	778,126	504 7	193,850	22 4
Amounts not deductible for tax purposes	5,880	3 8	78,213	9 0
Income not taxable for tax purposes	-	-	(76,788)	(8 9)
Effect of changes in tax rates	-	-	(579)	(0 1)
Overall tax expense	827,176	536 5	441,185	51 0

The UK corporate tax rate of the Company was 28% (2008 28 5%)

7 Director's emoluments

No emoluments were received or are receivable by any of the Directors in respect of their services to the Company during the year (2008 £nil)

8 Financial investments

	2009 £	2008 £
Listed investments		
Opening balance	922,256	994,671
Fair value adjustment	642,164	(72,415)
	1,564,420	922,256
Unlisted investments		
Opening balance	1	274,458
Impairment	-	(274,457)
	1	1
	1,564,421	922,257

9 Investments in subsidiaries

	2009	2008
	£	£
Ordinary shares	2,017,982	2,017,982

Details of the Company's principal investments in subsidiary undertakings, which are registered in the United Kingdom, as at 31 December 2009, are as follows

Name of undertaking	Holding	Proportion held	Nature of business
CCF Charterhouse Limited	1,000 Ordinary shares of £1 each	100%	Holding Company
Shield Property & Investments (Holdings) Limited	18,000,100 Ordinary shares of 25p each 6,721,399 Deferred ordinary shares of 25p each	100%	Property Investment
Charterhouse Administrators (DT) Limited	6,877,464 Ordinary shares of £1 each	100%	Investment Company

10 Receivables

	2009	2008
	£	£
Current		
Interest receivable from parent undertakings on cash and cash equivalents	4,278	55,307
Trust deposits	310,638	310,972
	314,916	366,279

11 Cash and cash equivalents

	2009	2008
	£	£
Amounts held with parent undertakings	23,139,512	43,484,932

12 Share capital

	Authorised		Issued and fully paid up	
	2009	2008	2009	2008
	£	£	£	£
Ordinary shares of £1 each	150,000,000	150,000,000	25,000,000	25,000,000
Ordinary shares of EUR1 each	500,000,000	500,000,000	-	-

The ordinary shareholders have voting rights and are entitled to a dividend when declared

13 Deferred taxation

	2009	2008
	£	£
At 1 January	(943,683)	(1,173,467)
Income statement credit/(debit)	(24,150)	(65,172)
Other comprehensive income		
- available for sale investments	(179,806)	20,276
- actuarial gains/(losses)	1,107,867	274,680
At 31 December	(39,772)	(943,683)

The deferred tax assets and liabilities are attributable to the following

	2009	2008
	£	£
Deferred tax assets		
Retirement benefits	228,547	-
Property, plant and equipment	96,600	120,750
	325,147	120,750

	2009	2008
	£	£
Deferred tax liabilities		
Retirement benefits	-	(879,320)
Available for sale investments	(364,919)	(185,113)
	(364,919)	(1,064,433)

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

14 Payables

	2009	2008
	£	£
Current		
Amounts owed to group undertakings		
- parent entities	-	37,457
- fellow subsidiaries	102	102
Other creditors	625,317	618,788
Customer accounts	310,640	310,972
	936,059	967,319

Customer accounts
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 (2008 £1,014,083)

15 Post-employment benefits

The Keyser Ullmann Group Pension Fund ("the Fund"), the Principal Employer of which is the Company is a defined benefit (final salary) funded pension scheme 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

The latest valuation for the Fund was at 31 December 2009 by Robert Latham, Fellow of the Faculty of Actuaries, of HSBC Actuaries and Consultants Limited At that date, the actuarial value of the assets was £26m (2008 £25 0m) and was sufficient to cover the benefits that had accrued to members After allowing for expected future increases in earnings, the Fund had a deficit of £0 2m (2008 £3 1m surplus)

15 Post-employment benefits (continued)

A pension contribution payment was made by the Company in 2009 of £1,000,000 (2008 £nil) A pension contribution of £10,000 (2008 £10,000) was paid by a related company The Company will not make a contribution during the year ending 31 December 2010

The pension plan assets includes HSBC securities with a fair value of £249,000

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

On 16 June 2009 the Trustees of The Keyser Ullmann Group Pension Fund received the results of the triennial actuarial valuation of the Fund as at 31 March 2008. The actuarial valuation was performed by Robert Latham, Fellow of the Faculty of Actuaries, of HSBC Actuaries and Consultants Limited and identified a funding deficit of £998,000 The directors made an additional contribution of £1,000,000 in December 2009 in order to reduce the deficit of the plan

The principal actuarial financial assumptions used to calculate the Company's obligations under its defined benefit pension plan as at the reporting dates were as follows

	2009	2008
Discount rate	5 7%	6 5%
Inflation	3 7%	2 9%
Rate of increase in salaries	3 7%	3 4%
Rate of increase of pensions in payment	3 7%	3 0%

The mortality tables and average life expectancy at 65 used at 31 December 2009 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 + 1%	22 1	24 0	23 1	25 0

The mortality tables and average life expectancy at 65 used at 31 December 2008 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 8	22 8	24 1	26 2

15 Post-employment benefits (continued)

Assets in the plan and the expected rate of return

	Long-term rate of return expected at 31 Dec 2009	Value at 31 Dec 2009 £'000	Long-term rate of return expected at 31 Dec 2008	Value at 31 Dec 2008 £'000
Fixed interest bonds	5 00%	5,085	5 00%	17,673
Corporate bonds	5 70%	11,500	0 00%	-
Equities	8 00%	7,641	8 00%	7,035
Cash/other	4 90%	1,329	4 90%	110
Weighted average return	6 21%		5 85%	
Total fair value of plan assets		25,555		24,818
Present value of funded obligations		(25,706)		(21,679)
Present value of unfunded obligations		-		-
Net (liability)/asset		(151)		3,139
Actual return on plan assets		976		(875)

The defined benefit plan (liability)/asset in the statement of financial position represents the present value of the defined benefit obligations adjusted for the past service costs and increased by the value of the plan assets

Total income recognised in the income statement in 'Administrative income/(expenses)'

	2009 £'000	2008 £'000
Current service cost	78	110
Interest obligation	1,371	1,291
Expected return on assets	(1,418)	(1,637)
Pension contribution made by related company	(10)	(10)
Employee benefits loss/(gain)	21	(246)

Amounts recognised in the Statement of Comprehensive income

	2009 £'000	2008 £'000
Net actuarial (loss) in the year	(4,269)	(1,227)
Net cumulative actuarial (losses)/gains	(4,066)	293

15 Post-employment benefits (continued)

Changes in the present value of the defined benefit obligation

	2009 £'000	2008 £'000
Opening defined benefit obligation	21,679	22,849
Current service cost	78	110
Interest cost	1,371	1,291
Actuarial losses/(gains)	3,827	(1,285)
Benefits paid	(1,249)	(1,286)
Closing defined benefit obligation	25,706	21,679

Changes in the fair value of the plan assets

	2009 £'000	2008 £'000
At 1 January	24,818	26,969
Expected return	1,418	1,637
Actuarial (losses)/gains	(442)	(2,512)
Contributions by employer	1,010	10
Benefits paid	(1,249)	(1,286)
Fair value of plan assets at end of year	25,555	24,818

Amounts related to the retirement benefits

	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Defined benefits obligations	(25,706)	(21,679)	(22,849)	(23,917)
Plan assets	25,555	24,818	26,969	26,495
(Deficit)/surplus	(151)	3,139	4,120	2,578
Actual return less expected return on plan assets				
Amount	(442)	(2,512)	273	(402)
% of plan	-1 7%	-10 1%	1 0%	-1 5%
Experience (losses)/gains on plan liabilities				
Amount	334	(756)	-	61
% of the present value of the plan liabilities	1 3%	-3 5%	0 0%	0 3%

16 Analysis of financial assets and financial liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses are recognised The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis

As at 31 December 2009:	Available for sale securities	Financial assets/liabilities at amortised cost	Total
Assets	£	£	£
Cash and cash equivalents	-	23,139,512	23,139,512
Interest receivable from parent undertakings on cash and cash equivalents	-	4,278	4,278
Financial investments	1,564,421	-	1,564,421
Trust deposits	-	310,638	310,638
Total financial assets	1,564,421	23,454,428	25,018,849
Total non-financial assets			2,043,127
Total assets			27,061,976
Liabilities			
Amounts owed to group undertakings	-	102	102
Customer accounts	-	310,640	310,640
Total financial liabilities	-	310,742	310,742
Total non-financial liabilities			816,089
Total liabilities			1,126,831

As at 31 December 2008:	Available for sale securities	Financial assets/liabilities at amortised cost	Total
Assets	£	£	£
Cash and cash equivalents	-	43,484,932	43,484,932
Interest receivable from parent undertakings on cash and cash equivalents	-	55,307	55,307
Financial investments	922,257	-	922,257
Trust deposits	-	310,972	310,972
Total financial assets	922,257	43,851,211	44,773,468
Total non-financial assets			6,351,117
Total assets			51,124,585
Liabilities			
Amounts owed to group undertakings	-	37,559	37,559
Customer accounts	-	310,972	310,972
Total financial liabilities	-	348,531	348,531
Total non-financial liabilities			1,562,471
Total liabilities			1,911,002

17 Risk management

The Company has exposure to the following types of risk arising from its use of financial instruments, credit risk, liquidity risk and market risk Market risk includes foreign exchange and interest rate risk

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note

Exposure to credit risk, liquidity risk and market 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

Credit risk management

Credit risk is the risk that financial loss arises from the failure of a counterparty to meet its obligations under a contract, and arises principally from cash held with parent undertakings 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

Management keep the credit risk exposure under review and will take appropriate action, if there is deterioration in credit quality This risk is minimised because cash held with parent undertakings forms the majority of the Company's financial assets On this basis the Company considers the amounts due to be fully recoverable

There has been no significant change in the credit quality of financial assets during the year

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due The Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned In light of this the Company will borrow funds as and when required from parent undertakings

The Business manages liquidity risk for this entity as described above for risks generally

17 Risk management (continued)

Liquidity risk management (continued)

The following is an analysis of undiscounted cash flows payable under financial liabilities by remaining contractual maturities at the end of the reporting period

As at 31 December 2009:	**Carrying amount**	**Contractual cash flows**	**Less than one year**
	£	£	£
Amounts owed to group undertakings	102	(102)	(102)
Customer accounts	310,640	(310,640)	(310,640)
	310,742	(310,742)	(310,742)

As at 31 December 2008:	**Carrying amount**	**Contractual cash flows**	**Less than one year**
	£	£	£
Amounts owed to group undertakings	37,559	(37,559)	(37,559)
Customer accounts	310,972	(310,972)	(310,972)
	348,531	(348,531)	(348,531)

Market risk management

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will affect the Company's income or the value of its investments The Company is not materially exposed to foreign exchange rate risk

The Company is exposed to interest rate risk due to the interest receivable on the Company's bank deposits with parent undertakings Interest on the deposits is receivable at floating market rates Management keeps this risk under review, by monitoring the rates earned upon the Company's deposits

Sensitivity analysis interest rate risk

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 remain constant The analysis is performed on the same basis for 2008

	Profit or loss	
	100 bps increase	**100 bps decrease**
As at 31 December 2009:	£	£
Financial assets at amortised cost	300,644	(300,644)
Total increase / (decrease)	300,644	(300,644)

	Profit or loss	
	100 bps increase	**100 bps decrease**
As at 31 December 2008:	£	£
Financial assets at amortised cost	269,842	(269,842)
Total increase / (decrease)	269,842	(269,842)

17 Risk management (continued)

Investment risk management

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

18 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

19 Fair value of financial assets and liabilities

For all financial assets and liabilities their carrying amount is a reasonable approximation to fair value

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

20 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

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-Elysées
75008
Paris
France

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

20 Related party transactions (continued)

During the year, the Company paid dividends of £20,000,000, being £0 80 per share (2008 £nil) to its parent company, HSBC France SA

Particulars of transactions, arrangements and agreements involving related parties not disclosed elsewhere in the financial statements are

Subsidiary undertakings

The Directors have provided a confirmation to Shield Properties & Investments (Holdings) Limited, that its current intention is to provide financial support for a period of not less than one year from the date the financial statements of Shield Properties & Investments (Holdings) Limited are approved, to enable the subsidiary undertaking to prepare its financial statements on a going concern basis

21 Subsequent events

There are no subsequent events requiring disclosure in the financial statements

22 Accounting estimates and judgements

The results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements The significant accounting policies used in the preparation of the financial statements are as described in detail in Note 2

Fair values are based on the quoted market value of assets at the end of the reporting period Valuation of unlisted investments is in accordance with the International Private Equity and Venture Capital valuation guidelines issued by the French Private Equity Association ("AFIC"), BVCA and European Private Equity & Venture Capital Association ("EVCA")

Actuarial assumptions are made in valuing future pension obligations as set out in Note 15 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 £3,100,000 (2008 £2,200,000) and *ceteris paribus* the net pension asset would increase by the same amount

23 Contingent liabilities

There were no contingent liabilities at 31 December 2009 (2008 £nil)