

CCF CHARTERHOUSE PLC

ANNUAL REPORT

31 DECEMBER 1999

Registered Number 288819



CCF CHARTERHOUSE PLC DIRECTORS

CHAIRMAN:

R J Benton

DIRECTORS:

R W Dix

P T Emburey

J S Liddle

SECRETARY:

S R Page

Registered Office

1 Paternoster Row
St Paul's
London EC4M 7DH
Tel: 020 7248 4000

Auditors

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 1999.

Profits and dividends

The Company made a profit before tax for the year ended 31 December 1999 of £17.0m (year to 31 December 1998: £82.3m). The profit after taxation amounted to £19.2m (year to 31 December 1998: £84.0m). A first interim dividend amounting to £7.8m has been paid (year to 31 December 1998: £43.4m) and a second interim dividend of £5m (year to 31 December 1998: £14.2m) is proposed.

Review of the business

The Company, which is a wholly owned subsidiary undertaking of Cr dit Commercial de France SA, changed its name from Charterhouse plc to CCF Charterhouse plc on 24 February 1999. The Company is a holding company and co-ordinates the activities of its subsidiary undertakings which are engaged in providing a range of advisory, development capital and stockbroking services.

Directors

The present members of the Board of Directors are named on the previous page.

Mrs P T Emburey was appointed a Managing Director of the Company on 5 November 1999. There were no other changes during the year.

Subsequent to the year end, Mr D W Parish retired as a Director on 31 January 2000. With effect from 1 February 2000, Mr C-H Filippi was appointed Chairman and Chief Executive of the Company and Lord Patten was appointed Non-Executive Deputy Chairman.

As part of a proposed group reorganisation, Messrs C-H Filippi, Lord Patten, J G Bonnyman, W M F von Guionneau and K A Robinson all resigned from the Board on 15 June 2000 and Mr R J Benton was appointed Chairman.

Directors' interests

No Director held a beneficial interest in the share capital of the Company.

Directors' and Officers' liability insurance policy

During the year the Company has continued to maintain cover for its Directors and Officers, and those of its subsidiary undertakings, under a Directors' and Officers' liability insurance policy.

Corporate governance

The following summary outlines the framework within which the Company operated its system of corporate governance during the year.

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's undertakings and met regularly throughout the year to discharge its responsibilities.

The Board has delegated the responsibility for the management of the Company's affairs to a Group Executive Committee, and for remuneration issues to a Group Remuneration Committee. Both are formal committees of the Board whose terms of reference and membership are under continual review by the Board. The Group Executive Committee was assisted in discharging its day to day responsibilities by a Management Committee.

Whilst the Company has no formal audit committee of its own, that function is fulfilled by the Audit Committee of CCF Charterhouse SA.

On 15 June 2000, all of the Committees established by the Board were disbanded as part of a proposed group reorganisation. The corporate governance structure set out above has been replicated by a parent undertaking.

Payment policies

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

The number of supplier creditor days outstanding at 31 December 1999 was 27 days (1998: 21).

Employment policies

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

The Company is committed to giving 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 contributions

The total amount given for charitable purposes by the Company during the year amounted to £136,212 (1998: £nil).

Post balance sheet event

On 1 April 2000, the ultimate holding company, Cr dit Commercial de France SA, agreed to its acquisition by HSBC Holdings plc. Regulatory approval for the acquisition is expected to be obtained in July 2000.

The euro

The Company assessed the impact of the changes required in the business to accommodate the introduction of the euro, both for the initial phase, which excluded the United Kingdom, and for the possible United Kingdom entry in the future, to be immaterial.

The expenditure in the current year is immaterial and future costs for the Company should the United Kingdom enter the euro, have not yet been determined.

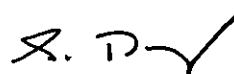
Year 2000

Charterhouse is committed to ensuring that all systems used within the group are Year 2000 compliant, including those used by the Company. No significant Year 2000 problems have been experienced so far and none are anticipated in respect of subsequent potentially critical dates.

Auditors

The auditors of the Company, PricewaterhouseCoopers, 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



Stephen R Page
Secretary

20 June 2000

DIRECTORS' RESPONSIBILITY STATEMENT & 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 at the end of the financial year and of the profit or loss for that year of the Company. 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 will continue in business.

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

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

AUDITORS' REPORT

To the members of CCF Charterhouse plc

We have audited the financial statements on pages 3 to 10 which are prepared in accordance with the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

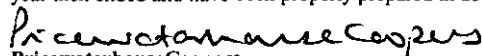
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

20 June 2000

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999**

	Notes	Total	
		1999 £m	1998 £m
Turnover	2	20.2	90.9
Administration expenses		<u>(3.5)</u>	<u>(8.6)</u>
Operating profit		16.7	82.3
Net interest receivable	3	0.3	-
Profit on ordinary activities before taxation	4	17.0	82.3
Tax on profit on ordinary activities	5	2.2	1.7
Profit on ordinary activities after taxation		19.2	84.0
Equity dividends	6	(12.8)	(57.6)
Retained profit for the year	15	6.4	26.4

Movements in profit and loss account reserves are shown in Note 15 to these financial statements.

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

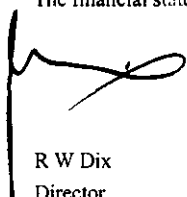
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1999**

	Notes	Total	
		1999 £m	1998 £m
Retained profit for the financial year		6.4	26.4
Revaluation of investment in subsidiaries		<u>21.9</u>	<u>(30.3)</u>
Total recognised gains and losses relating to the year		28.3	(3.9)
Prior year adjustment	15	<u>10.0</u>	-
Total recognised gains and losses recognised since last annual report		38.3	(3.9)

BALANCE SHEET AT 31 DECEMBER 1999

	Notes	1999 £m	Restated 1998 £m
Fixed assets			
Investments			
Shares in subsidiary undertakings	9	248.9	195.3
Loans to subsidiary undertakings	10	39.0	13.0
Listed investments	11	0.1	0.1
		<u>288.0</u>	<u>208.4</u>
Current assets			
Amounts due from group undertakings	12	0.1	32.5
Taxation recoverable		-	2.6
Dividends receivable from subsidiary undertakings		-	6.1
Bank balance with group undertaking		0.8	13.0
		<u>0.9</u>	<u>54.2</u>
Creditors : amounts falling due within one year			
Amounts due to subsidiary undertakings		47.5	49.6
Taxation		2.1	5.4
Accruals and deferred income		2.5	7.8
Deferred consideration for acquisition		0.9	-
Proposed second interim dividend		5.0	-
		<u>58.0</u>	<u>62.8</u>
Net current liabilities		<u>(57.1)</u>	<u>(8.6)</u>
Total assets less current liabilities		<u>230.9</u>	<u>199.8</u>
Creditors : amounts falling due after more than one year	13	3.8	1.0
		<u>227.1</u>	<u>198.8</u>
Capital and reserves			
Called up share capital	14	73.2	73.2
Share premium account	15	42.2	42.2
Revaluation reserve	15	78.4	56.5
Profit and loss account	15	33.3	26.9
Equity interests		<u>225.1</u>	<u>196.8</u>
Non-equity interests		<u>2.0</u>	<u>2.0</u>
Total shareholders' funds		<u>227.1</u>	<u>198.8</u>

The financial statements on pages 3 to 10 were approved by the Board of Directors on 20 June 2000 and are signed on its behalf by:-



R W Dix
Director

For and on behalf of CCF Charterhouse plc

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

a *Basis of preparation*

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

b *Change in accounting policy*

In September 1998 the Accounting Standards Board published Financial Reporting Standard No 12 ("FRS 12"): Provisions, Contingent Liabilities and Contingent Assets, effective March 1999. As a result of the introduction of FRS 12, a subsidiary company which held a general provision that does not meet the standard's recognition criteria, has adjusted its financial statements. This has resulted in a prior year adjustment of £10 million, increasing the net assets of that subsidiary undertaking, leading to an increase in the Company's revaluation reserve.

c *Turnover*

Turnover comprises dividend income from investments which is credited to income as received.

d *Income and expense recognition*

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

e *Investments*

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 at the lower of cost less amounts written off and Directors' valuation.

f *Investments in subsidiary undertakings*

Investments in subsidiary undertakings are included in the balance sheet of the Company at the Company's share of the net assets, except for acquisitions which are carried at cost less provision for permanent diminution in value. In accordance with the exemption available under Section 228 of the Companies Act 1985, the Company has not prepared consolidated accounts, as the Company's ultimate parent company prepares consolidated financial statements (see note 18).

g *Taxation*

Taxation is based on the Company profit for the period. Provision is 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 a liability will crystallise.

h *Cash flow statement*

The financial statements do not contain a cash flow statement by virtue of the exemptions available to the Company under paragraph 5(a) of Financial Reporting Standard No. 1 (Revised 1996) ("FRS 1"), as the Company's financial statements are included in the consolidated financial statements of its ultimate parent undertaking, which are publicly available.

2. TURNOVER

	Total 1999 £m	Total 1998 £m
Dividend income	20.2	90.9

3. NET INTEREST RECEIVABLE

	1999 £m	1998 £m
Interest receivable	0.3	0.1
Interest payable	-	(0.1)
	0.3	-

NOTES TO THE FINANCIAL STATEMENTS

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION is stated after charging:-

	1999 £m	1998 £m
Provision against investment in subsidiary	3.3	-
Auditors' remuneration in respect of audit services amounted to £27,575 (1998 : £22,077)		
The average number of persons employed by the Company during the year was as follows:-		
UK and overseas	-	-

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £m	1998 £m
United Kingdom corporation taxation at 30.25% (1998: 31.0%)	-	2.7
Adjustments to provisions in prior years	2.2	-
Taxation on franked investment income	-	(1.0)
Deferred taxation	-	-
	<u>2.2</u>	<u>1.7</u>

6. EQUITY DIVIDENDS

	1999 £m	1998 £m
First interim dividend at 2.7p per share (1998: 15.1p)	7.8	43.4
Second interim dividend at 1.8p per share (1998: 5.0p)	5.0	14.2
	<u>12.8</u>	<u>57.6</u>

7. AGGREGATE DIRECTORS' EMOLUMENTS

	1999 £m	1998 £m
Directors' emoluments	3.1	2.5
(excluding pension contributions and awards under long term incentive schemes)		
Awards receivable during the year under long term incentive schemes	2.2	3.3
Company pension contributions to money purchase schemes	0.5	0.2
	<u>5.8</u>	<u>6.0</u>

	1999	1998
The emoluments (including awards under long term performance incentive schemes) of the highest paid Director was:	<u>£2,266,000</u>	<u>£2,914,000</u>

On behalf of this Director, an amount of £200,000 (1998: £47,396) was paid into a personal pension/money purchase scheme.

No payments (1998 : £560,200) were made to any (1998: one) former Directors in connection with their retirement from office. In 1998, £800,000 was paid into a pension scheme of one former Director in connection with his retirement from office. These payments are not included in the emoluments stated above.

	1999	1998
Number of Directors who:		
- are members of a defined benefit scheme	6	6
- are members of a money purchase scheme*	3	3
- have received awards during the year in the form of long term incentive schemes	6	6

* includes two Directors (1998: two Directors) who were also members of a defined benefit scheme.

Payments totalling £1,401,266 (1998: nil) were made to four (1998: nil) past Directors in respect of their entitlements from incentive schemes.

NOTES TO THE FINANCIAL STATEMENTS

Incentive Schemes

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

8. PENSION SCHEMES AND POST-RETIREMENT BENEFITS

The Group's employees are members of three pension schemes, the Charterhouse Group Security Benefits Scheme ("the scheme"), the Keyser Ullmann Group Pension Fund ("the fund") and the Charterhouse Securities Limited ("CSL") scheme. These pension schemes are provided by the Group for UK employees. Contributions to the pension schemes, which are of the defined benefit type, are based upon pension costs across the Charterhouse Group as a whole.

The pension schemes' assets are held in separate trustee administered funds. The pension costs relating to the pension schemes are assessed in accordance with the advice of an independent qualified actuary using the projected unit funding method. The latest valuations for the scheme, for the fund and for CSL were at 31 March 1998. At these dates the actuarial values of the assets were £67.9m for the scheme, £17.7m for the fund, and £3.4m for CSL. The actuarial values were sufficient to cover 114.9% for the scheme, 111.3% for the fund, and 95.7% for CSL, of the benefits that had accrued to members, after allowing for expected future increases in earnings. The principal assumptions used in the latest valuations for the scheme and the fund, were that the annual rate of return on investments would be 2% higher than the annual increase in salaries, and 4% higher than the annual increase in pensions in payment. The principal assumptions used in the valuations for CSL were that the annual rate of return on investments would be 2% higher than the annual increases in salaries and 8% higher than the annual increase in pensions in payment.

The pension schemes are funded in accordance with actuarial recommendations, and for the scheme the past service surplus has been spread over twelve and a half years reducing contributions by 9.4% of pensionable salary. For CSL, the past service deficit is being spread over twelve and a half years increasing contributions by 1.6% of pensionable salary. The surplus in the fund has resulted in a total contribution holiday. As a result of the differing accounting and funding policies a provision of £0.4m (1998: £0.5m), which arises from a previous valuation of the scheme, is included in provisions for liabilities and charges. Both the contribution holiday and the provision are in accord with accounting treatment stipulated by SSAP 24.

The Group 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 cost of post-retirement benefits included in the profit and loss account is £nil (1998: £nil).

9. SHARES IN GROUP UNDERTAKINGS

	1999 £m	Restated 1998 £m
Banks	-	90.0
Other	<u>248.9</u>	<u>105.3</u>
	<u>248.9</u>	<u>195.3</u>
<i>Cost/net worth:-</i>		
At 1 January as originally stated	185.3	
Prior year adjustment	<u>10.0</u>	
At 1 January as restated	195.3	
Additions	35.0	
Reductions	(3.3)	
Revaluation of group undertakings	<u>21.9</u>	
At 31 December	<u>248.9</u>	

NOTES TO THE FINANCIAL STATEMENTS

The principal subsidiary undertakings, which are all directly owned by the Company, are listed below:-

Name	Owned %	Business	Country of registration
Charterhouse Management Services Limited	100	Financial Services	England & Wales
Charterhouse Development Capital Holdings Limited	100	Development Capital	England & Wales
Charterhouse Securities Limited	100	Stockbroking	England & Wales
Cromwell Land Investments Limited	100	Property Investment	England & Wales
CCF Charterhouse Corporate Finance Limited	100	Corporate Finance	England & Wales
Charterhouse Specialist Investments Limited	100	Holding Company	England & Wales
Themis Investment Management Limited	95	Fund Management	England & Wales

The Company subscribed for £17.5m of additional shares in Charterhouse Specialist Investments Limited on 30 March 1999.

The Company subscribed for £10m of additional shares in CCF Charterhouse Corporate Finance Limited on 31 March 1999.

The company purchased Themis Investment Management Limited ("TIML") on 16 July 1999 for a consideration of £7.5m. From the date of acquisition to 31 December 1999 the acquisition has contributed £2.7m to turnover and £1.4m to profit after tax.

The assets and liabilities of TIML acquired are shown below

	Fair value of assets and liabilities £m
Balance sheet	
Debtors	0.3
Cash at bank and in hand	1.4
Other liabilities	(0.8)
Provision	(1.1)
Net assets acquired	(0.2)
Initial goodwill	7.7
Consideration (including acquisition costs)	7.5
Consideration satisfied by:	
Cash	3.8
Loan notes	1.5
Deferred consideration	2.2
	7.5

The deferred consideration is contingent upon certain pre-determined profit forecasts being achieved.

10. LOANS TO SUBSIDIARY UNDERTAKINGS

	1999 £m	1998 £m
At 1 January	13.0	6.8
Net movement in the year	26.0	6.2
At 31 December	39.0	13.0

11. LISTED INVESTMENTS

	1999 Balance Sheet £m	1999 Market Value £m	1998 Balance Sheet £m	1998 Market Value £m
Investment securities				
- Equity shares	0.1	0.4	0.1	0.7

NOTES TO THE FINANCIAL STATEMENTS

12 AMOUNTS DUE FROM GROUP UNDERTAKINGS

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

13. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999 £m	1998 £m
Bank and other borrowings are repayable as follows:		
<i>More than five years:</i>		
Secured loan	1.0	1.0
Unsecured loan notes	<u>1.5</u>	<u>-</u>
	2.5	1.0
 Deferred consideration for acquisition	 1.3	 -
	<u><u>3.8</u></u>	<u><u>1.0</u></u>

The unsecured loan notes bear interest at a floating rate based on 6 months LIBOR. £1.1m and £0.4m are repayable on 16 July 2009 and 16 July 2010 respectively.

The secured loan bears interest at 10% per annum and is repayable on 30 September 2007.

14. CALLED UP SHARE CAPITAL

	1999 £m	1998 £m
Authorised 300,000,000 (1998: 300,000,000) ordinary shares of 25p each	75.0	75.0
Authorised 2,200,000 (1998: 2,200,000) redeemable shares of £1 each	<u>2.2</u>	<u>2.2</u>
	<u>77.2</u>	<u>77.2</u>
 Allotted and fully paid 284,614,156 (1998: 284,614,156) ordinary shares of 25p each	 71.2	 71.2
Allotted and fully paid 2,041,600 (1998: 2,041,600) redeemable shares of £1 each	<u>2.0</u>	<u>2.0</u>
	<u><u>73.2</u></u>	<u><u>73.2</u></u>

The redeemable shares, which carry neither dividend nor voting rights, are redeemable at par at the option of the holders and carry a preferential right to repayment in the event of a winding up. There is no time limit specified for the redemption of these shares.

15. RESERVES

	Share Premium £m	Revaluation Reserve £m	Profit and Loss £m	Total £m
At 1 January 1999 as previously reported	42.2	46.5	26.9	115.6
Prior year adjustment	-	10.0	-	10.0
At 1 January 1999 as restated	42.2	56.5	26.9	125.6
Revaluation during year	-	21.9	-	21.9
Retained profit for the year	-	-	6.4	6.4
At 31 December 1999	<u>42.2</u>	<u>78.4</u>	<u>33.3</u>	<u>153.9</u>

PRIOR YEAR ADJUSTMENT

As explained in note 1b, the release of the general provision that does not meet the criteria of FRS 12 in a subsidiary undertaking of the Company, has been adjusted in the revaluation reserve as a prior year adjustment.

NOTES TO THE FINANCIAL STATEMENTS

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £m
Shareholders funds at 1 January	198.8
Retained profit for the year	6.4
Transfer to revaluation reserve	21.9
Closing shareholders' funds	<u>227.1</u>

The shareholders' funds for the Company are attributable to equity interests apart from £2.0m attributable to redeemable shares (see note 14).

17. RELATED PARTY DISCLOSURE

Under the terms of FRS 8, the Company is exempt from disclosing transactions with companies 90% or more controlled within the same group, as the consolidated financial statements in which the company is included are publicly available. Therefore transactions with companies within the group of companies have not been disclosed.

18. PARENT UNDERTAKINGS

The Company's immediate parent undertaking is CCF Charterhouse European Holdings Limited.

The parent undertaking of the largest group of which the Company is a member and for which Group accounts are drawn up is Crédit Commercial de France SA, which is incorporated in France and is the company regarded by the Directors as being the Company's ultimate parent undertaking and ultimate controlling party as at 31 December 1999.

Copies of the accounts of Crédit Commercial de France SA are available from that company at 103 avenue des Champs-Élysées, 75008, Paris, France.

19. POST BALANCE SHEET EVENT

On 1 April 2000, the ultimate holding company, Crédit Commercial de France SA, agreed to its acquisition by HSBC Holdings plc. Regulatory approval for the acquisition is expected to be obtained in July 2000.