

Charterhouse Finance Corporation Limited

Financial Statements
31 December 2011

Registered No: SC019600

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Financial Statements

31 December 2011

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Directors' report for the year ended 31 December 2011

Principal activities

The principal activity of Charterhouse Finance Corporation Limited (the Company) is to act as an investment company in unlisted companies, by direct investment or through management funds. No change in the Company's activities is anticipated.

Business review

Support services for the Company were provided by HSBC Bank plc. These services included the maintaining of accurate accounting and other records such as cash management and the collection and settlement of receivables and payables as they became due.

The Company has no employees, and all the related services are provided by fellow HSBC Group companies.

The Company's stakeholders are limited to its parent company.

Risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 13 of the financial statements.

Performance

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

The key performance indicator used by management in assessing the performance of the Company is the monitoring of the net return on each individual underlying transaction the Company enters into. Monthly management accounts are prepared and reviewed by the management of the HSBC Business in which this company resides.

Future developments

The Directors do not anticipate that the Company will make any further commitments to invest either directly or through managed funds.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2011 (2010: £1,500,000). Dividend payments will be reflected in the financial statements in the period in which they are paid.

Going concern basis

The Financial Statements are not prepared on a going concern basis. As the Directors intend to place the Company in voluntary liquidation, the accounts have been prepared on a breakup basis.

Directors' report for the year ended 31 December 2011 (continued)

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
V J B Mansell		
J Subramaniam		
P J Reid		28 April 2011

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 UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors.

Supplier payment policy

The Company does not currently subscribe to any code or standard on payment practice. It is the Company's policy, however, to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment.

Capital management

The Company is not subject to any externally imposed capital requirements and is dependent on the HSBC group to provide necessary capital resources which are therefore managed on a group basis.

The Company defines capital as total shareholders equity. It is HSBC's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Company's approach to capital management during the year.

Disclosure of information to auditor

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/she ought to have taken as a director in order to make himself/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 418 of the UK Companies Act 2006 and should be interpreted in accordance therewith.

Auditor

KPMG Audit plc are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

Directors' report for the year ended 31 December 2011 (continued)

Statement of Directors' responsibilities in respect of the Directors' Report and 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 law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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; and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors intend to place the Company in voluntary liquidation, the Financial Statements are prepared on a breakup basis and not a going concern basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

On behalf of the Board



V J B Mansell

Director

Registered Office
50 Lothian Road
Festival Road
Festival Square
Edinburgh
EH3 9WJ
Scotland

Date 3 July 2012

Independent Auditor's Report to the Members of Charterhouse Finance Corporation Limited

We have audited the financial statements of Charterhouse Finance Corporation Limited for the year ended 31 December 2011 set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. These accounts have not been prepared on the going concern basis for the reason set out in note 1 to the financial statements.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

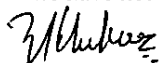
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Zaffarali S Khakoo (Senior Statutory Auditor)

KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

Date 3 July 2012

Financial Statements

Income statement for the year ended 31 December 2011

	<i>Notes</i>	2011 £'000	2010 £'000
Finance income/(costs)			
Interest income	3	-	62
		-	62
Administrative expense	4	(9)	(9)
(Loss)/profit before tax		(9)	53
Tax credit/(expense)	5	2	(938)
Loss for the year		(7)	(885)

Statement of comprehensive income for the year ended 31 December 2011

	2011 £'000	2010 £'000
Loss for the year	(7)	(885)
Other comprehensive income/(expense)		
Available-for-sale investments		
- change in fair value of available for sale equity securities	(117)	(39)
- add: Associated deferred tax taken directly to equity	33	13
Other comprehensive expense for the year, net of tax	(84)	(26)
Total comprehensive expense for the year	(91)	(911)
Total comprehensive expense for the year attributable to the shareholders	(91)	(911)

The accounting policies and notes on pages 10 to 18 form an integral part of these financial statements.

Financial Statements (continued)

Statement of financial position as at 31 December 2011

	Notes	2011 £'000	2010 £'000
ASSETS			
Non-current assets			
Financial investments	6	-	422
		-	422
Current assets			
Cash and cash equivalents held with other group undertakings	15	7,422	7,435
Financial investments	6	305	-
Current tax assets	8	1	-
		7,728	7,435
Total assets		7,728	7,857
LIABILITIES AND EQUITY			
Current liabilities			
Other financial liabilities	9	9	9
Current tax liabilities	9	-	5
		9	14
Non-current liabilities			
Deferred tax liabilities	7	21	54
		21	54
Total liabilities		30	68
Equity			
Called up share capital	10	7,500	7,500
Available-for-sale fair value reserve		63	147
Retained earnings		135	142
Total equity		7,698	7,789
Total equity and liabilities		7,728	7,857

The accounting policies and notes on pages 10 to 18 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 3 July 2012 signed on its behalf by:



V J B Mansell
Director

Company Registration No: SC019600

Financial Statements (continued)**Statement of cash flows for the year ended 31 December 2011**

	<i>Notes</i>	2011 £'000	2010 £'000
Cash flows from operating activities			
(Loss)/profit before tax		(9)	53
Adjustments for:			
– Tax paid		(4)	(886)
Net cash generated from operating activities		(13)	(833)
Cash flows from financing activities			
Dividends paid		-	(1,500)
Net cash from financing activities		-	(1,500)
Net decrease in cash and cash equivalents		(13)	(2,333)
Cash and cash equivalents brought forward		7,435	9,768
Cash and cash equivalents carried forward		7,422	7,435

The accounting policies and notes on pages 10 to 18 form an integral part of these financial statements.

Financial Statements (continued)

Statement of changes in equity for the year ended 31 December 2011

	Called up share capital	Share premium	Retained earnings	Other reserves	Available- for-sale fair value reserve	Total shareholders' equity
	£'000	£'000	£'000	£'000	£'000	£'000
Year Ended 31 December 2011						
At 31 December 2010	7,500	-	142	-	147	7,789
Loss for the year	-	-	(7)	-	-	(7)
Other comprehensive expense (net of tax)	-	-	-	-	(84)	(84)
Available-for-sale investments	-	-	-	-	(84)	(84)
Total comprehensive expense for the year	-	-	(7)	-	(84)	(91)
Dividends to shareholders	-	-	-	-	-	-
At 31 December 2011	7,500	-	135	-	63	7,698

	Called up share capital	Share premium	Retained earnings	Other reserves	Available- for-sale fair value reserve	Total shareholders' equity
	£'000	£'000	£'000	£'000	£'000	£'000
Year Ended 31 December 2010						
At 1 January 2010	7,500	-	2,527	-	173	10,200
Loss for the year	-	-	(885)	-	-	(885)
Other comprehensive expense (net of tax)	-	-	-	-	(26)	(26)
Available-for-sale investments	-	-	-	-	(26)	(26)
Total comprehensive expense for the year	-	-	(885)	-	(26)	(911)
Dividends to shareholders	-	-	(1,500)	-	-	(1,500)
At 31 December 2010	7,500	-	142	-	147	7,789

The accounting policies and notes on pages 10 to 18 form an integral part of these financial statements.

Shareholders' equity is wholly attributable to equity shareholders.

Notes on the Financial Statements (continued)

2 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2011, there were no unendorsed standards effective for the year ended 31 December 2011 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company.

During the year, the Company adopted a number of standards, interpretations and amendments thereto which had an insignificant effect on the financial statements.

(b) Future accounting developments

At 31 December 2011, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2011. None of these are expected to have a significant effect on the results or net assets of the Company when adopted.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except where stated otherwise.

(c) Going concern

The Financial Statements are not prepared on a going concern basis. As the Directors intend to place the Company in voluntary liquidation, the accounts have been prepared on a breakup basis.

(d) General information

Charterhouse Finance Corporation Limited is a company domiciled and incorporated in Scotland.

Notes on the Financial Statements (continued)

2 Summary of significant accounting policies

(a) Financial investments

Equity securities are classified as available for sale ('AFS'), as are investments in trust units, partnership capital and partnership loans held by the Company. Financial investments are recognised on trade date when Charterhouse Development Limited enters into contractual arrangements with counterparties to purchase securities and are derecognised when the securities are sold or the borrowers repay their obligations. These securities are initially measured at fair value plus direct and incremental transaction costs. They are subsequently re-measured at fair value and changes therein are recognised in equity in the other comprehensive income in 'Available-for-sale investments – fair value gains/(losses)' until the financial assets are either sold or become impaired.

On the sale of these securities, cumulative gains or losses previously recognised in equity are recognised in the income statement and classified as investment income. Dividends are recognised in the income statement when the right to receive payment has been established and are classified as investment income.

An assessment is made at each balance sheet date as to whether there is any objective evidence of impairment, being circumstances where an adverse impact on estimated future cash flows of the financial asset or group of assets can be reliably estimated.

If an AFS security is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement.

Certain investments in partnership loans which do not have fixed repayment date and mandatory repayment terms are not considered different from investments in partnership capital. Such partnership loans, along with the relevant partnership capital, are considered as a single investment for the purposes of fair value computation.

(b) Income tax

Income tax 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.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting period. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the Company has a legal right to offset.

Deferred tax relating to fair value remeasurement of available-for-sale investments and cash flow hedging instruments which are charged or credited directly to other comprehensive income, is also credited or charged to other comprehensive income and is subsequently recognised in the income statement when the deferred fair value gain or loss is recognised in the income statement.

Notes on the Financial Statements (continued)

(c) Foreign currencies

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the end of the reporting period. Any resulting exchange differences are included in the income statement.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined. Any exchange component of a gain or loss on a non-monetary item is recognised in other comprehensive income if the gain or loss on the non-monetary item is recognised in other comprehensive income. Any exchange component of a gain or loss on a non-monetary item is recognised in the income statement if the gain or loss on the non-monetary item is recognised in the income statement.

(d) Dividend income

Dividend income from investments is recognised in the income statement when the right to receive payment is established.

(e) Financial assets and liabilities

(i) Financial liabilities

Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. The Company derecognises the financial liability when the Company's obligations specified in the contract expire, are discharged or cancelled. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

A group undertaking acts as a treasury function, providing funding for the Company through an inter-company current account.

(ii) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash.

(f) Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

Dividends payable in relation to equity shares are recognised as a liability in the period in which they are declared.

(g) Statement of cash flows

The statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under 'Operating activities', movements in inter-company transactions are shown under the heading of 'Financing activities'. Such movements arise ultimately from the Company's financing activities, through which the Company will acquire resources intended to generate future income and cash flows.

Notes on the Financial Statements (continued)**(h) Determination of fair value**

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

The investment held by the company is not traded in an active market and, consequently, fair value is estimated based upon an analysis of the investee's financial position and results, risk profile, prospects and other factors. The exercise of judgement is required and because of uncertainties inherent in estimating fair value for such an investment, ultimately it is not until realisation of the investment that true performance is completely apparent.

(i) Use of assumptions and estimates

When preparing the financial statements, it is the Directors' responsibility to select suitable accounting policies and to make judgements and estimates that are reasonable and prudent.

There are no accounting policies that are deemed critical to the Company's IFRS results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation.

3 Finance income

	2011 £'000	2010 £'000
Interest income – other	-	62
Interest income	-	62

4 Administrative expenses

	2011 £'000	2010 £'000
Auditor's remuneration – audit fees	(9)	(9)
	(9)	(9)

The Company has no employees and hence no staff costs (2010: £Nil).

The Directors made no charge for their services. No emoluments were received or are receivable by any of the Directors in respect of their services to the Company during the year (2010: £Nil). The details regarding directors who are also directors of other group undertakings are disclosed in the financial statements of those companies.

Notes on the Financial Statements (continued)

5 Tax expense

	Notes	2011 £'000	2010 £'000
Current tax			
UK Corporation tax			
– on current year profit		(2)	15
– adjustments in respect of prior years		-	(583)
Overseas tax			
– adjustments in respect of prior years		-	1,506
Total current tax		(2)	938
Tax (credit)/expense		(2)	938

The UK corporation tax rate applying to the Company was 26.5% (2010: 28%). The UK corporation tax rate fell from 28% to 26%, effective from 1 April 2011 and a further change to 25%, effective from 1 April 2012 was substantively enacted during the period.

The following table reconciles the tax expense:

	2011 £'000	Percentage of overall profit before tax %	2010 £'000	Percentage of overall profit before tax %
Taxation at UK corporation tax rate of 26.5% (2010: 28%)	(2)	26.5	15	28.0
Adjustments in respect of prior years	-	-	(583)	(1,088.3)
Income not taxable for tax purposes	-	-	-	-
Other items	-	-	1,506	2,811.2
Overall tax (credit)/expense	(2)	26.5	938	1,750.9

In addition to the amount charged to the income statement, the aggregate amount of current and deferred tax, relating to components of other comprehensive income, was a £33,000 increase in total comprehensive income (PY: £13,000 increase in total comprehensive income).

6 Financial investments

	2011 £'000	2010 £'000
Unlisted investments		
At 1 January	422	461
Disposals	-	-
Fair value	(117)	(39)
At 31 December	305	422

The principal financial investments of the Company at the end of the reporting period were:

Name of undertaking	Class of Capital	Country of Incorporation/ registration	Type of business	Ownership Percentage 2011	Ownership Percentage 2010
Charterhouse Equity Partners III LP	Equity	UK	Investment	2.5%	2.5%

Notes on the Financial Statements (continued)

7 Deferred tax assets/liabilities

	2011 £'000	2010 £'000
At 1 January	(54)	(67)
Other comprehensive income – available-for-sale investments	33	13
At 31 December	(21)	(54)
	2011 £'000	2010 £'000
Deferred tax liabilities		
Available-for-sale investments	(21)	(54)
	(21)	(54)

8 Receivables

	2011 £'000	2010 £'000
Current tax recoverable	1	-
	1	-

9 Other financial liabilities

	2011 £'000	2010 £'000
Current		
Taxation payable	-	5
Other creditors	9	9
	9	14

10 Share capital

	2011 £'000	2010 £'000
Allotted, called up and fully paid		
7,500,000 Ordinary shares of £1 each	7,500	7,500
	7,500	7,500

11 Dividends

	2011 £'000	2011 Total per share	2010 £'000	2010 Total per share
First interim	-	-	1,500	0.2
	-	-	1,500	0.2

No dividend was declared or paid during the year (2010: £1,500,000 being £0.20 per share).

Notes on the Financial Statements (continued)

12 Analysis of financial assets and liabilities by measurement basis

The following tables analyse the carrying amount of financial assets and liabilities by category as defined in IAS 39 and by heading in the statement of financial position.

At 31 December 2011	Available-for-sale securities	Financial assets and liabilities at amortised cost	Total
	£'000	£'000	£'000
Assets			
Financial investments	305	-	305
Cash and cash equivalents	-	7,422	7,422
Total financial assets	305	7,422	7,727
Total non financial assets			1
Total assets			7,728
Liabilities			
Other financial liabilities	-	9	9
Total financial liabilities	-	9	9
Total non financial liabilities			21
Total liabilities			30
At 30 December 2010	Available-for-sale securities	Financial assets and liabilities at amortised cost	Total
	£'000	£'000	£'000
Assets			
Financial investments	422	-	422
Cash and cash equivalents	-	7,435	7,435
Total financial assets	422	7,435	7,857
Total non financial assets			-
Total assets			7,857
Liabilities			
Other financial liabilities	-	9	9
Total financial liabilities	-	9	9
Total non financial liabilities			59
Total liabilities			68

13 Risk Management

The Company's risk management policies are consistent with the HSBC Group's risk management policies. During the year the Company has no significant exposure to risks.

As part of that process, the Business' management will review the monthly management accounts of the Business. There were no changes in the Company's approach to risk management during the year.

Market risk management

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will affect the Company's income or the value of its investments.

Notes on the Financial Statements (continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk on its investments. All of the balance of £305,000 (2010: £422,000) disclosed in Note 6, is denominated in US dollars

Management keeps this risk under review by monitoring the foreign exchange rates applied upon the Company's cash and cash equivalents.

Interest rate risk

The Company is exposed to interest rate risk due to the interest receivable on the Company's bank deposits with parent/group undertakings. Interest on the deposits is receivable at floating market rates. Management keeps this risk under review, by monitoring the rates earned upon the Company's deposits.

Sensitivity analysis: interest rate risk

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2010.

	Profit or loss 100 bps increase £'000	Profit or loss 100 bps decrease £'000
As at 31 December 2011		
Financial assets		
Cash and cash equivalents	74	(74)
Total increase/(decrease)	74	(74)
As at 30 December 2010		
Financial assets		
Cash and cash equivalents	89	(89)
Total increase/(decrease)	89	(89)

Interest receipts and interest payments on the cash and cash equivalents are made with reference to the floating rates of HSBC Bank plc.

Other non interest bearing receivables and payables are excluded from these disclosures.

Investment risk management

The Company invests in listed and unlisted companies through managed funds.

Management keeps the investment risk exposure under review, through a six monthly review of all investments held by the Company.

A change of 1% in the fair value of investments at the reporting date would have increased/(decreased) investments and the fair value reserve by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit or loss 100 bps increase £'000	Profit or loss 100 bps decrease £'000
As at 31 December 2011		
Financial investments	3	(3)
Fair value reserve	2	(2)
Total increase/(decrease)	5	(5)
As at 30 December 2010		
Financial investments	4	(4)
Fair value reserve	3	(3)
Total increase/(decrease)	7	(7)

Notes on the Financial Statements (continued)

14 Fair value of financial assets and liabilities

	2011 Carrying amount £'000	2011 Estimated fair value £'000	2010 Carrying amount £'000	2010 Estimated fair value £'000
Financial assets				
Financial investments	305	305	422	422
	<u>305</u>	<u>305</u>	<u>422</u>	<u>422</u>

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2011	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial investments	-	-	305

Valuation of unlisted investments is in accordance with the International Private Equity and Venture Capital valuation guidelines issued by AFIC, BVCA and EVCA.

Short-term receivables and payables are excluded from these disclosures because their carrying amount is a reasonable approximation to fair value.

15 Related party transactions

The ultimate parent undertaking (which is the ultimate controlling party) and the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is HSBC Holdings Plc. The parent of the smallest such group is HSBC Investment Bank Holdings plc.

HSBC Investment Bank (Holdings) plc, its immediate parent company, is the Company's direct controlling party and HSBC Holdings plc is the Company's ultimate controlling party.

Copies of the group financial statements of HSBC Holdings plc may be obtained from the following address:

HSBC Holdings plc
8 Canada Square
London
E14 5HQ
www.hsbc.com

Particulars of transactions, arrangements and agreements involving related parties are as follows:

HSBC Bank plc

At 31 December 2011, the Company had deposits with HSBC Bank plc of £7,421,542 (2010: £7,434,850). These deposits were interest bearing at market rates.