

# **CHARTERHOUSE EUROPEAN HOLDING LIMITED**

## **FINANCIAL STATEMENTS**

**31 DECEMBER 1997**

**Registered Number 2803379**



# CHARTERHOUSE EUROPEAN HOLDING LIMITED

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## **Directors**

M L Hepher

M V Blank

C-H Filippi

M L Hepher

E M Kruse

A Möckel

G E de Panafieu

R P M B de la Serre

Sir Harry Solomon

Dr H-D Winkhaus

## **Secretary**

M G Hotchin

## **Registered Office**

1 Paternoster Row, St Paul's, London EC4M 7DH  
Telephone: 0171 248 4000

## **Auditors**

Coopers & Lybrand  
1 Embankment Place, London, WC2N 6NN

# CHARTERHOUSE EUROPEAN HOLDING LIMITED

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## DIRECTORS' REPORT

The Directors take pleasure in presenting their report and the audited financial statements for the year ended 31 December 1997.

### Review of the Business

The Company is a wholly owned subsidiary undertaking of European Corporate Finance Holding SA (a company jointly owned by BHF-BANK AG and Crédit Commercial de France SA). The principal activity of the Company is the holding of an investment of the entire issued share capital of Charterhouse plc.

A full review of the business of Charterhouse plc has been given in the financial statements of that company, which are available from the Company Secretary, Charterhouse plc, 1 Paternoster Row, St. Paul's, London EC4M 7DH.

On 30 March 1998 Crédit Commercial de France SA purchased the 50 per cent equity interest held by BHF-BANK AG in European Corporate Finance Holding SA, as a result of which that company became a wholly owned subsidiary undertaking of Crédit Commercial de France SA.

### Accounts and Dividends

The Company made a profit before taxation and dividends for the year ended 31 December 1997 of £58,232,000 (1996 profit: £33,269,000). The loss after taxation and dividends amounted to £16,039,000 (1996 profit: £12,447,000) which is charged to reserves.

Interim dividends totalling £37,000,000 have been paid (1996: £16,500,000) in respect of the ordinary shares and further interim dividends amounting to £35,000,000 (1996: nil) are proposed.

### Directors

The present members of the Board of Directors are named on page 1.

Mr E M Kruse and Mr A Möckel were both appointed Directors on 16 May 1997. Dr H-G Reiners and Prof Dr W-D F A I von Schimmelmann both resigned as Directors on 31 March 1997.

There were no other Directors during the year.

### Directors' Interests

No Director held a beneficial interest in the share capital of the holding company European Corporate Finance Holding SA.

### Directors' and Officers' Liability Insurance Policy

During the course of the year, the Company has 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 137 of the Companies Act 1989.

### 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.

# CHARTERHOUSE EUROPEAN HOLDING LIMITED

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## DIRECTORS' REPORT (continued)

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 property 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 two formal committees, namely, Charterhouse Audit Committee and Charterhouse Remuneration Committee, who meet regularly and whose terms of reference and membership are under continual review by the Board.

### Payment Policies

Suppliers to the Company and its subsidiary undertakings are numerous and operate in a diverse range of businesses. As such, the Company and its subsidiary undertakings do not employ a single payment policy for their suppliers but ensure that payments are made upon receipt of an invoice from a supplier, or alternatively in accordance with agreed terms and conditions. Creditor payment periods are shown in the financial statements of the Company's major operating subsidiaries.

### Employment Policies

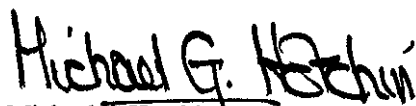
The Company and its subsidiary undertakings are firmly committed to the continuation of the policy of communication and consultation with their employees. Arrangements, including regular briefing meetings and, in the case of Charterhouse Bank Limited, a joint consultative committee, have been established for the provision of information for all employees on matters which affect them.

The Company and its subsidiary undertakings are 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.

### Auditors

The Company's auditors, 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 forthcoming Annual General Meeting.

By Order of the Board



Michael G Hotchin  
Secretary

28 April 1998

# CHARTERHOUSE EUROPEAN HOLDING LIMITED

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## 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 period. The financial statements must be prepared in accordance with the required formats and disclosures of the Companies Act 1985 and 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; and
- \* 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 the 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.

# CHARTERHOUSE EUROPEAN HOLDING LIMITED

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## REPORT OF THE AUDITORS TO THE MEMBERS OF CHARTERHOUSE EUROPEAN HOLDING LIMITED

We have audited the financial statements on pages 6 to 13.

### Respective Responsibilities of Directors and Auditors

As described on page 4, 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 at 31 December 1997 and of its profit 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

29 April 1998

# CHARTERHOUSE EUROPEAN HOLDING LIMITED

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	Notes	1997 £000	1996 £000
Investment income	2	62,603	37,876
Administrative expenses		(163)	(450)
<b>Profit on ordinary activities before interest</b>		<b>62,440</b>	<b>37,426</b>
Interest receivable and similar income	3	56	167
Interest payable and similar charges	4	(4,264)	(4,324)
<b>Profit on ordinary activities before taxation</b>	5	<b>58,232</b>	<b>33,269</b>
Tax on ordinary activities	8	(665)	(3,427)
<b>Retained profit on ordinary activities after taxation</b>		<b>57,567</b>	<b>29,842</b>
Dividends	9	(73,606)	(17,395)
<b>Retained (loss)/profit for the financial year</b>	16	<b>(16,039)</b>	<b>12,447</b>

The Company has no recognised gains and losses other than those included in the 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 taxation and the retained profit for the year stated above and their historical cost equivalents.

The investment income and operating profit of the Company are derived entirely from continuing operations.

# CHARTERHOUSE EUROPEAN HOLDING LIMITED

## BALANCE SHEET as at 31 December 1997

	Notes	1997 £000	1996 £000
<b>Fixed assets</b>			
Investments	10	178,661	178,438
<b>Current assets</b>			
Debtors	11	44,803	15,193
Cash at bank	12	674	924
<b>Creditors - amounts falling due within one year</b>	13	(59,193)	(13,571)
<b>Net current (liabilities)/assets</b>		(13,716)	2,546
<b>Total assets</b>		164,945	180,984
<b>Creditors - amounts falling due after more than one year</b>	14	(38,000)	(38,000)
<b>Net Assets</b>		126,945	142,984
<b>Capital and reserves</b>			
Called up share capital	15	126,000	126,000
Profit and loss account	16	945	16,984
Equity interests		107,945	123,984
Non equity interests		19,000	19,000
<b>Total shareholders' funds</b>	17	126,945	142,984

The financial statements on pages 6 to 13 were approved by the Board of Directors on **28** April 1998, and signed on its behalf by:-

M V Blank

*M L Hopher*

M L Hopher

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) Directors  
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# CHARTERHOUSE EUROPEAN HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 1997

### 1. Accounting policies

#### (a) *Basis of preparation*

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

#### (b) *Investments*

Premiums and discounts on dated fixed and floating rate securities are amortised on a straight line basis. Listed investments are stated individually at cost 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.

#### (c) *Investments in subsidiary undertakings*

Investments in subsidiary undertakings are included in the balance sheet at cost.

#### (d) *Taxation*

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 a liability or asset will arise in the foreseeable future.

#### (e) *Cash Flow Statement*

These 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), as the Company's financial statements are included in the consolidated financial statements of its ultimate parent undertaking, which are publicly available.

### 2. Investment income

	1997 £000	1996 £000
Dividends receivable from subsidiary undertaking	62,602	37,875
Interest receivable on British Government securities	1	1
	<u>62,603</u>	<u>37,876</u>

### 3. Interest receivable and similar income

	1997 £000	1996 £000
Interest receivable from group companies	56	167

### 4. Interest payable and similar charges

	1997 £000	1996 £000
On bank loans repayable within 1 year not by instalments	(894)	(807)
On bank loans repayable between 1 and 2 years not by instalments	-	-
On bank loan repayable between 2 and 5 years not by instalments	(3,370)	(3,517)
	<u>(4,264)</u>	<u>(4,324)</u>

# CHARTERHOUSE EUROPEAN HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 1997 (continued)

### 5. Profit on ordinary activities before taxation

	1997 £000	1996 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration in respect of audit services	16	12
Auditors' remuneration in respect of non-audit services	-	13
	<u>16</u>	<u>25</u>

### 6. Employees

The Company had no employees during the financial year (1996 : nil).

### 7. Directors' emoluments

	1997 £000	1996 £000
Directors' emoluments (excluding pension contributions and awards under long term incentive schemes)	1,292	1,167

The amount of the accrued pension of the highest paid Director at 31 December 1997 is nil. (1996: £150,000 paid to a money purchase scheme)

	1997 £776,000	1996 £681,000
The emoluments (including payments under long term incentive schemes) of the highest paid Director was		
	<u>1997</u>	<u>1996</u>

Number of Directors who:

- are members of a defined benefit scheme	-	-
- are members of a money purchase scheme	-	-
- have received awards during the year in the form of long term incentive schemes	-	-

Charterhouse plc group has established long term 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.

Payments made to pension schemes for and on behalf of former Directors in connection with their retirement from office amounted to £800,000 for one Director (1996: £nil). These payments are not included in the emoluments stated above.

# CHARTERHOUSE EUROPEAN HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 1997 (continued)

### 8. Tax on ordinary activities

	1997 £000	1996 £000
Consideration receivable for group relief at 31.5% (1996: 33%) of losses available to be surrendered	1,436	1,681
Deferred taxation	-	(233)
Tax credit on dividends received	(2,101)	(4,875)
	<u>(665)</u>	<u>(3,427)</u>

### 9. Dividends

	1997 £000	1996 £000
Non-equity: 8% Preference Paid and proposed	(1,606)	(895)
Equity: Ordinary shares		
First interim paid 11.21p per share (1996: 15.42p)	(12,000)	(16,500)
Second interim paid 23.36p per share (1996: nil)	(25,000)	-
Final proposed 32.71p per share (1996: nil)	(35,000)	-
	<u>(73,606)</u>	<u>(17,395)</u>

The dividend on the preference shares are paid on 1 April and 1 October of each year.

### 10. Fixed asset investments

	1997 £000	1996 £000
<b>Subsidiary undertaking</b>		
Cost as at 1 January	178,428	158,441
Movements during the year	223	19,987
Cost as at 31 December	<u>178,651</u>	<u>178,428</u>
<b>Other investments</b>		
British Government securities	10	10
	<u>178,661</u>	<u>178,438</u>

At 31 December 1997 the Company held 100% of the equity share capital of Charterhouse plc, the holding company of a group providing a range of banking, development capital and stockbroking services, which it acquired on 28 September 1993. The following are the principal subsidiary undertakings of Charterhouse plc:-

Name of Undertaking	Shareholding %	Country of Registration	Business
Charterhouse Bank Limited	100	England and Wales	Merchant Banking
Charterhouse Development Capital Holdings Limited	100	England and Wales	Development Capital
Charterhouse Tilney Securities Limited	100	England and Wales	Stockbroking

In the opinion of the Directors the value at 31 December 1997 of the investment in the subsidiary undertaking was not less than the amount at which it is included in the financial statements.

# CHARTERHOUSE EUROPEAN HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 1997 (continued)

The market value at 31 December 1997 of the British Government securities, which are listed on a recognised stock exchange in Great Britain, was £10,145 (1996: £10,069).

**11. Debtors - amounts falling due within one year**

	1997 £000	1996 £000
Group relief receivable from subsidiary undertakings	1,378	1,693
Dividends receivable from subsidiary undertakings	30,500	13,500
Advance corporation tax recoverable	12,925	-
	<u>44,803</u>	<u>15,193</u>

**12. Cash at bank**

	1997 £000	1996 £000
Deposit with subsidiary undertaking	<u>674</u>	<u>924</u>

**13. Creditors - amounts falling due within one year**

	1997 £000	1996 £000
Accruals	633	1,571
Bank loans	12,000	12,000
Proposed dividend	35,380	-
Advance corporation tax payable	11,180	-
	<u>59,193</u>	<u>13,571</u>

The bank loan is a floating rate facility based on LIBOR.

**14. Creditors - amounts falling due after more than one year**

	1997 £000	1996 £000
Bank loans repayable as follows:		
Between two and five years:		
8.75% term loan facility repayable in full at final maturity on 29 July 1999	20,000	20,000
9.0% term loan facility repayable in full at final maturity on 30 July 2001	18,000	18,000
	<u>38,000</u>	<u>38,000</u>

# CHARTERHOUSE EUROPEAN HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 1997 (continued)

### 15. Share capital

	1997 £000	1996 £000
Authorised, allotted, called up and fully paid 107,000,000 ordinary shares of £1 each	107,000	107,000
Authorised, allotted, called up and fully paid 19,000,000 non-cumulative 8% preference shares of £1 each	19,000	19,000
	<u>126,000</u>	<u>126,000</u>

The preference shares are entitled to, out of profits of the company available for distribution, a non-cumulative dividend payable in arrears on 1 April and 1 October each year. The preference shares are not redeemable, have full voting rights and carry a preferential right to repayment in the event of a winding up.

### 16. Profit and Loss Account

	1997 £000	1996 £000
Balance at 1 January	16,984	4,537
Retained (loss)/profit for the year	(16,039)	12,447
Balance at 31 December	<u>945</u>	<u>16,984</u>

### 17. Reconciliation of movements in shareholders' funds

	1997 £000	1996 £000
Profit for the financial year	57,567	29,842
Ordinary dividends	(72,000)	(16,500)
Preference dividends	(1,606)	(895)
	<u>(16,039)</u>	<u>12,477</u>
Issuance of preference shares	-	19,000
Net movement of shareholders' funds	<u>(16,039)</u>	<u>31,447</u>
Shareholders' funds at 1 January	142,984	111,537
Shareholders' funds at 31 December	<u>126,945</u>	<u>142,984</u>

# CHARTERHOUSE EUROPEAN HOLDING LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 December 1997 (continued)

### 18. Related Party Disclosure

Under the terms of the Financial Reporting Standard No. 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. The Company has bank loans from the shareholders of its ultimate parent undertaking as disclosed in notes 13 and 14. Interest payable on the loans is disclosed in note 4.

#### *Transactions with Directors and their close family members*

No material transactions were undertaken by Directors and their close family members with Charterhouse European Holding Limited, and its subsidiary undertakings.

### 19. Ultimate parent undertaking

The Company is a wholly owned direct subsidiary undertaking of European Corporate Finance Holding SA, its controlling party, which is incorporated in Luxembourg and is the parent undertaking of the largest group of which the Company is a member and for which group accounts are drawn up. In accordance with the exemption available under section 228 of the Companies Act 1985, the Company has not prepared consolidated financial statements. European Corporate Finance Holding SA is the company regarded by the directors as being the Company's ultimate parent undertaking, and its ultimate controlling undertaking as at 31 December 1997, and is directly or indirectly jointly owned by BHF-BANK AG and Crédit Commercial de France SA. Copies of the accounts of European Corporate Finance Holding SA are available from that company at 8, Avenue Marie-Thérèse, L2132 Luxembourg.

On 30 March 1998 Crédit Commercial de France SA purchased the 50 per cent equity interest held by BHF-BANK AG in European Corporate Finance Holding SA, as a result of which the company became a wholly owned subsidiary undertaking of Crédit Commercial de France SA.