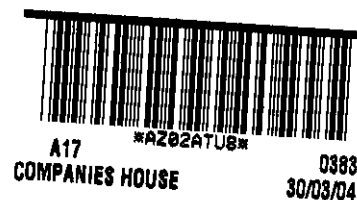


HSBC PROPERTY FUNDS (HOLDING) LIMITED
(formerly Charterhouse Property Funds (Holding) Limited)

Registered Number 3335872

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003



HSBC PROPERTY FUNDS (HOLDING) LIMITED

(formerly Charterhouse Property Funds (Holding) Limited)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2003

Principal activities

The Company acts as a property investment company. No change in the Company's activities is anticipated.

Change of name

The name of the Company was changed from Charterhouse Property Funds (Holding) Limited to HSBC Property Funds (Holding) Limited on 30 July 2003.

Results and dividends

The Company's results for the year under review are as detailed in the profit and loss account shown in these accounts.

The Directors have declared an interim dividend of £1,391,461 payable on 8 March 2004 in respect of the year ended 31 December 2003 (2002: £8,894,846).

Directors

The Directors who served during the year were as follows:

Name	Appointed
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	2 December 2003

Directors Interests

The terms of a number of Employee Benefit Trusts provide that all employees of HSBC Holdings plc and any of its subsidiary undertakings are potential beneficiaries of the Trusts. As potential beneficiaries of the Trusts, each Director of the Company is deemed to have a technical interest in all of the HSBC Holdings plc ordinary shares of US\$0.50 each held by the Trusts. At 31 December 2003 the Trusts held a total of 110,770,974 ordinary shares of US\$0.50 each (1 January 2003: 88,431,358).

None of the directors at 31 December 2003 had any other interests in the shares of the Company or in the securities of any other company in the group of which it is a member, required to be disclosed under the Companies Act 1985.

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: The Department of Trade and Industry, No. 1 Victoria Street, London SW1H 0ET.

During the year, the Company only received goods and services from group undertakings. Part VI of Schedule 7 of the Companies Act 1985, setting out reporting requirements in relation to the policy and practice on payment of creditors is, therefore, not applicable.

HSBC PROPERTY FUNDS (HOLDING) LIMITED

(formerly Charterhouse Property Funds (Holding) Limited)

REPORT OF THE DIRECTORS (continued)

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 set out in their report on page 3, 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.

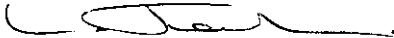
The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The directors are required to prepare these financial statements on the going concern basis unless it is not appropriate. Since the directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the going concern basis.

The directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors 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

12 February 2004

Registered Office:
8 Canada Square
London
E14 5HQ

HSBC PROPERTY FUNDS (HOLDING) LIMITED
(formerly Charterhouse Property Funds (Holding) Limited)

**INDEPENDENT AUDITORS' REPORT TO THE SOLE MEMBER OF
CHARTERHOUSE PROPERTY FUNDS (HOLDING) LIMITED**

We have audited the financial statements on pages 4 to 9.

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 are responsible for preparing the Directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 1985. 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 with the company is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants and Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

12 February 2004

HSBC PROPERTY FUNDS (HOLDING) LIMITED
(formerly Charterhouse Property Funds (Holding) Limited)

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

	Notes	2003 £	2002 £
Dividend income from subsidiaries	2	1,384,920	8,892,065
Administrative expenses		-	3,975
		<hr/>	<hr/>
Operating profit		1,384,920	8,896,040
Profit on disposal of a subsidiary undertaking		6,540	-
Interest receivable and similar income		1	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,391,461	8,896,040
Tax charge on profit on ordinary activities	6	-	(1,194)
		<hr/>	<hr/>
Profit for the financial year		1,391,461	8,894,846
Dividends	7	(1,391,461)	(8,894,846)
		<hr/>	<hr/>
Retained profit for the financial year	13	-	-
		<hr/>	<hr/>

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.

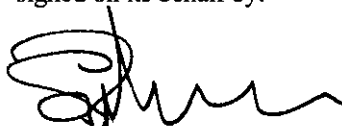
The results of the Company are derived entirely from continuing operations.

HSBC PROPERTY FUNDS (HOLDING) LIMITED
(formerly Charterhouse Property Funds (Holding) Limited)

BALANCE SHEET
as at 31 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Investments in subsidiary undertakings	8	10,086	10,088
Current assets			
Debtors	9	26,531,574	30,684,945
Cash at bank and in hand	10	6,551	9
		<u>26,538,125</u>	<u>30,684,954</u>
Creditors - amounts falling due within one year	11	<u>(21,548,211)</u>	<u>(25,695,042)</u>
Net current assets		<u>4,989,914</u>	<u>4,989,912</u>
Net assets		<u>5,000,000</u>	<u>5,000,000</u>
Capital and reserves			
Called up share capital	12	5,000,000	5,000,000
Profit and loss account	13	-	-
Total shareholders' funds	14	<u>5,000,000</u>	<u>5,000,000</u>
Equity shareholders funds		50,000	50,000
Non-equity shareholders funds		4,950,000	4,950,000
		<u>5,000,000</u>	<u>5,000,000</u>

The financial statements on pages 4 to 9 were approved by the Board of Directors on 12 February 2004 and signed on its behalf by:



S P de Albuquerque
Director

HSBC PROPERTY FUNDS (HOLDING) LIMITED

(formerly Charterhouse Property Funds (Holding) Limited)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

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. The principal accounting policies of the Company are set out below and have remained unchanged from the previous year.

(b) *Investments*

Investments in subsidiary undertakings are carried at cost less provisions for impairment in value. In accordance with the exemption available under Section 228 (a) of the Companies Act 1985, the Company has not prepared consolidated financial statements.

(c) *Deferred taxation*

Except where otherwise required by accounting standards, full provision, without discounting, is made for all timing differences which have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that amounts are recoverable through deduction from suitable future profits.

(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 "Cash Flow Statements (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. Other operating income

	2003	2002
	£	£
Dividends receivable	1,384,920	8,892,065

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 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.

HSBC PROPERTY FUNDS (HOLDING) LIMITED
(formerly Charterhouse Property Funds (Holding) Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2003

6a. Tax charge on profit on ordinary activities

	2003	2002
	£	£
Current tax:		
UK corporation tax on profits of the period	-	1,193
Adjustments in respect of previous periods	-	1
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	-	1,194
	<hr/>	<hr/>

6b. Factors affecting tax charge for year

	2003	2002
	£	£
Profit on ordinary activities before taxation	1,384,920	8,896,040
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	415,476	2,668,812
Effects of:		
Income not subject to taxation	(413,514)	(2,667,619)
Profit on disposal of investment not taxable	(1,962)	-
Adjustments to tax charge in respect of previous periods	-	1
	<hr/>	<hr/>
Total current tax charge	-	1,194
	<hr/>	<hr/>

7. Dividends

	2003	2002
	£	£
On equity shares:		
Interim dividend proposed	1,366,711	8,870,096
On non-equity shares:		
Dividend of 0.5% on redeemable preference shares	24,750	24,750
	<hr/>	<hr/>
	1,391,461	8,894,846
	<hr/>	<hr/>

HSBC PROPERTY FUNDS (HOLDING) LIMITED
(formerly Charterhouse Property Funds (Holding) Limited)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2003

8. Investments in subsidiary undertakings

	2003
	£
Cost	
Balance at 1 January 2003	10,088
Disposals	(2)
	<hr/>
Balance at 31 December 2003	10,086
	<hr/>

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

Name of Undertaking	Class of Capital	Class of Business
Charterhouse Income Carry SLP Limited	Ordinary shares	Investment company
Charterhouse (Jersey) Limited	Ordinary shares	Holding company
HSBC Property Fund Investment Limited	Ordinary shares	Investment company
Charterhouse Property General Partner (No 4) Limited	Ordinary shares	Investment company
Charterhouse Property Special LP Limited	Ordinary shares	Investment company
Charterhouse Retail Property Special LP Limited	Ordinary shares	Property investment
CL Administration Limited	Ordinary shares	Nominee company
CL Residential Limited	Ordinary shares	Investment management company
IO Nominees Limited	Ordinary shares	Nominee company
HSI Active Property Fund Nominee Limited	Ordinary shares	Nominee company
HSI Active Property Fund Trustee Limited	Ordinary shares	Nominee company

9. Debtors

	2003	2002
	£	£
Amounts due from group undertakings	26,531,574	30,684,945
	<hr/>	<hr/>

10. Cash at bank and in hand

	2003	2002
	£	£
Amounts deposited with group undertakings	6,551	9
	<hr/>	<hr/>

11. Creditors - amounts falling due within one year

	2003	2002
	£	£
Amounts due to group undertakings	20,156,750	16,799,002
Corporation tax payable	-	1,194
Dividends proposed	1,391,461	8,894,846
	<hr/>	<hr/>
	21,548,211	25,695,042
	<hr/>	<hr/>

Amounts due to group undertakings are interest free. There is no fixed repayment period.

HSBC PROPERTY FUNDS (HOLDING) LIMITED **(formerly Charterhouse Property Funds (Holding) Limited)**

NOTES TO THE FINANCIAL STATEMENTS (continued) **31 December 2003**

12. Share Capital

	2003 £	2002 £
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>

13. Profit and loss account

	2003 £	2002 £
Balance at 1 January	-	-
Profit for the financial year	1,391,461	8,894,846
Dividends proposed	(1,391,461)	(8,894,846)
	<u>-</u>	<u>-</u>
Balance at 31 December	-	-

14. Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Balance at 1 January	5,000,000	5,000,000
Profit for the financial year	1,391,461	8,894,846
Dividends proposed	(1,391,461)	(8,894,846)
	<u>5,000,000</u>	<u>5,000,000</u>
Balance at 31 December	5,000,000	5,000,000

15. 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.

16. Parent undertakings

The Company's immediate parent company is HSBC Specialist Investments Limited. The Company's ultimate controlling party as defined under Financial Reporting Standard 8 'Related Party Disclosures' (FRS 8) is HSBC Holdings plc, which is incorporated in England. 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, Group Corporate Affairs, 8 Canada Square, London E14 5HQ.