

Charterhouse Management Services Limited  
Registered No: 171831

Financial Statements for the year ended 31 December 2015

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**Financial Statements for the year ended 31 December 2015**

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**Contents**

Strategic Report	1
Directors' Report	2
Statement of Directors' Responsibilities	4
Independent auditors' report to the members of Charterhouse Management Services Limited	5
Income statement	7
Statement of financial position	8
Statement of cash flows	9
Statement of changes in equity	10
Notes on the financial statements	11

**Principal activities**

The principal activity of Charterhouse Management Services Limited ("the Entity" or "the Company") is to act as an investment holding entity. No change in the Entity's activities is anticipated.

**Review of the Entity's business**

The Entity has no employees. Services required are provided by fellow subsidiaries of HSBC Holdings plc ("the HSBC Group"). The Entity has no stakeholders other than its parent Entity.

The business is funded principally by a parent undertaking through equity investment and other liabilities.

**Performance**

The Entity's results for the year under review are as detailed in the income statement shown on page 7 of these financial statements.

During the year, the Entity recognised a reversal of an impairment loss for the investment in subsidiary Charterhouse Administrators (DT) Limited, for the amount of £20,423 (2014: £11,047).

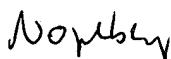
**Key performance indicators**

As the Entity is managed as part of a global bank, there are no key performance indicators that are specific to the Entity. The key performance indicators are included in the annual report of HSBC Bank plc. Ongoing review of performance of the Entity is carried out by comparing actual performance against annually set budgets.

**Principal risks and uncertainties**

The principal financial risks and uncertainties facing the Entity are credit risk, market risk and liquidity risk. These risks, the exposure to such risks and management of risk are set out in note 14 of the financial statements.

Signed on behalf of the Board



H Vogelberg  
Director

8 Canada Square  
London  
E14 5HQ

## Directors' Report

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### Directors

The Directors who served during the year were as follows:

Name	Resigned
G Penin	
V J B Mansell	08 November 2015

H Vogelberg has been appointed as Director of the Entity on 04 January 2016.

The Articles of Association of the Entity provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Entity 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. All Directors have the benefit of directors' and officers' liability insurance.

### Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2015 (2014: £Nil).

### Significant events since the end of the financial year

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union at a date in the future to be agreed. As a result, general market conditions are expected to slow in the short to medium term. However it is too early to reliably quantify any future impact on the Company at this point in time. This is not expected to have any effect on the Company's ability to trade as a going concern.

There are no other important events affecting the Company that have occurred since the end of the financial year.

### Future developments

No change in the Entity's activities is expected.

### Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Entity has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

### Financial risk management

The principal financial risks and uncertainties facing the Entity are set out in the Strategic Report.

**Directors' Report (continued)**

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**Capital management**

The Entity 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 Entity's approach to capital management during the year.

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

**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 Entity's auditors are 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 Entity's auditors are aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

**Auditor**

Following a tender process for the audit of HSBC Holdings plc and its subsidiaries, PricewaterhouseCoopers LLP was appointed as auditors for the HSBC Group entities effective for periods ending on or after 1 January 2015.

**Directors' Report (continued)**

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**Statement of Directors' Responsibilities**

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on page 5, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing, in accordance with applicable law and regulations, a Strategic Report, a Directors' Report and financial statements for each financial year.

The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and have elected to prepare the Entity's financial statements on the same basis.

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 Entity and of the profit or loss of the Entity for that period.

In preparing these financial statements, the Directors are required to:

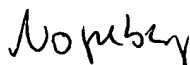
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Entity has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The Directors have responsibility for ensuring that sufficient accounting records are kept that disclose with reasonable accuracy at any time the financial position of the Entity and enable them to ensure that its financial statements comply with the Companies Act 2006.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Entity and to prevent and detect fraud and other irregularities.

Signed on behalf of the Board



H Vogelberg  
Director  
8 Canada Square  
London  
E14 5HQ

## **Charterhouse Management Services Limited**

### **Independent Auditors' Report to the Members of Charterhouse Management Services Limited**

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#### **Report on the financial statements**

##### *Our opinion*

In our opinion, Charterhouse Management Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### *What we have audited*

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

#### **Other Matters on which we are required to report by exception**

##### *Adequacy of accounting records and information and explanations received*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### *Directors' remuneration*

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Charterhouse Management Services Limited

### Independent Auditor's Report to the Members of Charterhouse Management Services Limited (continued)

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#### Responsibilities for the financial statements and the audit

##### *Our responsibilities and those of the directors*

As explained more fully in the Statement of Directors' responsibilities 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

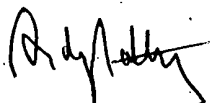
##### *What an audit of financial statements involves*

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- Whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Andrew Batty (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
Date : 2 September 2016



**Charterhouse Management Services Limited**

**Financial Statements**

**Income statement for the year ended 31 December 2015**

	<i>Notes</i>	<b>2015</b> £	<b>2014</b> £
Interest income		<u>44,047</u>	<u>33,723</u>
<b>Net operating income</b>		<b>44,047</b>	<b>33,723</b>
General and administrative expense		<u>(47,310)</u>	<u>(29,180)</u>
<b>Total operating expenses</b>		<b>(47,310)</b>	<b>(29,180)</b>
<b>Operating (loss)/profit</b>	<b>2</b>	<b>(3,263)</b>	<b>4,543</b>
Impairment reversal	<b>5</b>	<u>20,423</u>	<u>11,047</u>
<b>Profit before tax</b>		<b>17,160</b>	<b>15,590</b>
Tax expense	<b>4</b>	<u>(2,252)</u>	<u>(420)</u>
<b>Profit for the year</b>		<b>14,908</b>	<b>15,170</b>

The notes on pages 11 to 23 form an integral part of these financial statements.

**Statement of comprehensive income for the year ended 31 December 2015**

There has been no other comprehensive income or expense other than the profit for the year as shown above (2014: £Nil).

Charterhouse Management Services Limited

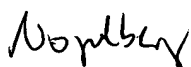
Financial Statements (continued)

Statement of financial position as at 31 December 2015

	Notes	2015 £	2014 £	2013 £
<b>Assets</b>				
Cash and cash equivalents held with other group undertakings		11,226,323	11,241,221	11,217,944
Current tax asset		7,235	7,527	-
Investments in subsidiary	5	975,060	954,637	943,590
Deferred tax asset	6	26,724	36,211	44,160
Trade and other receivables	7	275,624	261,972	269,976
<b>Total assets</b>		<b>12,510,966</b>	<b>12,501,568</b>	<b>12,475,670</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Trade and other payables	8	280,876	286,386	269,380
Current tax liabilities		-	-	6,278
<b>Total liabilities</b>		<b>280,876</b>	<b>286,386</b>	<b>275,658</b>
<b>Equity</b>				
Called up share capital	9	10,000,000	10,000,000	10,000,000
Retained earnings		2,230,090	2,215,182	2,200,012
<b>Total equity</b>		<b>12,230,090</b>	<b>12,215,182</b>	<b>12,200,012</b>
<b>Total equity and liabilities</b>		<b>12,510,966</b>	<b>12,501,568</b>	<b>12,475,670</b>

The notes on pages 11 to 23 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 2 September 2016 and were signed on its behalf by:



H Vogelberg  
Director

## Charterhouse Management Services Limited

### Financial Statements (continued)

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#### Statement of cash flows for the year ended 31 December 2015

	2015 £	2014 £
<b>Cash flows from operating activities</b>		
Profit before tax	17,160	15,590
Adjustments for:		
- non cash items included in profit before tax	(20,423)	(11,047)
- change in operating assets	(13,652)	8,004
- change in operating liabilities	(5,510)	17,006
- Tax relief/(tax paid)	7,527	(6,276)
Net cash (used in)/generated from operating activities	(14,898)	23,277
Net (decrease)/increase in cash and cash equivalents	(14,898)	23,277
Cash and cash equivalents brought forward	11,241,221	11,217,944
Cash and cash equivalents carried forward	11,226,323	11,241,221

The notes on pages 11 to 23 form an integral part of these financial statements.

**Charterhouse Management Services Limited**

**Financial Statements (continued)**

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**Statement of changes in equity for the year ended 31 December 2015**

	Called up share capital £	Retained earnings £	Total equity £
<b>2015</b>			
At 1 January 2015	10,000,000	2,215,182	12,215,182
Profit for the year	-	14,908	14,908
	<hr/>	<hr/>	<hr/>
At 31 December 2015	10,000,000	2,230,090	12,230,090
	<hr/>	<hr/>	<hr/>

	Called up share capital £	Retained earnings £	Total equity £
<b>2014</b>			
At 1 January 2014	10,000,000	2,200,012	12,200,012
Profit for the year	-	15,170	15,170
	<hr/>	<hr/>	<hr/>
At 31 December 2014	10,000,000	2,215,182	12,215,182
	<hr/>	<hr/>	<hr/>

The notes on pages 11 to 23 form an integral part of these financial statements.

Equity is wholly attributable to ordinary shareholders.

**1 Basis of preparation and significant accounting policies**

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**(a) Compliance with International Financial Reporting Standards**

International Financial Reporting Standards ('IFRSs') comprise accounting standards issued or adopted by the International Accounting Standards Board ('IASB') as well as interpretations issued or adopted by the IFRS Interpretations Committee ('IFRS IC').

The financial statements of the Entity have been prepared in accordance with the Companies Act 2006 and IFRSs as issued by the IASB and as endorsed by the EU. EU-endorsed IFRSs could differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs were not to be endorsed by the EU.

At 31 December 2015, there were no unendorsed standards effective for the year ended 31 December 2015 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 Entity. Accordingly, the Entity's financial statements for the year ended 31 December 2015 are prepared in accordance with IFRSs as issued by the IASB. These have been consistently applied to all years presented.

The entity is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. The financial statements present information about the entity as an individual undertaking.

**Standards adopted during the year ended 31 December 2015**

There were no new standards applied during the year ended 31 December 2015.

During 2015, HSBC adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements of the Entity.

**(b) Future accounting developments**

At 31 December 2015, a number of standards and amendments to standards had been issued by the IASB, which are not effective for the entity's financial statements as at 31 December 2015. None of these are expected to have a significant effect on the results or net assets of the entity when adopted.

**Standards and amendments issued by the IASB and endorsed by the EU but effective after 31 December 2015**

During 2015, the EU endorsed the amendments issued by IASB through the Annual Improvements to IFRSs. The Entity has not early applied any of the amendments effective after 31 December 2015 and it expects they will have an insignificant effect, when applied, on the financial statements of the Entity.

**Standards and amendments issued by the IASB but not endorsed by the EU**

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The standard is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available.

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

**Notes on the Financial Statements (continued)**

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The entity is currently assessing the impact of both these standards but it is not practical to quantify the effect as at the date of publication of these financial statements.

At 31 December 2015, a number of standards and amendments to standards had been issued by the IASB which are not effective for the Entity's financial statements as at 31 December 2015. None of these are expected to have a significant effect on the results of net assets of the Entity when adopted.

**(c) Changes to the presentation of the Financial Statements and Notes on the Financial Statements**

The Entity has changed its statement of financial position from the current/non current basis to the liquidity basis of presentation in order to adopt the presentation format of its parent undertaking HSBC Bank plc and thereby make the financial statements and notes thereon easier to understand. For this year of transition, the statement of financial position includes prior year comparatives.

In addition to the above, the Entity has changed the location and the wording used to describe certain accounting policies within the notes.

In applying materiality to financial statement disclosures, we consider both the amount and nature of each item. The main changes to the presentation of the financial statements and notes thereon in 2015 are as follows:

- Note 2 Summary of significant accounting policies: accounting policies have been placed, whenever possible, within the relevant Notes on the financial statements, and the changes in wording are intended to more clearly set out the accounting policies. These changes in the wording do not represent changes in accounting policies.
- Critical accounting policies: replaced 'Critical accounting policies' with 'Critical accounting estimates and judgements' and placed them within the relevant Notes alongside the significant accounting policy to which they relate. The new approach meets the reporting requirements of IAS 1 'Presentation of Financial Statements'.

**(d) Presentation of information and basis of measurement**

The financial statements present information about the Entity as an individual undertaking and not about its group. The Entity is not required to prepare consolidated financial statements by virtue of the exemption conferred by Section 400 of the Companies Act 2006.

The financial statements are prepared on the historical cost basis.

The functional currency of the Entity is Sterling, which is also the presentational currency of the financial statements of the Entity.

**(e) Critical accounting estimates and judgements**

There are no accounting policies which contain critical estimates and judgements in terms of materiality of the items to which the policies are applied, the high degree of judgement involved and the estimation uncertainty involved.

**(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 paid.

**(g) Going concern**

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Entity has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

**(h) Foreign exchange**

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 at the balance sheet date. 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 foreign exchange component of a gain or loss on a non-monetary item is recognised either in other comprehensive income or in the income statement depending where the gain or loss on the underlying non-monetary item is recognised.

**(i) Trade and other receivables**

Trade and other receivables are recognised when cash is advanced to a borrower and are derecognised when either the borrower repays its obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment allowance.

**(j) Operating income**

**Interest income**

Interest income for all financial instruments except for those classified as held for trading or designated at fair value is recognised in 'Interest income' in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

**Dividend income**

Dividend income is recognised when the right to receive a payment is established.

**(k) Cash and cash equivalents**

For the purpose of the statement of cash flows, 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.

**(l) General information**

Charterhouse Management Services Limited is a company domiciled and incorporated in England and Wales.

## 2 Operating profit

Operating profit is stated after the following items :

	2015 £	2014 £
<b>Income</b>		
Finance income - Interest income from other group undertakings	44,047	33,723
<b>Expenses</b>		
Audit remuneration	9,188	9,000
Management Fees	20,000	20,000
Other expenses	122	180

The Entity has no employees and hence no staff costs (2014: £Nil).

The Directors made no charge for their services (2014: £Nil) and their services were deemed to be provided to the Entity as a part of their services to HSBC Bank Plc.

## 3 Auditors' remuneration

During the year the Entity incurred audit remuneration fees of £9,188 (2014: £9,000). The Entity has also borne audit remuneration fees on behalf of a fellow group undertaking of £18,000 (2014: £Nil). There were no non-audit services / fees incurred during the year (2014: £Nil).

## 4 Tax

### Accounting policy

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in the same statement in which the related item appears.

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 statement of financial position date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Entity 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 balance sheet date. 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 entity has a legal right to offset.



# Charterhouse Management Services Limited

## Notes on the Financial Statements (continued)

### Tax charged to the income statement

	2015 £	2014 £
<b>Current tax</b>		
UK Corporation tax		
- for this year	(7,235)	(7,527)
- adjustments in respect of prior years	-	(2)
<b>Total current tax</b>	<b>(7,235)</b>	<b>(7,529)</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	6,598	8,542
Effect of changes in tax rates	2,889	(593)
<b>Total deferred tax</b>	<b>9,487</b>	<b>7,949</b>
<b>Total tax charged to income statement</b>	<b>2,252</b>	<b>420</b>

The UK corporation tax rate applying to the Entity was 20.25% (2014: 21.50%).

### Tax reconciliation

The following table reconciles the tax charge which would apply if all profits had been taxed at the UK Corporation tax rate:

	2015 £	Percentage of overall profit before tax %	2014 £	Percentage of overall profit before tax %
Profit before tax	17,160		15,590	
Tax at 20.25% (2014: 21.50%)	3,475	20.25	3,351	21.5
Adjustments in respect of prior period liabilities	-	-	(2)	-
Permanent disallowables	24	0.14	39	0.2
Impact due to changes in tax rates	2,889	16.84	(593)	(3.8)
Non taxable income and gains	(4,136)	(24.10)	(2,374)	(15.2)
<b>Total tax charged to income statement</b>	<b>2,252</b>	<b>13.13</b>	<b>420</b>	<b>2.7</b>

The UK Government announced that the main rate of corporation tax for the year beginning 1 April 2017 will reduce from 20% to 19% followed by a further 1% reduction to 18% for the year beginning 1 April 2020. These reductions in the corporation tax rate were enacted in the Finance (No 2) Act 2015.

The UK Government then announced in the 2016 Budget that the main rate of corporation tax will reduce to 17% for the year beginning 1 April 2020. As this charge has not been substantively enacted at the reporting date its effect has not been included in these financial statements.

It is not expected that the future rate reduction will have a significant effect to the Entity.

**5 Investment in subsidiaries****Accounting policy**

The Entity classifies investments in entities which it controls as subsidiaries.

The Entity's investments in subsidiaries are stated at cost less impairment losses. Impairment losses recognised in prior periods are reversed through the income statement if, there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

	Country of incorporation	Interest in Equity Capital	Share Class £	No. of shares
Charterhouse Administrators (D.T.) Limited	UK	100%	Ordinary 1	6,877,464
Keyser Ullmann Limited	UK	100%	Ordinary 1	30,000,000

During the year a reversal of an impairment loss for the investment in subsidiary Charterhouse Administrators (DT) Limited has been recognised of £20,423 (2014: £11,047), based on the recoverable amount, using fair value less cost to sell, of the subsidiary during the current year.

In the opinion of the Directors, the fair values of the investments in subsidiaries are not less than the amount at which they are stated in the statement of financial position.

**6 Deferred tax**

The following table shows the gross deferred tax asset recognised in the statement of financial position and the related amounts recognised in the Income Statement:

	Other temporary differences £	Total £
At 1 January 2015	36,211	36,211
Income statement expense	(6,598)	(6,598)
Tax rate change	(2,889)	(2,889)
<b>At 31 December 2015</b>	<b>26,724</b>	<b>26,724</b>

	Other temporary differences £	Total £
At 1 January 2014	44,160	44,160
Income statement expense	(8,542)	(8,542)
Tax rate change	593	593
<b>At 31 December 2014</b>	<b>36,211</b>	<b>36,211</b>

The deferred tax asset on property, plant and equipment is in respect of the accelerated capital allowances on the general pool.

**Charterhouse Management Services Limited**

**Notes on the Financial Statements (continued)**

**7 Trade and other receivables**

	2015 £	2014 £
Amounts due from other group undertakings	11,537	36
Trust deposits	264,087	261,936
	<u>275,624</u>	<u>261,972</u>

Amounts due from fellow subsidiary undertakings are unsecured and repayable on demand.

**8 Trade and other payables**

	2015 £	2014 £
Amounts owed to other group undertakings	2	2
Other liabilities	280,874	286,384
	<u>280,876</u>	<u>286,386</u>

Amounts repayable to other group undertakings are unsecured, interest free and have no fixed date of repayment.

**9 Called up share capital**

**Accounting policy**

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

	2015 £	2014 £
Issued, allotted and fully paid up		
10,000,000 Ordinary shares of £1 each		
As at 1 January and 31 December	<u>10,000,000</u>	<u>10,000,000</u>
Authorised:		
150,000,000 Ordinary shares of £1 each		
As at 1 January and 31 December	<u>150,000,000</u>	<u>150,000,000</u>

## 10 Contingent liabilities

There were no contingent liabilities as at 31 December 2015 (2014: £Nil).

## 11 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost.

The following table analyses the carrying amount of financial assets and liability by category as defined in IAS 39 and by balance sheet heading:

At 31 December 2015	Financial assets and liabilities at amortised cost £	Total £
<b>Assets</b>		
Cash and cash equivalents	11,226,323	11,226,323
Trade and other receivables	275,624	275,624
<b>Total financial assets</b>	<b>11,501,947</b>	<b>11,501,947</b>
<b>Total non financial assets</b>		<b>1,009,019</b>
<b>Total assets</b>		<b>12,510,966</b>
<b>Liabilities</b>		
Trade and other payables	280,876	280,876
<b>Total financial liabilities</b>	<b>280,876</b>	<b>280,876</b>
<b>Total liabilities</b>		<b>280,876</b>

At 31 December 2014	Financial assets and liabilities at amortised cost £	Total £
<b>Assets</b>		
Cash and cash equivalents	11,241,221	11,241,221
Trade and other receivables	261,972	261,972
<b>Total financial assets</b>	<b>11,503,193</b>	<b>11,503,193</b>
<b>Total non financial assets</b>		<b>998,375</b>
<b>Total assets</b>		<b>12,501,568</b>
<b>Liabilities</b>		
Trade and other payables	286,386	286,386
<b>Total financial liabilities</b>	<b>286,386</b>	<b>286,386</b>
<b>Total liabilities</b>		<b>286,386</b>

## 12 Fair value of financial instruments carried at fair value

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### Accounting policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, sometimes the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates. When such evidence exists, the Entity recognises a trading gain or loss on day 1, being the difference between the transaction price and the fair value.

### Critical accounting estimates and judgements

#### Valuation of financial instruments

The best evidence of fair value is a quoted price in an actively traded principal market. In the event that the market for a financial instrument is not active, and the valuation technique uses only observable market data, the reliability of the fair value measurement is high. However, when valuation techniques include one or more significant unobservable inputs, they rely to a greater extent on management judgement and the fair value derived becomes less reliable. In absence of observable valuation inputs, due to lack of or a reduced volume of similar transactions, management judgement is required to assess the price at which an arm's length transaction would occur under normal business conditions, in which case management may rely on historical prices for that particular financial instrument or on recent prices for similar instruments.

The main assumptions and estimates which management consider when applying a model with valuation techniques are:

- the likelihood and expected timing of future cash flows on the instrument; judgement may be required to assess the counterparty's ability to service the instrument in accordance with its contractual terms. Future cash flows may be sensitive to changes in market rates;
- selecting an appropriate discount rate for the instrument: Judgement is required to assess what a market participant would regard as the appropriate spread of the rate for an instrument over the appropriate risk-free rate;
- judgment to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective, for example, when valuing complex derivative products.

### Control framework

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk-taker.

**Notes on the Financial Statements (continued)**

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For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Entity will source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

**13 Fair value of financial instruments not carried at fair value**

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The fair value of financial assets and liabilities not carried at fair value are as follows: Cash and cash equivalents, receivables and other financial liabilities carrying amount as shown in the statement of financial position is a reasonable approximation of fair value as they are short term in nature.

**14 Management of financial risk**

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All of the Entity's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which comprises credit risk, liquidity risk and market risk. The management of financial risk and consideration of profitability, cash flows and capital resources form a key element in the Directors' assessment of the Entity as a going concern.

**a) Credit risk management**

Credit risk is the risk of financial loss if a customer or counterparty of the Entity fails to meet a payment obligation under a contract.

Within the overall framework of the HSBC Entity policy, the Entity has an established risk management process encompassing credit approvals, the control of exposures, credit policy direction to the business, and the monitoring and reporting of exposures.

The management of the Entity is responsible for carrying out regular reviews to assess and evaluate levels of risk exposure. The risk is considered minimal because cash held with other group undertakings forms the majority of the Entity's financial assets, and are considered to be fully recoverable.

**i. Maximum exposure to credit risk**

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

## Notes on the Financial Statements (continued)

**b) Liquidity risk management**

Liquidity risk is the risk that the Entity does not have sufficient financial resources to meet obligations as they fall due or will have access to such resources only at an excessive cost.

The Entity monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Entity will borrow funds as and when required from parent undertakings.

The Business manages liquidity risk for the entity as described above for risks generally.

The Entity has no exposure to liquidity risk at the end of the reporting year.

The following is an analysis of undiscounted cash flows payable under various financial liabilities by remaining contractual maturities at the balance sheet date:

	On demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	£	£	£	£	£	£
<b>At 31 December 2015</b>						
Trust deposits	(264,087)	-	-	-	-	(264,087)
Other payables	-	(16,787)	-	-	-	(16,787)
Amounts owed to other group undertakings	(2)	-	-	-	-	(2)
	<u>(264,089)</u>	<u>(16,787)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(280,876)</u>

	On demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	£	£	£	£	£	£
<b>At 31 December 2014</b>						
Trust deposits	(261,936)	-	-	-	-	(261,936)
Other payables	-	(24,448)	-	-	-	(24,448)
Amounts owed to other group undertakings	(2)	-	-	-	-	(2)
	<u>(261,938)</u>	<u>(24,448)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(286,386)</u>

**c) Market risk management**

Market risk is the risk that movements in market factors including interest rates, foreign exchange rates or equity and commodity prices will impact the Entity's income or the value of its portfolios.

The Entity's objective is to manage and control market rate exposures while maintaining a market profile consistent with its risk appetite.

The Entity manages market risk through risk limits approved by the HSBC Entity Executive Committee and adopted by the Entity's Board. An independent risk unit develops risk management policies and measurement techniques, and reviews limit utilisation on a daily basis.

Disclosures on foreign exchange risk and interest rate risk are provided below.

**Foreign exchange risk**

During 2015, the Entity has not been significantly exposed to foreign exchange risk (2014: £Nil).

Of the cash and cash equivalent balance of £11,226,323 (2014:£11,241,221) an amount of £1,977 (2014: £2,098) is denominated in currencies other than sterling and there is no material sensitivity to changes in exchange rates.

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

**Interest rate risk**

The Entity is exposed to interest rate risk due to the interest receivable on the Entity's bank deposits with other 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 Entity's deposits.

**Sensitivity analysis : Interest rate risk**

As at 31 December 2015, the Entity was exposed to interest rate risk on its deposits with other group undertakings which are based on floating market rates.

The effect on future net interest income of an incremental 100 basis points parallel rise or fall in interest rates at the report date (floored to 0%) amounts to an increase of £84,000 (2014:£ 84,000) or a decrease of £48,720 (2014: £33,600).

A positive interest rate sensitivity gap exists where more assets than liabilities re-price during a given period. Although a positive gap position tends to benefit net interest income in a rising interest rate environment, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted date and variations in interest rates within re-pricing periods and among currencies. Similarly, a negative interest rate sensitivity gap exists where more liabilities than assets re-price during a given period. In this case, a negative gap position tends to benefit net interest income in a declining interest rate environment, but again the actual effect will depend on the same factors as for positive interest rate gaps, as described above.

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**15 Related party transactions**

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Transactions detailed below include amounts due to/from HSBC Holdings Plc.

The Entity has a related party relationship with its parent, with other group undertakings and with its directors.

Particulars of transactions, arrangements and agreements involving third parties are disclosed elsewhere within the financial statements.



## **16 Parent undertakings**

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The ultimate parent undertaking and ultimate controlling party is HSBC Holdings Plc which is the parent undertaking of the largest group to consolidate these financial statements. HSBC Bank Plc is the parent undertaking of the smallest group to consolidate these financial statements.

The immediate parent undertaking is HSBC France SA, HSBC Bank Plc and HSBC Holdings Plc are registered in England and Wales. HSBC France SA is registered in France.

Copies of HSBC Holdings Plc and HSBC Bank Plc consolidated financial statements can be obtained from:

8 Canada Square  
London  
E14 5HQ  
[www.hsbc.com](http://www.hsbc.com)

## **17 Subsequent events**

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Following the referendum on 23 June 2016, the UK took the decision to leave the European Union at a date in the future to be agreed. As a result, general market conditions are expected to slow in the short to medium term. However it is too early to reliably quantify any future impact on the Company at this point in time. This is not expected to have any effect on the Company's ability to trade as a going concern.

There are no other important events affecting the Company that have occurred since the end of the financial year.

## **18 Capital management**

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The Entity defines capital as total shareholder's 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 Entity's approach to capital management during the year.

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