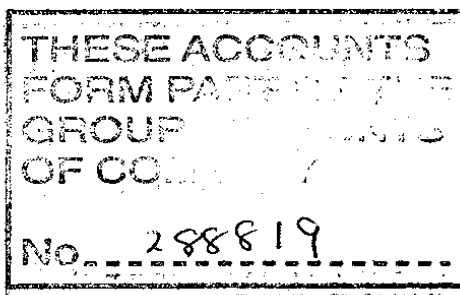


CHARTERHOUSE PROPERTY FUNDS (HOLDING) LIMITED

ANNUAL REPORT

31 DECEMBER 1998

Registered Number 3335872



CHARTERHOUSE PROPERTY FUNDS (HOLDING) LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 1998.

Review of the business

The Company is an investment holding company holding investments in the field of property fund management.

Future developments

The Directors intend that the Company shall continue to act as such a holding company.

Accounts and dividends

The Company's expenses are borne by a fellow subsidiary undertaking.

The Company made a profit on its ordinary activities before taxation during the year under review of £139,427 (1997: nil) resulting in a profit after taxation for the year of £139,427 (1997: nil).

The state of the Company's affairs as at the end of the year under review is shown in the accompanying balance sheet.

The Directors have resolved that an interim dividend of £139,427 (1997: nil) be paid in respect of the year under review.

Directors

Mr E D Glover and Mr W M F von Guionneau served as Directors of the Company throughout the year under review.

No other person was a Director at any time during that year.

Directors' interests

Neither of the Directors had, at 31 December 1998, any interests in the shares in the Company or in the securities of any other company in the group of which it is a member.

Auditors

The Company's auditors, 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 forthcoming Annual General Meeting.

Year 2000

The CCF Charterhouse plc group is committed to ensuring that all systems software used by the group is Year 2000 compliant. Testing continues to be carried out on both in-house systems software and software provided by third parties to ensure compliance. Regular reports on Year 2000 compliance are submitted to the Charterhouse Group Executive Committee. The CCF Charterhouse plc group plans to achieve compliance to meet the deadline of 31 December 1999. The Company's share of costs in respect of this work, which are not significant, are being borne by a fellow subsidiary undertaking.

By Order of the Board


for PATERNOSTER SECRETARIES LIMITED
Secretary

20 May 1999

CHARTERHOUSE PROPERTY FUNDS (HOLDING) LIMITED

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, if any, 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;
- * to prepare financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

The Directors confirm that the financial statements have been prepared on a going concern basis as they are satisfied that the Company has the resources to continue in business for the foreseeable future.

CHARTERHOUSE PROPERTY FUNDS (HOLDING) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF CHARTERHOUSE PROPERTY FUNDS (HOLDING) LIMITED

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the annual report, including as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established 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 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.

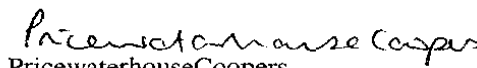
Basis of opinion

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 the Company's affairs at 31 December 1998 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

27 May 1999

CHARTERHOUSE PROPERTY FUNDS (HOLDING) LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1998

	Notes	1998 £	For the period 19 March 1997 to 31 December 1997 £
Turnover	2	139,427	-
Profit on ordinary activities before and after taxation		139,427	-
Equity dividends proposed	6	(139,427)	-
Retained profit for the year/period	11	-	-

The Company had no recognised gains and losses other than those included in the profit and loss account. Therefore no separate statement of total recognised gains and losses is presented.

There is no difference between the profit on ordinary activities before taxation and the result for the year stated above and their historical cost equivalents.

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

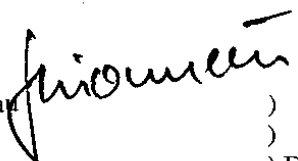
CHARTERHOUSE PROPERTY FUNDS (HOLDING) LIMITED

BALANCE SHEET as at 31 December 1998

	Notes	1998 £	1997 £
Fixed assets			
Investments in subsidiary undertakings	7	74	72
Current assets			
Debtors	8	1,428,201	2
Current liabilities			
Creditors - amounts falling due within one year	9	(1,428,273)	(72)
Net current liabilities		(72)	(70)
Total net assets		<u>2</u>	<u>2</u>
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account	11	-	-
Equity shareholders' funds	12	<u>2</u>	<u>2</u>

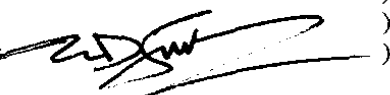
The financial statements on pages 4 to 8 were approved by the Board of Directors on 20 May 1999, and signed on its behalf by:-

W M F von Guionneau



)
)
) Directors

E D Glover



)
)

CHARTERHOUSE PROPERTY FUNDS (HOLDING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 1998

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 to the United Kingdom.

(b) *Turnover*

Turnover consists of dividends declared by subsidiary undertakings recognised on an accruals basis. All turnover arises in the United Kingdom.

(c) *Investments*

Investments in subsidiary undertakings are carried at cost less provisions for permanent diminution in value. The Company was, at 31 December 1998, a wholly owned subsidiary undertaking of CCF Charterhouse plc. In accordance with the exemption available under Section 228 (1)(a) of the Companies Act 1985, the Company has not prepared consolidated financial statements.

(d) *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 company, which are publicly available.

2. Turnover

	1998	For the period 19 March 1997 to 31 December 1997
	£	£
Dividends receivable	139,427	-

3. Directors' emoluments

The Directors' emoluments are borne by a fellow subsidiary undertaking. It is not practicable to allocate costs to Charterhouse Property Funds (Holding) Limited for the services performed by the Directors in relation to the Company.

4. Employees

The Company had no employees during the year under review or the previous financial period.

5. Auditors' remuneration

The auditors' remuneration for the current financial year and the previous financial period has been borne by a fellow subsidiary undertaking.

6. Equity dividends proposed

	1998	For the period 19 March 1997 to 31 December 1997
	£	£
Interim (£69,713.50 per share) (1997 : nil)	139,427	-

CHARTERHOUSE PROPERTY FUNDS (HOLDING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 1998 (continued)

7. Investments in subsidiary undertakings

	1998 £	1997 £
Cost		
1 January	72	-
Additions	2	72
31 December	74	72

The Company's subsidiary undertakings at 31 December 1998, all wholly owned, are listed below.

Name of Undertaking	Class of Capital	Class of Business
Charterhouse Specialist Advisory Services Limited (formerly Charterhouse Property Fund Manager Limited)	Ordinary Shares	Fund management company
Charterhouse Property General Partner Limited	Ordinary shares	Investment company
Charterhouse Property LP Limited	Ordinary shares	Investment company
Charterhouse Property Nominees Limited	Ordinary Shares	Nominee company
Charterhouse Property Special LP Limited	Ordinary Shares	Investment company

8. Debtors

	1998 £	1997 £
Amount due from subsidiary undertaking	1,288,772	-
Amount due from immediate parent undertaking	2	2
Other debtors	139,427	-
	1,428,201	2

9. Creditors - amounts falling due within one year

	1998 £	1997 £
Amounts due to subsidiary undertakings	74	72
Amounts due to immediate parent undertaking	1,288,772	-
Proposed dividends	139,427	-
	1,428,273	72

10. Share Capital

	1998 £	1997 £
Authorised 100 shares of £1 each	100	100
Allotted, called up and fully paid 2 shares of £1 each	2	2

CHARTERHOUSE PROPERTY FUNDS (HOLDING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 1998 (continued)

11. Profit and loss account

	1998 £
Balance at 1 January	-
Retained profit for the year	-
	<hr/>
Balance at 31 December	-
	<hr/>

12. Reconciliation of movement in shareholders' funds

	1998 £
Shareholders' funds at 1 January	2
Retained profit for the year	139,427
Interim dividends proposed	(139,427)
	<hr/>
Shareholders' funds at 31 December	2
	<hr/>

13. Related party transactions

Under the terms of Financial Reporting Standard No. 8, Related Party Disclosures, 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.

14. Parent undertakings

The Company was, at 31 December 1998, a wholly owned subsidiary undertaking of CCF Charterhouse plc, which was the parent undertaking of the smallest group of which the Company was a member and for which group accounts were drawn up. Copies of those accounts can be obtained from the Company Secretary, CCF Charterhouse plc, 1 Paternoster Row, St Paul's, London, EC4M 7DH.

The parent undertaking of the largest group of which the Company is a member and for which group accounts are drawn up is 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 1998.

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

On 31 March 1999, the beneficial ownership of the whole of the issued share capital of the Company was acquired by Charterhouse Specialist Investments Limited, itself a wholly-owned subsidiary undertaking of CCF Charterhouse plc.

SIGNED

PLEASE FILE WITH FINANCIAL
STATEMENTS OF CHARTERHOUSE
PROPERTY FUNDS (HOLDING) LIMITED
(REGISTERED NO. 333 5872) IN
ACCORDANCE WITH SECTION 228(2)(e)
COMPANIES ACT 1985.

CCF CHARTERHOUSE PLC

(FORMERLY CHARTERHOUSE PLC)

ANNUAL REPORT

31 DECEMBER 1998

Registered Number 288819

CCF CHARTERHOUSE PLC DIRECTORS

CHAIRMAN AND CHIEF EXECUTIVE

D W Parish

MANAGING DIRECTORS

AREA OF RESPONSIBILITY

R J Benton

Stockbroking

J G Bonnyman

Development Capital

W M F von Guionneau

Specialist Investments

FINANCE DIRECTOR

R W Dix

HUMAN RESOURCES DIRECTOR

K A Robinson

REGULATORY AND LEGAL AFFAIRS DIRECTOR

J S Liddle

SECRETARY

M G Hotchin

Registered Office

1 Paternoster Row
St Paul's
London EC4M 7DH
Tel 0171 248 4000

Auditors

PricewaterhouseCoopers
1 Embankment Place, London WC2N 6NN

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 1998.

Profits and dividends

The Group made a profit before tax for the year ended 31 December 1998 of £90.7m (year to 31 December 1997: £96.3m). The profit after taxation amounted to £62.4m (year to 31 December 1997: £66.1m). An interim dividend amounting to £43.4m has been paid (year to 31 December 1997: £30m) and a second interim dividend of £14.2m (year to 31 December 1997: £30.5m) is proposed.

Review of the business

The principal activity of the Company and its subsidiary undertakings was, throughout the year, that of merchant banking and development capital. On 31 July 1998 the Group transferred its treasury business to the London Branch of Cr dit Commercial de France SA, its ultimate parent undertaking.

The Company, which as a result of Cr dit Commercial de France SA acquiring the 50 per cent equity interest in European Corporate Finance Holding SA held by BHF-BANK AG on 30 March 1998 became a wholly owned subsidiary undertaking of Cr dit Commercial de France SA, is a holding company co-ordinating the activities of its subsidiary undertakings which are engaged in providing a range of banking, development capital and stockbroking services.

The Company changed its name from Charterhouse plc to CCF Charterhouse plc, the Certificate of Incorporation on Changes of Name having been issued on 24 February 1999.

Directors

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

Mr R W Dix retires by rotation at the next Annual General Meeting and, being eligible, offers himself for re-appointment.

Mr E G Cox retired as a Director on 1 March 1998 and Mr M L Hephner resigned as a Director on 30 June 1998.

Mr J G Bonnyman was appointed a Managing Director of the Company effective 1 March 1998 and in accordance with the Articles of Association retired at the last Annual General Meeting and, being eligible, was re-appointed.

Mr J S Liddle and Mr K A Robinson were both appointed Directors of the Company on 1 July 1998 and Mr R J Benton a Managing Director of the Company on 21 September 1998. In accordance with the Articles of Association they retire at the next Annual General Meeting and, being eligible, offer themselves for re-appointment.

Directors' interests

No Director held a beneficial interest in the share capital of CCF Charterhouse plc.

Directors' and officers' liability insurance policy

During 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 Hampel Combined Code on 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 Combined Code.

The following summary outlines the framework within which the Company operates its system of corporate governance.

The Board, which has a formal schedule of matters specifically reserved to it for decision, has ultimate responsibility for the proper stewardship of the Group in all its undertakings and meets regularly throughout the year to discharge its responsibilities.

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

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

Year 2000 compliance

During 1997 the Company and its subsidiary undertakings sought confirmation from their external suppliers of computer software that the products used by the Company and those subsidiary undertakings had been tested and found to be Year 2000 compliant.

Upon receipt of such assurances, the systems were subjected to testing within the corporate environment, as were systems written internally by the Company and its subsidiary undertakings.

Regular reports are submitted to the Charterhouse Group Executive Committee as well as appropriate regulatory bodies and all testing will be materially completed by 30 June 1999, leaving the balance of 1999 as a contingency period.

The Group expenses costs related to Year 2000 compliance and costs incurred to date have not been significant.

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.

The number of supplier creditor days outstanding at 31 December 1998 was 21 days (1997: 21).

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 to 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.

Charitable contributions

The total amount given for charitable purposes by the Company and its subsidiary undertakings during the year amounted to £37,680 (1997: £315,000).

Auditors

Our auditors, Coopers & Lybrand merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the Directors appointed the new firm PricewaterhouseCoopers.

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

Michael G. Hotchin

Michael G Hotchin (Secretary)

London

9 July 1999

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 and the Group at the end of the financial year and of the profit or loss for that year of the Group. The financial statements must be prepared in accordance with applicable accounting standards.

In addition, the Directors are required:

- to adopt suitable accounting policies and then apply them consistently supported by judgements and estimates that are reasonable and prudent;
- to prepare financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors confirm that they are satisfied that the Company and the Group 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 the Group and for preventing and detecting fraud and other irregularities.

REPORT OF THE AUDITORS

To the members of CCF Charterhouse plc

We have audited the financial statements on pages 3 to 23 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 8.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the annual report, including, as described above, the financial statements. Our responsibilities, as independent auditors, are established 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 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.

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 the Company and the Group's affairs at 31 December 1998 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

9 July 1999

CCF Charterhouse plc

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	Continuing operations		Discontinued operations		Total	
		1998	1997	1998	1997	1998	Restated 1997
		£m	£m	£m	£m	£m	£m
Interest receivable							
Interest receivable and similar income arising from debt securities		10.3	10.5	13.7	28.1	24.0	38.6
Other interest receivable and similar income		7.2	13.8	60.2	30.1	67.4	43.9
Interest payable		(3.9)	(2.6)	(72.0)	(64.3)	(75.9)	(66.9)
Net interest income		13.6	21.7	1.9	(6.1)	15.5	15.6
Dividend income from equity shares		4.9	4.7	-	-	4.9	4.7
Fees and commissions receivable		57.2	44.6	1.4	2.8	58.6	47.4
Fees and commissions payable	2	(0.6)	(7.2)	0.1	-	(0.5)	(7.2)
Dealing profits		0.6	(8.1)	-	12.7	0.6	4.6
Other operating income	3	90.1	104.4	-	(0.1)	90.1	104.3
Operating income		165.8	160.1	3.4	9.3	169.2	169.4
Administrative expenses	4	(73.4)	(67.9)	(5.2)	(6.9)	(78.6)	(74.8)
Depreciation and amortisation	23	(1.2)	(1.5)	(0.2)	(0.1)	(1.4)	(1.6)
Provisions							
Release of provision for bad and doubtful debts	15	0.5	1.4	-	-	0.5	1.4
Provisions for contingent liabilities and commitments	30	0.5	(1.6)	-	-	0.5	(1.6)
Group operating profit		92.2	90.5	(2.0)	2.3	90.2	92.8
Share of operating profit in joint ventures						0.2	0.8
Income from associated undertakings						0.3	2.7
Total operating profit and profit on ordinary activities before taxation: group and share of joint ventures	5					90.7	96.3
Tax on profit on ordinary activities	6					(28.3)	(30.2)
Profit on ordinary activities after taxation						62.4	66.1
Equity minority interests						(5.6)	(6.2)
Profit for the financial year						56.8	59.9
Equity dividends	7					(57.6)	(60.5)
Retained deficit	8					(0.8)	(0.6)

Movements in profit and loss account reserves are shown in Note 32 to these financial statements.

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES


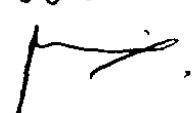
	1998	1997
	£m	£m
Profit for the financial year	56.8	59.9
Currency translation differences on foreign currency net investments	-	-
Revaluation of investments	-	3.5
Total recognised gains and losses relating to the year	56.8	63.4

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 1998

	Notes	1998 £m	Restated 1997 £m
Assets			
Cash and balances at central banks		-	0.1
Loans and advances to banks	13	722.9	381.4
Loans and advances to customers	14	111.3	111.0
Debt securities	16	183.0	818.1
Equity shares and other variable yield securities - investments	17	32.3	44.6
Joint ventures			
Share of gross assets		1.4	5.7
Share of gross liabilities		(1.1)	(4.0)
Net interest in joint ventures	18	0.3	1.7
Interests in associated undertakings	19	2.3	2.7
Intangible assets - negative goodwill	20	(0.6)	-
Tangible fixed assets	23	40.1	23.8
Other assets	24	161.9	234.2
Prepayments and accrued income		25.5	12.5
Total assets		1,279.0	1,630.1
Liabilities			
Deposits by banks	25	521.5	637.5
Customer accounts	26	154.1	319.1
Certificates of deposit in issue	27	153.0	200.5
Equity shares and other variable yield securities	17	0.3	-
Other liabilities	28	159.4	184.4
Accruals and deferred income		57.5	43.3
Provision for liabilities and charges			
- deferred taxation	29	14.5	17.0
- other provisions for liabilities and charges	30	22.6	25.4
		1,082.9	1,427.2
Capital and reserves			
Called up share capital	31	73.2	73.2
Share premium	32	42.2	42.2
Profit and loss account	32	73.4	77.4
Equity interests		186.8	190.8
Non-equity interests		2.0	2.0
Total shareholders' funds	33	188.8	192.8
Equity minority interests		7.3	10.1
Total liabilities and shareholders' funds		1,279.0	1,630.1
Memorandum items			
Contingent liabilities			
- acceptances and endorsements	36	24.5	54.4
- guarantees and assets pledged as collateral security	36	2.2	7.9
		26.7	62.3
Commitments			
- credit lines	36	157.5	249.2
- other commitments	36	-	-
		157.5	249.2

The financial statements on pages 3 to 23 were approved by the Board of Directors on 9 July 1999 and are signed on its behalf by:-

D W Parish )
 R W Dix ) Directors

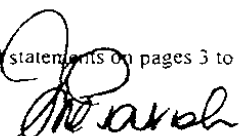
CCF Charterhouse plc

BALANCE SHEET AT 31 DECEMBER 1998

	Notes	1998 £m	1997 £m
Fixed assets			
Investments			
Shares in subsidiary undertakings	21	185.3	183.1
Loans to subsidiary undertakings	22	13.0	6.8
		<u>198.3</u>	<u>189.9</u>
Current assets			
Amounts due from subsidiary undertakings		54.2	50.9
Other investments		0.1	0.1
		<u>54.3</u>	<u>51.0</u>
Creditors : amounts falling due within one year			
Amounts due to subsidiary undertakings		49.6	-
Other liabilities		1.0	31.5
Taxation		5.4	7.2
Accruals and deferred income		7.8	9.4
		<u>63.8</u>	<u>48.1</u>
Net current (liabilities)/assets		(9.5)	2.9
Total assets less current liabilities		<u>188.8</u>	<u>192.8</u>
Capital and reserves			
Called up share capital	31	73.2	73.2
Share premium account	32	42.2	42.2
Revaluation reserve	32	46.5	76.8
Profit and loss account	32	26.9	0.6
Equity interests		<u>186.8</u>	<u>190.8</u>
Non-equity interests		<u>2.0</u>	<u>2.0</u>
Total shareholders' funds		<u>188.8</u>	<u>192.8</u>

The financial statements on pages 3 to 23 were approved by the Board of Directors on 9 July 1999 and are signed on its behalf by:-

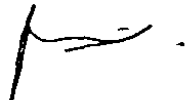
D W Parish



)

Directors

R W Dix



)

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

a *Basis of preparation*

The consolidated financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to banking companies and banking groups. The presentation of the consolidated financial statements reflects the Companies Act 1985 (Bank Accounts) Regulations 1991 which brought into effect the requirements of the EC Bank Accounts Directive. The holding company is not a banking company and consequently its balance sheet is presented under Schedule 4 of the Companies Act 1985.

The financial statements have been prepared under the historical cost convention modified by the revaluation of investments in subsidiary and associated undertakings, fixed assets and certain trading assets, and in accordance with applicable UK accounting standards except as disclosed in note (n).

b *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiary and quasi-subsidary undertakings and the group's share of the results and post-acquisition reserves of its joint venture and associated undertakings. The financial statements of subsidiary and associated undertakings are coterminous with those of CCF Charterhouse plc, apart from Cromwell Land Holdings Limited and its subsidiaries, whose results have been consolidated from management accounts drawn up to 31 December 1998 and 31 December 1997 respectively.

The results of subsidiary and associated undertakings acquired or sold are included from the date of acquisition or to the date of sale respectively.

Goodwill is calculated as the difference between the cost of investment in subsidiary, associated and joint venture undertakings and the fair values of those undertakings' assets and liabilities, purchased at the date of acquisition. Positive and negative goodwill arising in prior years has been charged or credited to reserves. Positive and Negative goodwill arising from 1998 onwards is capitalised and amortised through the profit and loss account. Positive goodwill is amortised over the period of its useful economic life. Negative goodwill arising on the purchase of an investment company is amortised as the underlying investments are sold.

Certain of the Group's investments in undertakings are excluded from consolidation on the bases set out in accounting policy note (n) below.

c *Income and expense recognition*

In general, income and expenses, including interest, are included in the profit and loss account on an accruals basis, except where assets and liabilities are included in trading portfolios which are accounted for on a fair value basis. The fair value, less any associated dealing costs incurred, is calculated by reference to all anticipated future cash flows, valued at year end interest and exchange rates, net of cash paid or received, discounted back to net present value. The net movement in fair value during the period is taken to the profit and loss account after making an adjustment to reflect all anticipated future risks and costs, including the potential cost of closing out positions and identifiable dealing costs.

The amount receivable and payable in respect of trading assets and liabilities included at fair value, is included as a debtor and creditor respectively within other assets and liabilities. In accordance with industry standard practice, no offset between amounts receivable and payable to a counterparty is made unless legally enforceable.

d *Dealing profits*

Dealing profits comprise profits and losses from transactions in securities and foreign exchange activities from dealing in financial instruments, including interest, less associated funding costs.

e *Fees and commissions*

Lending fees and commissions charged in lieu of interest are amortised over the lives of the underlying contracts. All other fees and commissions are accounted for when invoiced on completion of services provided to clients.

f *Foreign currencies*

Assets, liabilities and trading results denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. All exchange differences relating to trading are dealt with in the profit and loss account other than those arising from the application of closing rates of exchange to the opening net assets of overseas subsidiary and associated undertakings and related hedging transactions, are taken to reserves.

NOTES TO THE FINANCIAL STATEMENTS

g Depreciation

Long leasehold buildings are maintained to a high standard by regular expenditure charged to the profit and loss account. In the opinion of the Directors the residual value would be sufficiently high to make any depreciation charge immaterial. The residual values are based on a recent valuation of the properties in question. Should the Directors consider there to be a permanent diminution in value the asset will be written down.

Motor cars and other equipment are depreciated on a straight line basis over their anticipated useful lives, being 3 to 4 years for motor cars and 3 to 10 years for other equipment. Assets in the course of construction are not depreciated until the asset has been completed and brought into use.

h Financial instruments with off-balance sheet risk

Off-balance sheet items such as forward rate agreements, interest rate swaps, currency swaps, interest rate options, foreign currency options and financial futures are segregated into hedging transactions and trading transactions. The valuation of trading transactions is as disclosed in Principal Accounting Policy (c).

Generally, hedging transactions are valued on the same basis as the assets, liabilities or positions which are the subject of the hedge. Any profit or loss is recognised at the same time as any profit or loss arising from the transactions which are the subject of the hedge.

Fees and amounts receivable and payable arising from transactions in trading portfolios, are included in the profit and loss account at their fair value.

Forward foreign exchange contracts are valued at the forward market rates ruling at the balance sheet date and the differences between those values and the contract prices are taken to the profit and loss account. Where, however, matched spot against forward contracts are entered into in conjunction with loans and deposits the resultant gains or losses are apportioned over the period of the contracts.

i Joint ventures

The Group has changed its accounting policy in respect of joint ventures. Interests in unincorporated joint ventures are accounted for using the gross equity method. In previous years interests in joint ventures were accounted for by proportional consolidation. Consequently the Group's profit and loss account and balance sheet have been restated and presented in accordance with the requirements of Financial Reporting Standard No 9, Associates and Joint Ventures

j Debt securities

Debt securities, including certificates of deposit, bills discounted and fixed and floating rate notes are included at market value except where it is intended that they should be held to maturity when they are included at cost adjusted for accrued interest and the amortisation of any premium or discount to redemption. Unlisted debt securities are stated in aggregate at the lower of cost less amounts written off and Directors' valuation. The profit or loss arising from the sale of debt securities which are intended to be held to maturity is amortised over the period to maturity of the asset sold. The Directors consider that only those debt securities which are intended to be held to maturity are financial fixed assets.

k Equity shares

Equity shares held for dealing purposes are classified as trading investments and are held at market bid and offer prices for long and short positions respectively. Net bought and net sold positions are disclosed separately. All other equity shares are classified as investment securities. Listed investments are stated individually at the lower of cost and market value, unless the Directors consider there has been a permanent diminution in value in which case the investment is stated at cost less amounts written off. Unlisted investments are stated at the lower of cost less amounts written off and Directors' valuation. The Group's venture capital investment portfolio includes investments where the Group holds an effective interest in investees' equity which is greater than 20%. These interests are accounted for as investments as the Group does not exercise significant influence in these circumstances.

l Properties

Investment properties are expected to be held for three to five years. The Directors consider it prudent, given the nature of the investment, to defer any recognition of any change in property value until disposal of the property. Costs associated with entering into the property transaction, which are not considered by the Directors to be capital in nature, are written off as incurred. Where financing costs have been incurred to finance assets in the course of construction, these costs are capitalised over the period of construction. Where the directors consider there to be a diminution in the value of the property, depreciation amounts are charged to the profit and loss account. In the opinion of the Directors the cost of the properties is not materially different from market value.

Other properties which are expected to be held for less than three years, are held at the lower of cost and net realisable value.

m Investments in subsidiary and associated undertakings

Investments in subsidiary and associated undertakings are included in the balance sheet of the Company at the Company's share of the net assets.

NOTES TO THE FINANCIAL STATEMENTS

n Undertakings excluded from consolidation

Certain subsidiary undertakings of the Company are General Partners of Funds which invest in, primarily, unlisted companies, in the UK and Europe. Due to the nature of limited partnerships the Funds are considered to be subsidiary undertakings of the General Partners. In addition, certain investments held by the Funds ("Fund Investments") fall within the definition of subsidiary or associated undertakings of the General Partner under the Companies Act 1985 and Financial Reporting Standard ("FRS") No 2 "Accounting for subsidiary undertakings" and are required by the Act and that Standard to be consolidated into the Group accounts.

However, due to severe long term restrictions upon the ability of the General Partners to exercise dominant influence over the Funds or Fund Investments other than on behalf of limited partners, the Fund and Fund Investments have been excluded from consolidation. Details of the Fund and Fund Investments excluded from consolidation are disclosed in Note 38.

The Companies Act 1985 requires equity accounting for Fixed Asset investments where the Group exercises significant influence. Although General Partners exercise significant influence over the Funds and Fund Investments these assets are held as part of a portfolio of investments and the Directors believe that it would not give a true and fair view to account for these interests on an equity accounting basis. Accordingly, as required by FRS 9 "Associates and Joint Ventures", these investments are included at the lower of cost and net realisable value, being the same basis as the other investments held by the Group. The impact of accounting for these interests under equity accounting rather than at cost is shown in Note 38 to the accounts.

o Taxation

Taxation is based on the Group profit for the period. Provision has been made for deferred taxation on timing differences between profits stated in the financial statements and profits computed for taxation purposes at the rate of taxation expected to be applicable on reversal, where there is a probability that a liability will crystallise.

p Provisions for bad and doubtful debt

Specific provisions are made against advances when, as a result of a detailed appraisal of the advances portfolio, it is considered that recovery is doubtful. The provisions are netted against advances. Provisions made during the period (less amounts released and recoveries of amounts written off in previous years) are charged to the profit and loss account. Advances classified as bad debts are written off in part or in whole when the extent of the loss incurred has been confirmed. Interest on doubtful advances is not recognised in the profit and loss account but held in suspense.

q General provision

A general provision has been established to provide for contingencies and liabilities which may exist within the Group.

r Post-retirement benefits

The Group operates pension schemes and provides health insurance in retirement for the majority of pensioners and staff. Contributions are charged to the profit and loss so as to spread the cost over the period the employees are expected to work with the Group.

s Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

t Cash flow statements

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

u Minority interests

Minority interests represent the share of profits less losses on ordinary activities after taxation attributable to outside interests in subsidiaries which are not wholly controlled by the Group.

2. FEES AND COMMISSIONS PAYABLE

	Total 1998 £m	Total 1997 £m
Placement agents fees	-	6.7
Other fees and commissions payable	0.5	0.5
	<u>0.5</u>	<u>7.2</u>

NOTES TO THE FINANCIAL STATEMENTS

3. OTHER OPERATING INCOME

	Total 1998 £m	Restated Total 1997 £m
Equity share realisations	82.8	95.7
Other realisations	8.9	6.7
Provisions for debt and equity securities charged in the year	(11.9)	(5.7)
Rental income	6.7	6.0
Other operating income	3.6	1.6
	<u>90.1</u>	<u>104.3</u>

4. ADMINISTRATIVE EXPENSES

	Total 1998 £m	Total 1997 £m
Staff costs		
- wages and salaries	44.9	36.1
- social security costs	2.4	2.8
- other pension costs	2.7	3.0
Other administrative expenses	28.6	32.9
	<u>78.6</u>	<u>74.8</u>

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

<u>384</u>	<u>389</u>
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5. GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditors' remuneration for the Group was £223,685 (1997: £200,235) for audit services and £78,320 (1997: £154,750) for non-audit work. Auditors' remuneration for the Company was £15,445 for audit services.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £m	1997 £m
United Kingdom corporation taxation at 31.0% (1997: 31.5%)	28.9	24.0
Adjustments to provisions in prior years	(0.4)	(0.8)
Taxation on franked investment income	0.9	1.6
Deferred taxation	(1.1)	5.0
	<u>28.3</u>	<u>29.8</u>
Share of associated undertakings' taxation	-	0.4
	<u>28.3</u>	<u>30.2</u>

7. EQUITY DIVIDENDS

	1998 £m	1997 £m
First interim dividend at 15.1p per share (1997: 10.5p)	43.4	30.0
Proposed second interim dividend at 5.0p per share (1997: 10.7p)	14.2	30.5
	<u>57.6</u>	<u>60.5</u>

8. RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR

	1998 £m	1997 £m
The profit/(loss) of the Group has been retained by:-		
- CCF Charterhouse plc	26.3	(1.6)
- Subsidiary undertakings	(27.6)	(1.8)
	(1.3)	(3.4)
- Joint ventures	0.2	0.5
- Associated undertakings	0.3	2.3
Retained deficit for the financial year	<u>(0.8)</u>	<u>(0.6)</u>

NOTES TO THE FINANCIAL STATEMENTS

8. RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR (Continued)

The retained profit/(loss) for the year after taxation of CCF Charterhouse plc, after crediting dividends from subsidiary undertakings, amounted to £26.3m (1997: loss of £1.6m). As provided by section 230(3) of the Companies Act 1985, a profit and loss account for the Company alone is not presented.

9. SEGMENTAL ANALYSIS

Classes of Business	Merchant Banking		Development Capital		Securities		Other		Total	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Operating profit - Group	15.5	12.0	80.8	83.7	0.4	2.5	(6.5)	(5.4)	90.2	92.8
Income from joint ventures	0.2	0.8	-	-	-	-	-	-	0.2	0.8
Income from associated undertakings	0.3	0.1	-	2.6	-	-	-	-	0.3	2.7
Group profit before tax	<u>16.0</u>	<u>12.9</u>	<u>80.8</u>	<u>86.3</u>	<u>0.4</u>	<u>2.5</u>	<u>(6.5)</u>	<u>(5.4)</u>	<u>90.7</u>	<u>96.3</u>
Continuing	18.0	10.6	80.8	86.3	0.4	2.5	(6.5)	(5.4)	92.7	94.0
Discontinued	(2.0)	2.3	-	-	-	-	-	-	(2.0)	2.3
	<u>16.0</u>	<u>12.9</u>	<u>80.8</u>	<u>86.3</u>	<u>0.4</u>	<u>2.5</u>	<u>(6.5)</u>	<u>(5.4)</u>	<u>90.7</u>	<u>96.3</u>
Total assets/(liabilities)	<u>1,046.2</u>	<u>1,398.3</u>	<u>153.3</u>	<u>152.7</u>	<u>92.8</u>	<u>89.9</u>	<u>(13.3)</u>	<u>(10.8)</u>	<u>1,279.0</u>	<u>1,630.1</u>
Group net assets	<u>110.7</u>	<u>122.6</u>	<u>50.4</u>	<u>53.7</u>	<u>5.8</u>	<u>6.8</u>	<u>21.9</u>	<u>9.7</u>	<u>188.8</u>	<u>192.8</u>

No geographical analysis is given because the level of transactions originating from offices outside the United Kingdom is not significant.

10. AGGREGATE DIRECTORS' EMOLUMENTS

	1998	1997
	£m	£m
Directors' emoluments	2.5	2.5
(excluding pension contributions and awards under long term incentive schemes)		
Awards receivable during the year under long term incentive schemes	3.3	0.4
Company pension contributions to money purchase schemes	<u>0.2</u>	<u>0.1</u>
	<u>6.0</u>	<u>3.0</u>
	1998	1997
The emoluments (including awards under long term performance incentive schemes) of the highest paid Director was:	<u>£2,914,000</u>	<u>£776,065</u>

On behalf of this Director, an amount of £47,396 (1997: £nil) was paid into a personal pension/money purchase scheme.

Payments totalling £560,200 were made to one former director in connection with their retirement from office. In 1997, £800,000 was paid into a pension scheme of one former director in connection with their retirement from office. These payments are not included in the emoluments stated above.

	1998	1997
Number of Directors who:		
- are members of a defined benefit scheme	6	2
- are members of a money purchase scheme*	3	1
- have received awards during the year in the form of long term incentive schemes	<u>6</u>	<u>4</u>

* includes two Directors (1997: one Director) who were also members of a defined benefit scheme.

NOTES TO THE FINANCIAL STATEMENTS

10. DIRECTORS' EMOLUMENTS (continued)

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.

11. ADVANCES TO DIRECTORS AND OTHER OFFICERS

There were no advances, either in the current or prior years, in respect of loans made by the Company or Group to Directors and Officers and/or connected persons, which are required to be disclosed in accordance with Companies Act 1985. Banks are obliged by law to observe a strict duty of confidentiality in respect of their customers' affairs. This is recognised by Financial Reporting Standard No 8 and advantage has been taken of this exemption by not disclosing deposits and other transactions covered by the exemption transacted in the normal course of business on standard third party terms by Directors with Charterhouse Bank Limited.

12. 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 Tilney Securities Limited ("CTSL") 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 CTSL 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 CTSL. The actuarial values were sufficient to cover 114.9% for the scheme, 111.3% for the fund, and 95.7% for CTSL, 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 CTSL 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 CTSL, 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 £0.5m (1997: £1.1m), 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 (1997: £1.3m).

13. LOANS AND ADVANCES TO BANKS - Group

	1998	Restated 1997
	£m	£m
Repayable on demand	37.0	47.8
Other loans and advances by remaining maturity:-		
3 months or less	488.9	313.4
1 year or less but over 3 months	179.2	15.0
3 years or less but over 1 year	16.6	4.0
over 3 years	1.2	1.2
	<u>722.9</u>	<u>381.4</u>

14. LOANS AND ADVANCES TO CUSTOMERS - Group

	1998	1997
	£m	£m
Repayable on demand or at short notice	31.0	31.7
Other loans and advances by remaining maturity:-		

NOTES TO THE FINANCIAL STATEMENTS

14. LOANS AND ADVANCES TO CUSTOMERS – Group (continued)

3 months or less	3.2	12.4
1 year or less but over 3 months	1.3	27.6
5 years or less but over 1 year	102.7	59.6
over 5 years	2.7	9.8
Specific bad and doubtful debt provisions	(29.6)	(30.1)
	<u>111.3</u>	<u>111.0</u>

15. SPECIFIC PROVISION FOR BAD AND DOUBTFUL DEBTS – Group

	1998	1997
	£m	£m
At 1 January	30.1	31.5
Release for the year	(0.5)	(1.4)
At 31 December	<u>29.6</u>	<u>30.1</u>

16. DEBT SECURITIES – Group

	1998 Balance Sheet £m	1998 Market Value £m	1997 Balance Sheet £m	1997 Market Value £m
Investment securities issued by other issuers				
- bank and building society certificates of deposit	103.5	103.4	614.0	615.6
- other private sector debt securities	79.5	124.7	191.3	221.7
	<u>183.0</u>	<u>228.1</u>	<u>805.3</u>	<u>837.3</u>
Other securities				
- bank and building society certificates of deposit	-	-	12.8	12.7
	<u>183.0</u>	<u>228.1</u>	<u>818.1</u>	<u>850.0</u>
Investment securities				
- listed on a recognised UK exchange	-	-	4.8	4.8
- listed elsewhere	-	-	130.4	130.4
- unlisted	183.0	228.1	670.1	702.1
	<u>183.0</u>	<u>228.1</u>	<u>805.3</u>	<u>837.3</u>
Other securities				
- unlisted	-	-	12.8	12.7
	<u>183.0</u>	<u>228.1</u>	<u>818.1</u>	<u>850.0</u>

The book cost of other securities amounted to £nil (1997:£12.3m).

	1998 Balance Sheet £m	1997 Balance Sheet £m
Remaining maturities		
- due within one year	180.7	687.0
- due one year and over	2.3	131.1
	<u>183.0</u>	<u>818.1</u>

	Cost £m	Provisions £m	Carrying Value £m
Analysis of investment securities			
At 1 January 1998	815.2	(9.9)	805.3
Acquisitions	873.2	-	873.2
Disposals	(1,490.2)	(0.1)	(1,490.3)
Transfer from equity shares and debt securities	5.5	-	5.5
Provision charged in the year	-	(8.4)	(8.4)
Exchange Movement	(2.3)	-	(2.3)
At 31 December 1998	<u>201.4</u>	<u>(18.4)</u>	<u>183.0</u>

NOTES TO THE FINANCIAL STATEMENTS

17. EQUITY SHARES AND OTHER VARIABLE YIELD SECURITIES - Group

	1998 Balance Sheet £m	1998 Market Value £m	1997 Balance Sheet £m	1997 Market Value £m
Investment securities	31.6	81.5	44.6	114.5
Other securities	0.7	0.7	-	-
	<u>32.3</u>	<u>82.2</u>	<u>44.6</u>	<u>114.5</u>
Listed on a recognised exchange	2.6	45.2	5.1	54.2
Listed elsewhere	-	-	0.4	0.6
Unlisted	29.7	37.0	39.1	59.7
	<u>32.3</u>	<u>82.2</u>	<u>44.6</u>	<u>114.5</u>

Other securities comprise bought trading positions held for market making purposes. Market making securities are carried at quoted bid price for bought positions and quoted offer price for sold positions. Sold trading positions are disclosed separately on the face of the balance sheet under liabilities.

The movement on equity shares held as investment securities is as follows:

	Cost £m	Provision £m	Carrying Value £m
At 1 January 1998	60.3	(15.7)	44.6
Acquisitions	10.8	-	10.8
Disposals	(19.3)	4.2	(15.1)
Transfer	(2.4)	-	(2.4)
Provision charged in the year	-	(6.6)	(6.6)
Exchange movement	0.4	(0.1)	0.3
At 31 December 1998	<u>49.8</u>	<u>(18.2)</u>	<u>31.6</u>

18. INTERESTS IN JOINT VENTURES- group

	1998 £m
Net assets at 1 January	1.7
Disposals	(1.6)
Share of profits retained	0.2
Net assets at 31 December	<u>0.3</u>

The Group's joint venture participations are listed below:-

	Interest %
The Derby Property Partnership	50
The Salford Partnership	50
The South East Properties Partnership	50
The Wembley Partnership	50

The Salford Partnership, The South East Properties Partnership and the Wembley Partnership were dissolved during the year.

NOTES TO THE FINANCIAL STATEMENTS

19. INTERESTS IN ASSOCIATED UNDERTAKINGS - Group

	Share of Net Assets £m
Cost/net worth:-	
At 1 January 1998	2.7
Acquisitions	0.1
Disposals	(0.8)
Share of retained profit	0.3
At 31 December 1998	<u>2.3</u>

On historical cost basis accounting the interest in associated undertakings would have been included as follows:-

	1998 £m	1997 £m
Cost	2.3	2.8
Provisions	-	(0.1)
Net book value	<u>2.3</u>	<u>2.7</u>

The interests in associated undertakings comprise unlisted non-bank undertakings.

The principal associated undertakings are listed below:-

Name of Undertaking	Shares Held	Owned %	Cost £m	Business
CIBI Investments Limited	50 ¹	50.0	-	Property Investment
East Grinstead Holdings Limited	50 ¹	33.0	-	Property Investment
Geranium Limited	37,500 ¹	50.0	-	Property Investment
Peaston (South West) Limited	1,000 ¹	50.0	-	Property Investment

CCF Charterhouse SpA and Finanzas Charterhouse Iberica SA were disposed of with effect 31 December 1998, to the immediate parent undertaking.

Patime Limited, a 50% associated undertaking, was disposed of during the year.

¹ Ordinary shares

20. NEGATIVE GOODWILL

	1998 £m
1 January 1998	-
Arising on acquisitions (see note 21)	0.6
31 December 1998	<u>0.6</u>

21. SHARES IN GROUP UNDERTAKINGS - Company

	1998 £m	1997 £m
Banks	80.0	122.7
Other	105.3	60.4
	<u>185.3</u>	<u>183.1</u>
Cost/net worth:-		
At 1 January	183.1	179.1
Acquisitions	32.5	-
Revaluation of group undertakings	(30.3)	4.0
At 31 December	<u>185.3</u>	<u>183.1</u>

NOTES TO THE FINANCIAL STATEMENTS

21. SHARES IN GROUP UNDERTAKINGS - Company (continued)

The principal subsidiary undertakings are listed below:-

Name of Undertakings	Owned %	Business
Charterhouse Bank Limited	100	Merchant Banking
Charterhouse Development Capital Holdings Limited	100	Development Capital
Charterhouse Securities Limited	100	Stockbroking
Cromwell Land Holdings Limited	100	Property Investment

On 19 May 1998, the Group acquired the remaining interests in Charterhouse Development Capital Fund (Holdings) Limited. The consideration for the shares acquired was £2,474,000 and the fair value of the assets acquired was £3,115,000. The difference of £641,000, representing Negative Goodwill has been capitalised in the balance sheet.

In accordance with Financial Reporting Standard No. 5 the Group consolidates the assets and liabilities of entities which the Directors consider to be quasi subsidiary undertakings.

On 30 September 1998 the Company acquired 100% of the share capital of Landcastle Limited, a company which owned 100% of the equity of Cromwell Land Holdings Limited for £2.00. On the same date Cromwell Land Holdings Limited sold its 100% interest in Cromwell Land Investments directly to the Company.

Cromwell Land Holdings Limited was accounted for as a quasi-subsidiary undertaking up of the Group until 30 September 1998, by virtue of the Group's holding of 5,000 £1 fixed cumulative preference shares in the Company, on which dividend arrears at 30 September 1998 amounted to £34.8m, and its entitlement to subscribe for B ordinary shares (on the basis of one B ordinary share for one preference share) which would result in the Group receiving 99.9% of post preference dividend profits.

Subsequent to the acquisition of Landcastle Limited the Group's interest in Cromwell Land Holdings has been treated as a subsidiary undertaking.

The Group holds units in Charterhouse Carried Interest Trust ("CCIT"), a Jersey registered unauthorised unit trust, which gives it an effective 70.5% controlling interest. The quasi-subsidiary's balance sheet and profit and loss account of the Group, are shown in Note 40.

22. LOANS TO SUBSIDIARY UNDERTAKINGS - COMPANY

	1998 £m	1997 £m
At 1 January	6.8	4.0
Net movement in the year	6.2	2.8
At 31 December	<u>13.0</u>	<u>6.8</u>

23. TANGIBLE FIXED ASSETS - Group (Restated)

	Premises £m	Assets in course of construction £m	Equipment £m	Investment Properties £m	Total £m
Cost/valuation					
At 1 January 1998	18.0	-	8.0	2.0	28.0
Additions	-	6.0	1.2	11.3	18.5
Disposals	(0.1)	-	(1.9)	-	(2.0)
At 31 December 1998	<u>17.9</u>	<u>6.0</u>	<u>7.3</u>	<u>13.3</u>	<u>44.5</u>
Depreciation					
At 1 January 1998	(0.2)	-	(3.8)	(0.2)	(4.2)
Charge for year	-	-	(1.3)	(0.1)	(1.4)
Disposals	0.1	-	1.1	-	1.2
At 31 December 1998	<u>(0.1)</u>	<u>-</u>	<u>(4.0)</u>	<u>(0.3)</u>	<u>(4.4)</u>
Net book value					
At 31 December 1998	<u>17.8</u>	<u>6.0</u>	<u>3.3</u>	<u>13.0</u>	<u>40.1</u>
At 31 December 1997	<u>17.8</u>	<u>-</u>	<u>4.2</u>	<u>1.8</u>	<u>23.8</u>

NOTES TO THE FINANCIAL STATEMENTS

23. TANGIBLE FIXED ASSETS - Group (Restated) (continued)

Included in assets in the course of construction are certain professional fees necessarily incurred in establishing the project to which the assets relates. Also included in this asset category are capitalised finance costs of £302,000.

24. OTHER ASSETS - Group

	1998	Restated 1997
	£m	£m
Foreign exchange and interest rate contracts	10.4	55.5
Present value of future interest flows	-	0.4
Taxation recoverable	0.8	1.3
Trade debtors	16.3	11.0
Settlement debtors	83.6	73.4
Properties held for resale	46.4	86.9
Other	4.4	5.7
	<u>161.9</u>	<u>234.2</u>

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

The present value of future interest flows represents the present value of future interest receivable on loans and certificates of deposit, which are included in trading portfolios.

25. DEPOSITS BY BANKS - Group

	1998	Restated 1997
	£m	£m
With agreed maturity dates or periods of notice by remaining maturity:-		
Repayable on demand	37.6	61.5
3 months or less	286.2	407.5
1 year or less but over 3 months	83.1	133.5
5 years or less but over 1 year	110.7	33.4
Over 5 years	3.9	1.6
	<u>521.5</u>	<u>637.5</u>

26. CUSTOMER ACCOUNTS - Group

	1998	Restated 1997
	£m	£m
With agreed maturity dates or periods of notice by remaining maturity:-		
Repayable on demand	58.6	83.5
3 months or less	64.4	157.8
1 year or less but over 3 months	16.2	61.8
5 years or less but over 1 year	14.9	16.0
	<u>154.1</u>	<u>319.1</u>

27. CERTIFICATES OF DEPOSIT IN ISSUE - Group

	1998	1997
	£m	£m
Certificates of deposit in issue by remaining maturity:-		
3 months or less	65.0	88.2
1 year or less but over 3 months	88.0	112.3
	<u>153.0</u>	<u>200.5</u>

NOTES TO THE FINANCIAL STATEMENTS

28. OTHER LIABILITIES - Group

	1998	Restated 1997
	£m	£m
Foreign exchange and interest rate contracts	10.4	38.1
Present value of future interest flows	-	0.2
Trade creditors	7.3	2.9
Settlement creditors	76.7	75.5
Taxation	42.8	33.5
Other liabilities	8.0	3.7
Dividend proposed	14.2	30.5
	<u>159.4</u>	<u>184.4</u>

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

The present value of future interest flows represents the present value of future interest payable on loans and certificates of deposit, which are included in trading portfolios.

29. DEFERRED TAXATION - Group

	1998	1997
	£m	£m
Full provision for deferred taxation		
- other timing differences	14.5	17.0
At 1 January	17.0	12.4
Arising on acquisition	-	1.3
Transfer (to)/from profit and loss account	(1.1)	5.0
Other movements	(1.4)	(1.7)
At 31 December	<u>14.5</u>	<u>17.0</u>

30. OTHER PROVISIONS FOR LIABILITIES AND CHARGES - Group

	Provision for Pensions and PRMB*	General Provision	Other Provisions	Total
	£m	£m	£m	£m
At 1 January 1998	5.5	10.0	9.9	25.4
Charge for the year	(0.5)	-	(2.3)	(2.8)
At 31 December 1998	<u>5.0</u>	<u>10.0</u>	<u>7.6</u>	<u>22.6</u>

*Post Retirement Medical Benefits

The pensions and PRMB charge is net of £0.5m release of the provision for pensions (see note 12). Other provisions represent an amount of £6.6m in respect of payments required in the event that certain performance criteria are not met by funds managed by the Group.

31. CALLED UP SHARE CAPITAL

	1998	1997
	£m	£m
Authorised 300,000,000 (1997: 300,000,000) ordinary shares of 25p each	75.0	75.0
Authorised 2,200,000 (1997: 2,200,000) redeemable shares of £1 each	2.2	2.2
	<u>77.2</u>	<u>77.2</u>
Allotted and fully paid 284,614,156 (1997: 284,614,156) ordinary shares of 25p each	71.2	71.2
Allotted and fully paid 2,041,600 (1997: 2,041,600) redeemable shares of £1 each	2.0	2.0
	<u>73.2</u>	<u>73.2</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.

NOTES TO THE FINANCIAL STATEMENTS

32. RESERVES

	GROUP			COMPANY			
	Share	Restated		Share	Revaluation	Profit and	
	Premium	Profit and	Total	Premium	Reserve	Loss	Total
	£m	Loss	£m	£m	£m	£m	£m
At 1 January 1998	42.2	77.4	119.6	42.2	76.3	0.6	119.6
Revaluation during year	-	-	-	-	-	-	-
Retained (loss)/profit	-	(0.8)	(0.8)	-	-	26.3	26.3
Negative goodwill amortised	-	(3.2)	(3.2)	-	(30.3)	-	(30.3)
At 31 December 1998	42.2	73.4	115.6	42.2	46.5	26.9	115.6

Following the introduction of Financial Reporting Standard No 10, Goodwill and Intangible Assets, the negative goodwill of £4.2m arising prior to 31 December 1998 was transferred to the profit and loss reserve and the comparative figures have been restated accordingly. The profit and loss reserve also includes £1.2m of positive goodwill arising in previous periods.

33. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group	
	1998 £m	1997 £m
Profit for the financial year	56.8	59.9
Dividends	(57.6)	(60.5)
Retained deficit	(0.8)	(0.6)
Goodwill on acquisition	-	(1.2)
Negative goodwill on acquisition	-	4.2
Negative goodwill amortised	(3.2)	-
Net (reduction)/addition to shareholders' funds	(4.0)	2.4
Opening shareholders' funds	<u>192.8</u>	<u>190.4</u>
Closing shareholders' funds	<u>188.8</u>	<u>192.8</u>

The shareholders' funds for the Group are attributable to equity interests apart from £2.0m attributable to redeemable shares (see note 31).

34. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

	Group		Company	
	1998 £m	1997 £m	1998 £m	1997 £m
Denominated in sterling	1,111.2	1,157.5	188.8	192.8
Denominated in currency other than sterling	<u>167.8</u>	<u>472.6</u>	<u>-</u>	<u>-</u>
Total Assets	<u>1,279.0</u>	<u>1,630.1</u>	<u>188.8</u>	<u>192.8</u>
Denominated in sterling	1,111.3	1,256.0	188.8	192.8
Denominated in currency other than sterling	<u>167.7</u>	<u>374.1</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,279.0</u>	<u>1,630.1</u>	<u>188.8</u>	<u>192.8</u>

The Group also has commitments under forward and future exchange rate contracts and therefore the above does not represent the Group's exposure to foreign exchange rate movements.

NOTES TO THE FINANCIAL STATEMENTS

35. DERIVATIVES TRANSACTIONS

Quantitative disclosures

The table below highlights the notional principal of the Group's non-trading and trading derivatives. The latter is further split between gross positive and negative replacement cost.

	1998	1998	1998	1998	1997	1997	1997	1997
	Non-Trading	Trading	Trading	Trading	Non-Trading	Trading	Trading	Trading
	Notional	Notional	Gross	Gross	Notional	Notional	Gross	Gross
	Principal	Principal	Positive	Negative	Principal	Principal	Positive	Negative
	£m	£m	Fair value	Fair value	£m	£m	Fair value	Fair value
Exchange rate contracts	-	463.6	10.3	10.4	-	1,764.5	53.4	33.5
Interest rate contracts	-	167.7	-	-	83.2	1,583.9	2.1	4.7
	-	631.3	10.3	10.4	83.2	3,348.4	55.5	38.2

Exchange rate contracts include forward foreign exchange, foreign exchange swaps and foreign exchange options. Interest rate contracts include forward rate agreements (FRAs), interest rate swaps and options. Notional principal and positive replacement cost for non-trading and trading transactions is further analysed by residual maturity.

	1998	1998	1998	1998	1997	1997	1997	1997
	Within	One to	Over Five		Within One	One to Five	Over Five	
	One Year	Five Years	Years	Total	Year	Years	Years	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Positive replacement cost								
- Exchange rate contracts	10.3	-	-	10.3	46.5	6.9	-	53.4
- Interest rate contracts	-	-	-	-	0.4	1.9	-	2.3
	10.3	-	-	10.3	46.9	8.8	-	55.7
Notional principal of the above								
- Exchange rate contracts	236.6	-	-	236.6	778.6	66.0	-	844.6
- Interest rate contracts	25.0	47.4	-	72.4	614.7	170.0	-	784.7
	261.6	47.4	-	309.0	1,393.3	236.0	-	1,629.3

The table below highlights the notional principal and positive replacement cost by counterparty.

	1998	1997	1998	1997
	Notional	Notional	Positive	Positive
	Principal	Principal	Replacement	Replacement
	£m	£m	Cost	Cost
			£m	£m
Financial institutions	309.0	1,619.6	10.3	55.7
Other	-	9.7	-	-
Total	309.0	1,629.3	10.3	55.7
OECD	309.0	1,629.3	10.3	55.7
Non OECD	-	-	-	-
Total	309.0	1,629.3	10.3	55.7

NOTES TO THE FINANCIAL STATEMENTS

35. DERIVATIVES TRANSACTIONS (continued)

Qualitative disclosures

In the normal course of its business, the Company enters into both exchange traded and over the counter derivative transactions in the foreign exchange and interest rate markets. In common with all other dealing activities in the Company, all such products have to be pre-approved, and a formal policy exists clearly setting out the trading limits. The majority of such trades are proprietary and with counterparties who are primarily banks and other financial institutions also operating within counterparty limits.

Dealing in derivative instruments gives rise to three different types of risk, for which limits are set. These are market risk, liquidity risk and credit risk.

Market risk is the risk of incurring losses if either the interest rate, the foreign exchange rate, or the market value of the underlying security, moves adversely. These risks are quantified on a daily basis and a limit is set on the size of the potential loss, expressed in sterling terms, that could occur over a given period. This risk is measured in terms of Value at Risk (VAR) which, for interest rate books, is calculated using a historical simulations approach to determine the effect on the portfolios of adverse movements in market rates. All movements in rates, on an overnight basis, are compiled using a one year observation period and the results expressed using a probability factor of 99%. Whilst the Basle Committee's Accord on Banking Supervision concluded that the holding period used to measure VAR for market risk capital purposes should be ten business days, it is considered that a one day holding period for calculation of position risk for trading purposes is reasonable, given that normal market conditions provide adequate liquidity in the instruments in which the bank trades to enable trading managers to adjust risk on a daily basis. Following the transfer of the Treasury Division of the bank to Crédit Commercial de France SA - London Branch (CCF-LB), on 31 July 1998, all market risk was minimised as trades were either novated or negated through the writing of equal and opposite transactions with CCF-LB. VAR was monitored to ensure these transfers were effectively implemented. As at 31 December 1998 the VAR utilisation therefore amounted to £nil (1997: £0.4m) against a limit of £1.25m (1997: £1.25m). Independent specified scenarios were also reviewed on a regular basis as part of a stress testing approach.

Liquidity risk is the risk that the Group will have insufficient funds to meet its liabilities. The bank has a formal policy designed to ensure that it is able, at all times, to meet its obligations as they fall due, ensuring that the liquidity risk is minimised. Liquidity limits are monitored daily and include all cash flows resulting from derivative transactions.

All matters concerning market risk, liquidity risk and trading limits were reviewed on a fortnightly basis by the Market Risk Committee, which consists of both Treasury and independent Financial Control management prior to transfer. Proposals for changes in these risk limits were agreed within this forum, and permission was then sought from the Bank Executive Committee which is composed of senior bank management. The implementation and monitoring of these policies is undertaken by the Risk Management Unit which is independent of Treasury management, and reports directly to the Financial Control Department. The calculation of both profit and loss and VAR (and all other sub-limits) for the Treasury Division is carried out on a daily basis.

The Credit Department is responsible for all matters relating to credit risk. The credit risk on derivatives is calculated using the current "mark to market plus an add-on percentage" approach. This percentage is weighted according to maturity and product, and allows for any increased exposure to loss due to interest rate movements. It is a principal role of the Credit Committee to review and sanction all changes in counterparty credit limits.

36. CONTINGENT LIABILITIES AND COMMITMENTS GROUP

	1998 £m	1997 £m
i) Contingent liabilities		
Acceptances and endorsements		
- Contract amount	24.5	54.4
- Credit equivalent amount	24.5	54.4
- Weighted risk assets	<u>8.1</u>	<u>36.5</u>
Guarantees and irrevocable letters of credit		
- Contract amount	2.2	7.9
- Credit equivalent amount	1.8	6.1
- Weighted risk assets	<u>1.4</u>	<u>4.9</u>

NOTES TO THE FINANCIAL STATEMENTS

36. CONTINGENT LIABILITIES AND COMMITMENTS GROUP (continued)	1998	1997
	£m	£m
ii) Commitments		
Undrawn credit lines and other commitments to lend		
Less than one year		
- Contract amount	<u>-</u>	<u>1.4</u>
One year and over		
- Contract amount	157.5	247.8
- Credit equivalent amount	78.7	124.1
- Weighted risk assets	<u>78.3</u>	<u>109.0</u>

37. 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. Therefore transactions with companies within the Group of companies have not been disclosed.

A subsidiary of the Company is a related party to The Charterhouse Shopping Centre Fund ("the Fund"), a United Kingdom Limited partnership, by virtue of its position as Operator of the Fund. On 31 July 1998 a subsidiary of the Company sold a shopping centre to the Fund for £15.9m, realising a profit of £2,155,570.

By virtue of the Group's 69.3% shareholdings in Falkirk Schools Partnership Limited the Company is a related party to this company and its subsidiary, Class 98 Limited. During the period the Group received an investment fee of £71,974 from Falkirk Schools Partnership Limited. In addition to this transaction the Group has purchased loan stock issued by Falkirk Schools Partnership Limited on which interest accrues at 12% compounded quarterly. No amounts of interest have been received by the Company during the period. The Group is also a related party to CVS Leasing Limited in which it owns 71% of the ordinary share capital. The Company has purchased loan stock from CVS Aircrew Leasing Limited. The loan stock carries semi-annual interest of 6.5%. No interest has been paid to the Company during the period.

The Group has investments in a number of funds in which a Group company is the General Partner and/or Manager. The principal transactions undertaken with the Funds are the provision of management services. The total fees receivable for the current year amounted to £14.2m (1997: £8.5m); of this amount £0.1m was outstanding at the year end (1997: £0.3m). Where the investment performance of the Funds has been in excess of an agreed performance criteria, payments are received in the form of cash or shares by the Managers or General Partners. Receipts by the Managers or General Partners in the year amounted to £18.4m (1997: £20.5m).

Transactions with Directors and their close family members.

Certain Directors of the Company and of Charterhouse Development Capital Holdings Limited hold "B" units in CCIT (see note 21). These holdings constitute a 23.9% interest in CCIT. Amounts receivable by the Directors of the Company are included within Directors' emoluments.

NOTES TO THE FINANCIAL STATEMENTS

38. SUBSIDIARY UNDERTAKINGS NOT CONSOLIDATED

The Group has investments in the following Limited partnerships ("Funds") in which a Group company is the general partner and/or manager:

<i>Fund</i>	Year end	Beneficial Interest %	Principal place of business	Investment	
				1998 £m	1997 £m
Charterhouse European Partners	31 December	19.18	England	-	2.7
Charterhouse Second Venture Fund	31 December	4.08	England	0.3	0.3
The Second Charterhouse Buy-Out Fund	31 December	23.35	Jersey	3.6	4.1
Charterhouse Capital Partners V	31 December	29.36	England	32.4	41.8
Charterhouse Capital Partner VI	31 December	18.75	England	34.7	-
The Charterhouse Shopping Centre Fund	31 December	15.33	England	1.3	-
				<u>72.3</u>	<u>48.9</u>

In addition, the Funds hold the following investments which fall within the definition of subsidiary or associated undertakings of the General Partner under the Companies Act 1985 and Financial Reporting Standard No 2 "Accounting for subsidiary undertakings" but which are excluded from consolidation.

<i>Fund Investment</i>	Year end	% held By Limited Partnerships	Country of Incorporation/ Registration	Nature of Business
Johnson Radley Engineering Limited	31 December	63%	England & Wales	Glass mould manufacturer
Celtic Group Holdings Limited	31 March	55%	England & Wales	Opencast coal mining
Paragon Business Furniture PLC	30 September	68%	England & Wales	Office furniture manufacturing
Landal GreenParks BV (through Bungalow Parks NV)	31 December	53%	The Netherlands	Holiday park operator
The Tussauds Group Limited	31 December	59%	England & Wales	Leisure operator
Deutsche Gesellschaft für Gesundes Leben GmbH (through Tordesil (Antilles) NV)	31 December	55%	Germany	Consumer products
Staffordshire Tableware Limited	31 July	35%	England & Wales	Ceramics
Lanstar Holdings Limited	31 December	77%	England & Wales	Waste treatment and waste oil recovery

If these Funds and the Fund investments had been equity accounted into the Group accounts based on the latest accounts received, the profit before tax would have increased by £3,282,000 (1997 \$60,743,000) and the net assets would have increased by £85,099,000 (1997 £56,805,000).

The Group also has an indirect 70% holding in the ordinary share capital of CVS Leasing Limited, a leasing company whose principal place of business is in the United Kingdom. At 31 December 1998, the cost of the investment in ordinary shares and loan stock was £1.4m. As explained in accounting policy n, the Company is excluded from consolidation as the Group's interests are restricted by long term contractual agreements. The company's financial year end is 31 December. The company's first financial reporting period is 31 March.

39. PARENT UNDERTAKINGS

The Company's immediate parent undertaking and immediate controlling party 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 1998.

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

NOTES TO THE FINANCIAL STATEMENTS

40. QUASI-SUBSIDIARY FINANCIAL INFORMATION

The following information has been extracted from the financial statements of CCIT (see note 21).

	1998 £m	1997 £m
Income and expenditure		
Turnover	4.5	-
Operating profit	4.5	-
Interest receivable	1.7	1.0
Profit before taxation	6.2	1.0
Taxation	-	-
Profit for the year	6.2	1.0
Balance sheet		
Cash at bank and in hand	18.2	27.0
Attributable to unit holders	18.2	27.0
Capital and income account		
Balances brought forward	27.0	-
Profit for the year	6.2	1.0
Capital receipts	7.1	26.0
Capital distributions	(16.6)	-
Income distributions	(5.5)	-
	18.2	27.0