

# **HSBC PROPERTY FUNDS (HOLDING) LIMITED**

**Registered Number 3335872**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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# **HSBC PROPERTY FUNDS (HOLDING) LIMITED**

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## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007**

### **Principal activities**

The Company acts as a holding company for companies established primarily to acquire and actively manage properties. No change in the Company's activities is anticipated.

### **Results and dividends**

The Company's results for the year under review are as detailed in the income statement shown in these accounts.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2007 (2006: £nil).

### **Business review**

The principal activities of the Company are set out above. In addition, the Company is a subsidiary where its parent, HSBC Specialist Investments Limited, acts as an agent and provides agency services by charging an annual management charge to the company. The service provided by the parent is seeking new business and managing and divesting the asset portfolio. The parent maintains accurate accounting and other records such as borrowing funds and settlement of all invoices relating to the services.

The business is funded by parent undertakings through equity investment and borrowings.

The Company has no employees, and all the related services are provided by the parent company.

The Company's stakeholders are limited to its subsidiaries as listed in note 7 and its parent company.

### **Directors**

The Directors who served during the year were as follows:

#### **Name**

S P de Albuquerque

E D Glover

W M F von Guionneau

C J Huxtable (Alternate to W M F von Guionneau)

T G Thorp

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 1985 and the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors.

### **Financial instruments**

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required under the Companies Act 1985 are set out in Note 11 of the Notes on the Accounts.

### **Supplier payment policy**

The Company subscribes to the Better Payment Practice Code, the four principles of which are to agree payment terms at the outset and stick to them, to explain payment procedures to suppliers, to pay bills in accordance with any contract agreed with the supplier or as required by law, and to tell suppliers without delay when an invoice is contested and settle disputes quickly. Copies of, and information about, the Code is available from BERR Publications Orderline, Admail 528, London SW1W 8YT.

It is Company practice to organise payment to its suppliers through a central purchasing unit operated by HSBC Bank plc. The payment performance of this unit is incorporated within the results of that company.

# HSBC PROPERTY FUNDS (HOLDING) LIMITED

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## REPORT OF THE DIRECTORS (continued)

### Disclosure of information to auditors

Each person who is a director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to section 234ZA of the Companies Act 1985 and should be interpreted in accordance therewith.

### Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

### Statement of directors' responsibilities in relation to financial statements

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

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The financial statements are required by law to present fairly the financial position and the performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board



L J Jenkinson  
Secretary  
28 April 2008

*Registered Office*  
8 Canada Square  
London  
E14 5HQ

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## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HSBC PROPERTY FUNDS (HOLDING) LIMITED**

We have audited the financial statements of HSBC Property Funds (Holding) Limited for the year ended 31 December 2007 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

  
KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

28 April 2008  
8 Salisbury Square  
London  
EC4Y 8BB

# HSBC PROPERTY FUNDS (HOLDING) LIMITED

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## INCOME STATEMENT for the year ended 31 December 2007

|                               | Notes | 2007<br>£   | 2006<br>£   |
|-------------------------------|-------|-------------|-------------|
| Administrative expenses       |       | (43)        | (36)        |
| <b>Operating loss</b>         |       | <b>(43)</b> | <b>(36)</b> |
| Financial income              | 2     | 137         | 115         |
| <b>Profit before taxation</b> |       | <b>94</b>   | <b>79</b>   |
| Income tax expense            | 6     | (28)        | (24)        |
| <b>Profit for the year</b>    |       | <b>66</b>   | <b>55</b>   |

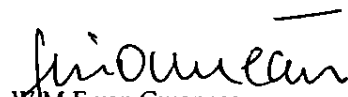
The results of the Company are derived from continuing activities

# HSBC PROPERTY FUNDS (HOLDING) LIMITED

## BALANCE SHEET as at 31 December 2007

|                                  | Notes | 2007<br>£            | 2006<br>£           |
|----------------------------------|-------|----------------------|---------------------|
| <b>Assets</b>                    |       |                      |                     |
| Investments                      | 7     | 60,086               | 60,086              |
| <b>Total non-current assets</b>  |       | <b>60,086</b>        | <b>60,086</b>       |
| Trade and other receivables      | 8     | 8,474,314            | 7,652,693           |
| Inter-company loans              |       | 127,756,797          | 73,695,027          |
| Cash and cash equivalents        | 9     | 4,518                | 4,427               |
| <b>Total current assets</b>      |       | <b>136,235,629</b>   | <b>81,352,147</b>   |
| <b>Liabilities</b>               |       |                      |                     |
| Trade and other payables         | 10    | (8,540,496)          | (7,718,854)         |
| Inter-company loans              |       | (122,756,797)        | (68,695,027)        |
| Income tax payable               |       | (28)                 | (24)                |
| <b>Total current liabilities</b> |       | <b>(131,297,321)</b> | <b>(76,413,905)</b> |
| <b>Net current assets</b>        |       | <b>4,938,308</b>     | <b>4,938,242</b>    |
| <b>Net assets</b>                |       | <b>4,998,394</b>     | <b>4,998,328</b>    |
| <b>Equity</b>                    |       |                      |                     |
| Issued share capital             | 12    | 5,000,000            | 5,000,000           |
| Retained earnings                |       | (1,606)              | (1,672)             |
| <b>Total equity</b>              |       | <b>4,998,394</b>     | <b>4,998,328</b>    |

The financial statements were approved by the Board of Directors on 28 April 2008 and signed on its behalf by

  
W M F von Guonneau  
Director

# HSBC PROPERTY FUNDS (HOLDING) LIMITED

## STATEMENT OF CASH FLOWS for the year ended 31 December 2007

|   | Notes    | 2007<br>£           | 2006<br>£           |
|---|----------|---------------------|---------------------|
| <b>Operating activities</b>                                 |          |                     |                     |
| Profit before tax   |          | 94                  | 79                  |
| Adjustment for  |          |                     |                     |
| Interest income   |          | (137)               | (115)               |
| (Increase)/decrease in trade receivables                    |          | (821,620)           | 26,161,831          |
| Increase/(decrease) in trade payables                       |          | 821,642             | (21,114,310)        |
| Interest received   |          | 137                 | 115                 |
| Income tax paid   |          | (24)                | (56)                |
| <b>Cash generated from operations</b>                       |          | <b>92</b>           | <b>5,047,544</b>    |
| <b>Investing activities</b>                                 |          |                     |                     |
| Inter-company loans given                                   |          | (54,772,886)        | (73,695,027)        |
| Acquisition of investments                                  |          | -                   | (50,102)            |
| Proceeds from sale of investments                           |          | -                   | 102                 |
| <b>Cash flows from investing activities</b>                 |          | <b>(54,772,886)</b> | <b>(73,745,027)</b> |
| <b>Financing activities</b>                                 |          |                     |                     |
| Inter-company loans received                                |          | 54,772,885          | 68,695,027          |
| <b>Cash flows from financing activities</b>                 |          | <b>54,772,885</b>   | <b>68,695,027</b>   |
| <b>Net decrease/(increase) in cash and cash equivalents</b> |          | <b>91</b>           | <b>(2,457)</b>      |
| Cash and cash equivalents at 1 January                      | 9        | 4,427               | 6,884               |
| <b>Cash and cash equivalents at 31 December</b>             | <b>9</b> | <b>4,518</b>        | <b>4,427</b>        |

## HSBC PROPERTY FUNDS (HOLDING) LIMITED

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### STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2007

|                                    | Share<br>Capital<br>£ | Retained<br>Earnings<br>£ | Total<br>Equity<br>£ |
|------------------------------------|-----------------------|---------------------------|----------------------|
| At 1 January 2007                  | 5,000,000             | (1,672)                   | 4,998,328            |
| Profit for the year                | -                     | 66                        | 66                   |
|                                    | <hr/>                 | <hr/>                     | <hr/>                |
| <b>Balance at 31 December 2007</b> | <b>5,000,000</b>      | <b>(1,606)</b>            | <b>4,998,394</b>     |
|                                    | <hr/>                 | <hr/>                     | <hr/>                |
| At 1 January 2006                  | 5,000,000             | (26,477)                  | 4,973,523            |
| Profit for the year                | -                     | 55                        | 55                   |
| Dividends                          | -                     | 24,750*                   | 24,750               |
|                                    | <hr/>                 | <hr/>                     | <hr/>                |
| Balance at 31 December 2006        | 5,000,000             | (1,672)                   | 4,998,328            |
|                                    | <hr/>                 | <hr/>                     | <hr/>                |

\*Reversal of preference dividends paid in prior year



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

### 1. Accounting policies

#### (a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations as adopted by the EU ("Adopted IFRSs"). The principal accounting policies of the Company are set out below and have been consistently applied to all the years presented, unless otherwise stated

#### (b) *Basis of preparation*

The financial statements are prepared on a historical cost basis and are presented in Sterling

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that effect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

The following IFRS was applied by the Company for the first time in these financial statements

- IFRS 7 'Financial Instruments – Disclosures' and the complementary Amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures'
- IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Company's financial instruments

#### (c) *Investments in subsidiaries*

Investments in subsidiary undertakings are included in the balance sheet at cost less provisions for diminution in value. 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) *Income tax*

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

# HSBC PROPERTY FUNDS (HOLDING) LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

1. **Accounting policies (continued)**

(d) ***Income tax (continued)***

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised

(e) ***Inter-company loans***

Inter-company loans received and given to subsidiaries and parent undertaking are interest free and repayable on demand

(f) ***Financial assets***

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Directors determine the classification of its financial assets at initial recognition

***Loans and Receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Company's loans and receivable comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet

(g) ***Cash and cash equivalents***

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts

(h) ***Financial risk management***

***Financial risk factors***

The Company has no significant exposure to credit, market or liquidity risk due to the nature of the Company's business. Transactions are generally funded by way of capital and debt obtained from the parent or other group company

The Board provides principles for overall risk management, and the Businesses have consistent policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, and the use of financial instruments

There have been no material changes in the Company's exposures to risks or process to manage their risks since the previous period

# HSBC PROPERTY FUNDS (HOLDING) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) 31 December 2007

### 2. Financial income and expense

|                           | 2007<br>£  | 2006<br>£  |
|---------------------------|------------|------------|
| <b>Financial Income</b>   |            |            |
| Interest on bank deposits | 137        | 115        |
| <b>Net finance income</b> | <b>137</b> | <b>115</b> |

### 3. Directors' remuneration

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

### 4. Auditors' remuneration

The auditors' remuneration for the current financial year was £4,300 (2006 £4,300) and, for the current and previous financial year, has been borne by a group undertaking.

### 5. Employees

The Company had no employees during the current or previous financial year.

### 6a. Income tax expense

|   | 2007<br>£ | 2006<br>£ |
|---|-----------|-----------|
| <b>Current tax:</b>                                     |           |           |
| UK corporation tax on profits of the year               | 28        | 24        |
| <b>Total income tax expense in the income statement</b> | <b>28</b> | <b>24</b> |

### 6b. Reconciliation of effective tax rate

|   | 2007<br>£ | 2006<br>£ |
|---|-----------|-----------|
| Profit before taxation  | 94        | 79        |
| Profit before taxation multiplied by standard rate of corporation tax in the UK of 30% (2006 30%) | 28        | 24        |
| <b>Total income tax expense in the income statement</b>   | <b>28</b> | <b>24</b> |

### 6c. Factors affecting future current and total tax charges

There are no factors which are expected to have a significant effect on future current and total tax charges.

# HSBC PROPERTY FUNDS (HOLDING) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) 31 December 2007

### 7. Investments in subsidiary undertakings

|                        | 2007<br>£ | 2006<br>£ |
|------------------------|-----------|-----------|
| Cost                   |           |           |
| Balance at 1 January   | 60,086    | 10,086    |
| Additions              | -         | 50,102    |
| Disposals              | -         | (102)     |
| Balance at 31 December | 60,086    | 60,086    |

The Company's subsidiary undertakings, which are all wholly owned, are listed below

| Name of Undertaking                                  | Class of Capital | Class of Business             | Country of Incorporation | Percentage shareholding |      |
|--|------------------|-------------------------------|--------------------------|-------------------------|------|
|  |                  |                               |                          | 2007                    | 2006 |
| Charterhouse Income Carry SLP Limited                | Ordinary shares  | Investment company            | UK                       | 100                     | 100  |
| Charterhouse (Jersey) Limited                        | Ordinary shares  | Holding company               | Jersey                   | 100                     | 100  |
| HSBC Property Funds Investment Limited               | Ordinary shares  | Investment company            | UK                       | 100                     | 100  |
| Charterhouse Property General Partner (No 4) Limited | Ordinary shares  | Investment company            | UK                       | 100                     | 100  |
| Charterhouse Property Nominees (No 3) Limited        | Ordinary shares  | Nominee company               | UK                       | 100                     | 100  |
| Charterhouse Property Special LP Limited             | Ordinary shares  | Investment company            | UK                       | 100                     | 100  |
| Charterhouse Retail Property Special LP Limited      | Ordinary shares  | Property investment           | UK                       | 100                     | 100  |
| CL Administration Limited                            | Ordinary shares  | Nominee company               | UK                       | 100                     | 100  |
| CL Residential Limited                               | Ordinary shares  | Investment management company | UK                       | 100                     | 100  |
| HSIL Investments Limited                             | Ordinary shares  | Investment company            | UK                       | 100                     | 100  |
| HSI Active Property Fund Nominee Limited             | Ordinary shares  | Nominee company               | UK                       | 100                     | 100  |
| HSI Active Property Fund Trustee Limited             | Ordinary shares  | Nominee company               | UK                       | 100                     | 100  |
| HSBC Property Fund Management (Guernsey) Limited     | Ordinary shares  | Management company            | Guernsey                 | 100                     | 100  |

### 8. Trade and other receivables

|                                     | 2007<br>£ | 2006<br>£ |
|-------------------------------------|-----------|-----------|
| Amounts due from group undertakings | 8,474,314 | 7,652,693 |

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 11

### 9. Cash and cash equivalents

|   | 2007<br>£ | 2006<br>£ |
|---|-----------|-----------|
| Amounts deposited with group undertakings | 4,518     | 4,427     |

# HSBC PROPERTY FUNDS (HOLDING) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2007

### 10. Trade and other payables

|                                   | 2007<br>£ | 2006<br>£ |
|-----------------------------------|-----------|-----------|
| Amounts due to group undertakings | 8,540,496 | 7,718,854 |

### 11. Financial instruments

#### 11.1 Classification of financial instruments

The accounting policies for financial instruments have been applied to the line items below

|                                | Loans and<br>Receivables | Other<br>financial<br>liabilities | TOTAL         |
|--------------------------------|--------------------------|-----------------------------------|---------------|
| <i>Financial Assets</i>        |                          |                                   |               |
| Trade and other receivables    | 8,474,314                | -                                 | 8,474,314     |
| Inter-company loans receivable | 127,756,797              | -                                 | 127,756,797   |
| Cash and cash equivalents      | 4,518                    | -                                 | 4,518         |
|                                | 136,235,629              | -                                 | 136,235,629   |
| <i>Financial Liabilities</i>   |                          |                                   |               |
| Trade and other payables       | -                        | (8,540,496)                       | (8,540,496)   |
| Inter-company loans payable    | -                        | (122,756,797)                     | (122,756,797) |
|                                | -                        | (131,297,293)                     | (131,297,293) |

#### 11.2 Market risk

Market risk is the risk that changes in the market prices, such as interest rates and equity prices will affect the Company's Profit and Loss, or the value of its holdings of financial instruments. The objective is to minimise market risk through managing and controlling the risk to acceptable parameters, while optimising the return on risk.

The Company has minimal exposure to market risk.

#### Interest rate risks

The Company has no exposure to interest rate risks as it does not have any interest bearing borrowings.

#### Currency risks

The Company has no exposure to currency risks as it does not deal in foreign currencies.

#### 11.3 Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company's only significant credit exposure is to fellow group companies. The maximum exposure to credit risk is represented by the carrying amount of trade receivables at the balance sheet date.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions. Credit risk is managed as only banks and financial institutions with a minimum rating of 'A' are accepted.

# HSBC PROPERTY FUNDS (HOLDING) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2007

### 11.4 Liquidity risk

The objective of liquidity management is to ensure that all commitments which are required to be funded can be met out of readily available and secure sources of funding

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company does this by monitoring its investment commitments and positions on an ongoing basis within limits set and approved by the HSBC group

The following are the contractual maturities of financial liabilities, excluding interest payments and excluding the impact of netting agreements

|   | Carrying<br>Amount   | Contractual<br>cash flows | 0-12 months          | 1 - 2 years | 2 years + |
|---|----------------------|---------------------------|----------------------|-------------|-----------|
| <b>2007</b>                                     |                      |                           |                      |             |           |
| <b>Non derivative<br/>financial liabilities</b> |                      |                           |                      |             |           |
| Trade and other<br>payables                     | (8,540,496)          | (8,540,496)               | (8,540,496)          | -           | -         |
| Inter-company loans                             | (122,756,797)        | (122,756,797)             | (122,756,797)        | -           | -         |
|   | <u>(131,297,293)</u> | <u>(131,297,293)</u>      | <u>(131,297,293)</u> | <u>-</u>    | <u>-</u>  |
| <b>2006</b>                                     |                      |                           |                      |             |           |
| <b>Non derivative<br/>financial liabilities</b> |                      |                           |                      |             |           |
| Trade and other<br>payables                     | (7,718,854)          | (7,718,854)               | (7,718,854)          | -           | -         |
| Inter-company loans                             | (68,695,027)         | (68,695,027)              | (68,695,027)         | -           | -         |
|   | <u>(76,413,881)</u>  | <u>(76,413,881)</u>       | <u>(76,413,881)</u>  | <u>-</u>    | <u>-</u>  |

### 11.5 Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows

|                                | <b>31 December 2007</b> |                  | <b>31 December 2006</b> |                  |
|--------------------------------|-------------------------|------------------|-------------------------|------------------|
|                                | Carrying<br>amount      | Fair value       | Carrying<br>amount      | Fair value       |
|                                | £                       | £                | £                       | £                |
| Trade and other receivables    | 8,474,314               | 8,474,314        | 7,652,693               | 7,652,693        |
| Inter-company loans receivable | 127,759,797             | 127,759,797      | 73,695,027              | 73,695,027       |
| Cash and cash equivalents      | 4,518                   | 4,518            | 4,427                   | 4,427            |
| Trade and other payables       | (8,540,496)             | (8,540,496)      | (7,718,854)             | (7,718,854)      |
| Inter-company loans payable    | (122,756,797)           | (122,756,797)    | (68,695,027)            | (68,695,027)     |
|                                | <u>4,941,336</u>        | <u>4,941,336</u> | <u>4,938,266</u>        | <u>4,938,266</u> |

# HSBC PROPERTY FUNDS (HOLDING) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) 31 December 2007

### 11.6 Capital management

HSBC Property Funds (Holding) Limited is a member of the HSBC Group of companies, and capital management is done at Group level

### 12. Share capital

|  | 2007<br>£        | 2006<br>£        |
|--|------------------|------------------|
| Authorised, allocated, called up and fully paid        |                  |                  |
| 50,000 ordinary shares of £1 each                      | 50,000           | 50,000           |
| 4,950,000 0.5% redeemable preference shares of £1 each | 4,950,000        | 4,950,000        |
|  | <u>5,000,000</u> | <u>5,000,000</u> |

The 0.5 per cent redeemable preference shares entitle the holder to receive a preferential dividend out of the current year's distributable profits at the rate of 0.5 per cent on the paid up capital

The shares are redeemable at the discretion of the Company subject to the provisions of the Companies Act and to the conditions set out in the Company's Articles of Association. There is no time limit in which to redeem the shares and no premium is payable on redemption.

### 13. Related party transactions

#### 2007

| Related Party | Amount of transaction<br>£ | Balance at 31<br>December 2007<br>£ | Details of transactions |
|---------------|----------------------------|-------------------------------------|-------------------------|
| Subsidiaries  | -                          | 8,474,314                           | Provision of services   |
| Subsidiaries  | -                          | (122,756,797)                       | Unsecured loans         |
| Parent        | -                          | (8,540,496)                         | Provision of services   |
| Parent        | -                          | 127,756,797                         | Unsecured loans         |

#### 2006

| Related Party | Amount of transaction<br>£ | Balance at 31<br>December 2006<br>£ | Details of transactions |
|---------------|----------------------------|-------------------------------------|-------------------------|
| Subsidiaries  | -                          | 7,652,693                           | Provision of services   |
| Subsidiaries  | -                          | (68,695,027)                        | Unsecured loans         |
| Parent        | -                          | (7,743,596)                         | Provision of services   |
| Parent        | -                          | 73,695,027                          | Unsecured loans         |

### 14. Parent undertakings

The Company's immediate parent company is HSBC Specialist Investments Limited, which is incorporated in England and Wales.

The Company's ultimate controlling party as defined under International Accounting Standard 24 'Related Party Disclosures' (IAS 24) is HSBC Holdings plc, which is incorporated in England and Wales.

The smallest and largest group in which the financial statements of the Company are consolidated is HSBC Holdings plc. The consolidated financial statements of HSBC Holdings plc are available to the public and may be obtained from HSBC Holdings plc, 8 Canada Square, London E14 5HQ.