

**CHARTERHOUSE MANAGEMENT SERVICES LIMITED**

Registered No 171831

**Financial Statements for the year ended 31 December 2014**

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**CHARTERHOUSE MANAGEMENT SERVICES LIMITED**  
**Financial Statements for the year ended 31 December 2014**

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## CHARTERHOUSE MANAGEMENT SERVICES LIMITED

### Strategic Report for the year ended 31 December 2014

#### Review of the Company's business

Charterhouse Management Services Limited's ("the Company") principal activity is to act as the main United Kingdom investment holding company for HSBC France SA. No change in the Company's activities is anticipated.

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

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

#### Financial Performance

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 into which the Company enters into. Monthly management accounts are prepared and reviewed by the management of the HSBC business in which this company resides.

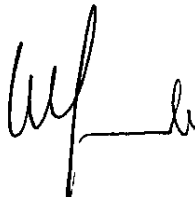
The Company's results for the year under review are as detailed in the income statement shown in these accounts.

During the year, the company recognised a reversal of an impairment loss for the investment in subsidiary Charterhouse Administrators (DT) Limited, for the amount of £11,047 (2013: £15,270).

#### 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 16 of the financial statements.

Signed on behalf of the Board



V J B Mansell  
Director

Dated 30 June 2015

Registered Office  
8 Canada Square  
London  
E14 5HQ

**CHARTERHOUSE MANAGEMENT SERVICES LIMITED**  
**Directors' Report for the year ended 31 December 2014**

**Directors**

The Directors who served during the year were as follows

<b>Name</b>	<b>Appointed</b>	<b>Resigned</b>
V J B Mansell		
G Penin	12 June 2014	

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. All Directors have the benefit of directors' and officers' liability insurance.

**Dividends**

No dividend was declared by the Directors in respect of the year ended 31 December 2014 (2013: £Nil).

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

No important events affecting the Company have occurred since the end of the financial year.

**Going concern basis**

As set out in Note 1, the financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company 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.

**Disclosure of information to the 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 or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

**Auditor**

Pursuant to Section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore KPMG Audit Plc will continue in office for the financial period 1 January 2014 to 31 December 2014.

Following a tender process for the audit of HSBC Holdings plc and its subsidiaries that took place in 2013, it was recommended that PricewaterhouseCoopers LLP be appointed as auditors for the HSBC Group entities effective for periods ending on or after 1 January 2015.

As a result KPMG Audit Plc will not be seeking reappointment as the Company's auditor for the financial year commencing 1 January 2015 and PricewaterhouseCoopers LLP will seek appointment instead.

# CHARTERHOUSE MANAGEMENT SERVICES LIMITED

## Directors's Report for the year ended 31 December 2014 (continued)

### 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 the next page, 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 the 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 Company'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 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 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 Group 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 Company 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 Company and to prevent and detect fraud and other irregularities

By order of the Board



L Wilson  
Secretary

Dated 30 June 2015

Registered Office  
8 Canada Square  
London  
E14 5HQ

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

We have audited the financial statements Charterhouse Management Services Limited for the year ended 31 December 2014 set out on pages 6 to 21. 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.

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 Auditor**

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 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 Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2014 and of its profit 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 Strategic Report and 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.



**Zaffar Ali Khakoo (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London E14 5GL  
United Kingdom

Dated 30 June 2015

# CHARTERHOUSE MANAGEMENT SERVICES LIMITED

## Financial Statements

### Income statement for the year ended 31 December 2014

	Notes	2014 £	2013 £
<b>Finance income</b>			
Interest income	3	<u>33,723</u>	<u>34,003</u>
		33,723	34,003
Impairment reversal	7	<u>11,047</u>	<u>15,270</u>
Other operating income	4	<u>-</u>	<u>11,316</u>
		44,770	60,589
Administrative expense	5	<u>(29,180)</u>	<u>(25,781)</u>
<b>Profit before tax</b>		<b>15,590</b>	<b>34,808</b>
Tax expense	6	<u>(420)</u>	<u>(12,902)</u>
<b>Profit for the year</b>		<b><u>15,170</u></b>	<b><u>21,906</u></b>

There were no acquisitions, discontinued or discontinuing operations during the year

The accounting policies and notes on pages 10 to 21 form an integral part of these financial statements

### Statement of comprehensive income for the year ended 31 December 2014

There has been no other comprehensive income or expense other than the profit for the year as shown above (2013 £Nil)

# CHARTERHOUSE MANAGEMENT SERVICES LIMITED

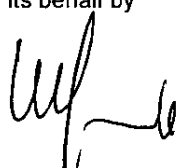
## Financial Statements (continued)

### Statement of financial position as at 31 December 2014

	Notes	2014 £	2013 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	7	954,637	943,590
Deferred tax assets	9	36,211	44,160
		<u>990,848</u>	<u>987,750</u>
<b>Current assets</b>			
Cash and cash equivalents held with other group undertakings	10	11,241,221	11,217,944
Receivables	11	261,972	269,976
Current tax assets		7,527	-
		<u>11,510,720</u>	<u>11,487,920</u>
Total assets		<u>12,501,568</u>	<u>12,475,670</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Other financial liabilities	12	286,386	269,380
Current tax liabilities		-	6,278
Total liabilities		<u>286,386</u>	<u>275,658</u>
<b>Equity</b>			
Called up share capital	13	10,000,000	10,000,000
Retained earnings		2,215,182	2,200,012
Total equity		<u>12,215,182</u>	<u>12,200,012</u>
Total equity and liabilities		<u>12,501,568</u>	<u>12,475,670</u>

The accounting policies and notes on pages 10 to 21 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 30 June 2015 and were signed on its behalf by



V J B Mansell  
Director  
Company Registration No 171831



# CHARTERHOUSE MANAGEMENT SERVICES LIMITED

## Financial Statements (continued)

### Statement of cash flows for the year ended 31 December 2014

	Notes	2014 £	2013 £
<b>Cash flows from operating activities</b>			
Profit before tax		15,590	34 808
Adjustments for			
– Interest income		(33,723)	(34,003)
– Impairment reversal		(11,047)	(15,270)
– Change in operating assets		8,004	44,684
– Change in operating liabilities		17,006	(614,301)
– Tax (paid)/received		(6,276)	837 499
Net cash generated from operating activities		(10,446)	253,417
<b>Cash flows from investing activities</b>			
Net gain from investing activities		-	1,336
Interest received		33,723	34 003
Net cash from investing activities		33,723	35 339
<b>Cash flows from financing activities</b>			
Net cash paid to other group undertakings in respect of other financing activities		-	(8,629)
Net cash outflow from financing activities		-	(8 629)
<b>Net increase in cash and cash equivalents</b>		23,277	280,127
Cash and cash equivalents brought forward	10	11,217,944	10 937,817
<b>Cash and cash equivalents carried forward</b>	10	11,241,221	11,217,944

The accounting policies and notes on pages 10 to 21 form an integral part of these financial statements

# CHARTERHOUSE MANAGEMENT SERVICES LIMITED

## Financial Statements (continued)

### Statement of changes in equity for the year ended 31 December 2014

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

	Called up share capital	Retained earnings	Total shareholders' equity
	£	£	£
<b>Year ended 31 December 2013</b>			
At 1 January 2013	10,000,000	2,178,106	12,178,106
Profit for the year	-	21,906	21,906
At 31 December 2013	<u>10,000,000</u>	<u>2,200,012</u>	<u>12,200,012</u>

The accounting policies and notes on pages 10 to 21 form an integral part of these financial statements

Shareholders' equity is wholly attributable to ordinary shareholders

# CHARTERHOUSE MANAGEMENT SERVICES LIMITED

## Notes on the Financial Statements

### 1 Basis of preparation

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

The financial statements are presented in Sterling and have been prepared on the historical cost basis

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 Company have been prepared in accordance with 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 2014, there were no unendorsed standards effective for the year ended 31 December 2014 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. Accordingly, the Company's financial statements for the year ended 31 December 2014 are prepared in accordance with IFRSs as issued by the IASB.

There were no new standards adopted during the year ended 31 December 2014.

#### (b) Future accounting developments

At 31 December 2014, a number of standards and amendments to standards had been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2014. None of these is expected to have a significant effect on the results or net assets of the Company when adopted.

#### (c) General information

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

#### (d) Consolidation

The Company 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 Company as an individual undertaking.

### 2 Summary of significant accounting policies

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#### (a) Interest income

Interest income for all financial instruments is recognised in 'Interest income' in the income statement using the effective interest method. The effective interest method is a way of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period.

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. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

## CHARTERHOUSE MANAGEMENT SERVICES LIMITED

### Notes on the Financial Statements (continued)

#### 2 Summary of significant accounting policies (continued)

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##### (b) Income tax

Income tax comprises current and deferred tax and is recognised in the income statement

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. The Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities. 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 actuarial gains and losses on post-employment benefits is recognised in other comprehensive income. Deferred tax relating to fair value re-measurement of available-for-sale investments 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.

##### (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) Subsidiaries

The Company classifies investments in entities in which it controls as subsidiaries. The Company's investments in subsidiaries are stated at cost less any impairment losses. Any impairment loss recognised in prior periods shall be reversed through the income statement if, and only if, there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

## CHARTERHOUSE MANAGEMENT SERVICES LIMITED

### Notes on the Financial Statements (continued)

#### 2 Summary of significant accounting policies (continued)

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##### (f) Financial assets and liabilities

###### (i) Loans and receivables

Loans and receivables include loans and receivables originated by the Company which are not classified either as held for trading or designated at fair value. Loans and receivables are recognised when cash is advanced to borrowers. They are derecognised when either borrowers repay their 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 losses.

###### (ii) Available-for-sale

Equity securities are classified as available for sale ('AFS'). Financial investments are recognised on trade date when the Company enters into contractual arrangements with counterparties to purchase securities and are derecognised when the securities are sold.

These securities are initially measured at fair value. They are subsequently re-measured at fair value and changes in this are recognised in equity in the 'Fair value reserve' until the securities are either sold or impaired.

The fair value of the investment that is quoted in an active market is based on bid prices. For the investment held by the Company which is not traded in an active market, 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.

An assessment is made at the end of the reporting period 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.

###### (iii) 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.

###### (iv) 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.

##### (g) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation, which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation.

# CHARTERHOUSE MANAGEMENT SERVICES LIMITED

## Notes on the Financial Statements (continued)

### (h) 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.

### (i) Determination of 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).

Subsequent to initial recognition, the fair value of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison to similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

The fair value of financial instruments is generally measured by the individual financial instrument. However, in cases where the Company manages a group of financial assets and financial liabilities according to its net exposure to either market risks or credit risk, the Company measures the fair value of the group of financial instruments on a net basis, but presents the underlying financial assets and liabilities separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

### (j) 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.

### (k) 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 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

	2014 £	2013 £
Interest income from other group undertakings	33,723	34,003
	<u>33,723</u>	<u>34,003</u>

## 4 Other operating income

	2014 £	2013 £
Other income	-	11,316
	<u>-</u>	<u>11,316</u>

There was no other income in 2014 relating to loan recoveries from previously written off loans.

# CHARTERHOUSE MANAGEMENT SERVICES LIMITED

## Notes on the Financial Statements (continued)

### 5 Administrative expenses

	2014 £	2013 £
Auditor's remuneration – audit fees		
- relating to current year audit fees	9,000	9,000
- adjustments in respect of prior years audit fees accrual	-	(11,880)
Other expenses	20,180	28,661
	<u>29,180</u>	<u>25,781</u>

The Company has no employees and hence no staff costs (2013 £Nil)

"Other expenses" include £20,000 (2013 £20,000) in respect of group management charges payable to another group undertaking

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 (2013 £Nil). The details regarding directors who are also directors of other group undertakings are disclosed in the financial statements of those companies.

### 6 Tax expense

	Notes	2014 £	2013 £
<b>Current taxation</b>			
UK corporation tax charge - on current year profit		(7,527)	6,278
UK corporation tax charge - adjustment in respect of prior year		(2)	-
Total current tax credit		<u>(7,529)</u>	<u>6,278</u>
<b>Deferred taxation</b>			
Origination and reversal of temporary differences		8,542	-
Effect of changes in tax rates		(593)	6,624
Total deferred tax	9	<u>7,949</u>	<u>6,624</u>
Total tax charged to income statement		<u>420</u>	<u>12,902</u>

The UK corporation tax rate applying to the Company was 21.5% (2013 23.25%)

The following table reconciles the tax expense which would apply if all profits had been taxed at the UK corporation tax rate

	2014 £	Percentage of overall profit before tax %	2013 £	Percentage of overall profit before tax %
Profit before tax	15,590		34,808	
Taxation at UK corporation tax rate of 21.5% (2013 23.25%)	3,351	21.5%	8,093	23.25%
Adjustments in respect of prior periods	(2)	0.0%	-	0.0%
Non Taxable income	(2,374)	(15.2)%	(3,550)	(10.2)%
Permanent disallowables	39	0.2%	1,735	5.0%
Changes in tax rates	(593)	(3.8)%	6,624	19.0%
Total tax charged to income statement	<u>420</u>	<u>2.7%</u>	<u>12,902</u>	<u>37.1%</u>

The main rate of corporation tax in the UK reduced from 23% to 21% on 1 April 2014 and was further reduced to 20% on 1 April 2015. The reduction in the corporation tax rate to 20% was enacted through the 2013 Finance Act on 17 July 2013. It is not expected that the future rate reduction will have a significant effect to the company.

# CHARTERHOUSE MANAGEMENT SERVICES LIMITED

## Notes on the Financial Statements (continued)

### 7 Investments in subsidiaries

	2014 £	2013 £
<b>Cost</b>		
At 1 January	6,877,465	8 877 667
Disposals	-	(2 000 202)
At 31 December	6,877,465	6 877 465
<b>Provision for impairment</b>		
At 1 January	5,933,875	7,948 011
Movement in impairment provisions	(11,047)	(15,270)
Disposals	-	(1,998,867)
At 31 December	5,922,828	5,933,875
Net carrying amount at 1 January	943,590	929,656
Net carrying amount at 31 December	954,637	943 590

During the year a reversal of an impairment loss for the investment in subsidiary Charterhouse Administrators (DT) Limited has been recognised of £11,047 (2013 £15,270), 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

The principal subsidiary undertakings 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	Ownership Percentage
				2014	2013
Charterhouse Administrators (DT) Limited	Ordinary Shares	UK	Investment Company	100%	100%
Keyser Ullmann Limited	Ordinary Shares	UK	Investment Company	100%	100%

### 8 Financial investments

	2014 £	2013 £
<b>Unlisted investments</b>		
At 1 January	-	1
Amounts written off	-	(1)
At 31 December	-	-



# CHARTERHOUSE MANAGEMENT SERVICES LIMITED

## Notes on the Financial Statements (continued)

### 9 Deferred tax assets

	2014 £	2013 £
At 1 January	44,160	50,784
Income statement charge	(7,949)	(6,624)
At 31 December	<u>36,211</u>	<u>44,160</u>

The deferred tax assets are attributable to the following

	2014 £	2013 £
<b>Deferred tax assets</b>		
Property plant and equipment	<u>36,211</u>	<u>44,160</u>
	<u>36,211</u>	<u>44,160</u>

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

### 10 Cash and cash equivalents

Cash and cash equivalents are analysed as

	2014 £	2013 £
Amounts held with other group undertakings	<u>11,241,221</u>	<u>11,217,944</u>

### 11 Receivables

	2014 £	2013 £
Amounts due from other group undertakings	36	34
Other receivables	-	9,562
Trust deposits	<u>261,936</u>	<u>260,380</u>
	<u>261,972</u>	<u>269,976</u>

### 12 Other financial liabilities

	2014 £	2013 £
<b>Current</b>		
Amounts due to other group undertakings		
– Fellow subsidiaries	2	2
Customer accounts	<u>261,936</u>	<u>260,380</u>
Other creditors	<u>24,448</u>	<u>8,998</u>
	<u>286,386</u>	<u>269,380</u>

## CHARTERHOUSE MANAGEMENT SERVICES LIMITED

### Notes on the Financial Statements (continued)

#### *Customer accounts*

At the date of surrendering its banking authorisation the Company held the equivalent GBP of £1,308,419 of Banking Act deposits. These 129 deposit accounts, held in various currencies, could not be repaid because these account holders could not be contacted due to their details not being available. These accounts were transferred into an independent trustee arrangement managed by Charterhouse Administrators (D T ) Limited and the monies placed with HSBC Trust Company (UK) Limited ("Trust deposits" see Note 11). The Financial Conduct Authority (FCA) has accepted this arrangement. Since the date of surrender the Company has via HSBC Trust Company (UK) Limited repaid amounts totalling £1,075,599 (2013 £1,067,847 equivalent GBP).

#### **13 Share capital**

	2014 £	2013 £
<b>Allotted, called up and fully paid</b>		
10,000,000 Ordinary shares of £1.00 each	10,000,000	10,000,000
	<u>10,000,000</u>	<u>10,000,000</u>

#### **14 Dividends**

No dividend was declared by the Directors for the year ended 31 December 2014, (2013 £Nil)

# CHARTERHOUSE MANAGEMENT SERVICES LIMITED

## Notes on the Financial Statements (continued)

### 15 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 2014	Available-for-sale securities	Financial assets and liabilities at amortised cost	Total
	£	£	£
<b>Assets</b>			
Cash and cash equivalents	-	11,241,221	11,241,221
Amounts due from other group undertakings	-	36	36
Trust deposits	-	261,936	261,936
Total financial assets	-	11,503,193	11,503,193
Total non financial assets			998,375
Total assets			12,501,568
<b>Liabilities</b>			
Amounts due to other group undertakings	-	2	2
Customer accounts	-	261,936	261,936
Other creditors	-	24,448	24,448
Total financial liabilities	-	286,386	286,386
Total non financial liabilities			-
Total liabilities			286,386

At 31 December 2013	Available-for-sale securities	Financial assets and liabilities at amortised cost	Total
	£	£	£
<b>Assets</b>			
Cash and cash equivalents	-	11,217,944	11,217,944
Amounts due from other group undertakings	-	34	34
Other receivables	-	9,562	9,562
Trust deposits	-	260,380	260,380
Total financial assets	-	11,487,920	11,487,920
Total non financial assets			987,750
Total assets			12,475,670
<b>Liabilities</b>			
Amounts due to other group undertakings	-	2	2
Customer accounts	-	260,380	260,380
Other creditors	-	8,998	8,998
Total financial liabilities	-	269,380	269,380
Total non financial liabilities			6,278
Total liabilities			275,658

# CHARTERHOUSE MANAGEMENT SERVICES LIMITED

## Notes on the Financial Statements (continued)

### 16 Risk Management

The Company has exposure to the following types of risk arising from its use of financial instruments credit risk, liquidity risk and market risk. Market risk includes interest rate risk and foreign exchange risk.

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note.

Exposure to credit risk, liquidity risk and market risk arises in the normal course of the Company's business. The Company's risk management policies are consistent with the HSBC Group's risk management policies.

The Company participates in transactions to which other HSBC group companies are also party. The HSBC business in which these companies reside (the "Business") has an established risk management process which considers the risks at the outset and on an ongoing basis in relation to each transaction from the business' perspective – this will consolidate the risks of participating companies and, as such, offsetting risks will be eliminated. To the extent there is any residual risk, management will mitigate this by implementing the appropriate instruments and these will reside in the relevant company.

There were no changes in the Company's approach to risk management during the year.

#### Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations under a contract. It arises principally from loans and advances. HSBC has standards, policies and procedures dedicated to controlling and monitoring the risk. Each operating company is required to implement credit policies, procedures and lending guidelines which conform to HSBC Group standards.

The Business manages credit risk for this entity as described above for risks generally.

Management keep the credit risk exposure under review and will take appropriate action, if there is deterioration in credit quality. This risk is minimised because cash held with other group undertakings forms the majority of the Company's financial assets. On this basis the Company considers the amounts due to be fully recoverable.

There has been no significant change in the credit quality of financial assets during the year.

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

#### Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company 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 Company will borrow funds as and when required from other group undertakings.

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

The following is an analysis of undiscounted cash flows payable under financial liabilities by remaining contractual maturities at the end of the reporting period.

	Carrying value	Contractual cash flows	On demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years
	£	£	£	£	£	£	£
<b>At 31 December 2014</b>							
Amounts due to other group undertakings	2	(2)	(2)	-	-	-	-
Customer accounts	261,936	(261,936)	(261,936)	-	-	-	-
Other creditors	24,448	(24,448)	-	(24,448)	-	-	-
	<b>286,386</b>	<b>(286,386)</b>	<b>(261,938)</b>	<b>(24,448)</b>	<b>-</b>	<b>-</b>	<b>-</b>

# CHARTERHOUSE MANAGEMENT SERVICES LIMITED

## Notes on the Financial Statements (continued)

	Carrying value	Contractual cash flows	On demand	Due within 3 months	Due between 3- 12 months	Due between 1- 5 years	Due after 5 years
	£	£	£	£	£	£	£
At 31 December 2013							
Amounts due to other group undertakings	2	(2)	(2)	-	-	-	-
Customer accounts	260,380	(260,380)	(260,380)	-	-	-	-
Other creditors	8,998	(8,998)	-	(8,998)	-	-	-
	<u>269,380</u>	<u>(269,380)</u>	<u>(260,382)</u>	<u>(8,998)</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 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

#### Foreign exchange risk

The Company is not materially exposed to foreign exchange risk. Of the cash and cash equivalent balance of £11,241,221 (2013: £11,217,944) disclosed in Note 10, the amount of £2,098 (2013: £2,243) 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 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 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 Company's deposits.

#### Sensitivity analysis: interest rate risk

The table below sets out the effect on our future net interest income of an incremental 100 basis points parallel rise or fall in interest rates at the reporting date (floored to 0%). The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013.

	Profit or loss 100 bps increase £	Profit or loss 100 bps decrease £
<b>As at 31 December 2014</b>		
Financial assets		
Cash and cash equivalents	<u>84,000</u>	<u>(33,600)</u>
Total increase/(decrease)	<u>84,000</u>	<u>(33,600)</u>
<b>As at 31 December 2013</b>		
Financial assets		
Cash and cash equivalents	<u>84,000</u>	<u>(33,600)</u>
Total increase/(decrease)	<u>84,000</u>	<u>(33,600)</u>

### 17 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.

## CHARTERHOUSE MANAGEMENT SERVICES LIMITED

### Notes on the Financial Statements (continued)

#### 18 Fair value of financial assets and liabilities

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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

#### 19 Related party transactions

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The Company 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

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, and the parent undertaking of the smallest such group is HSBC France SA, which is incorporated in France. The immediate holding company is HSBC France SA. The result of the Company is included in the group financial statements of HSBC France SA and HSBC Holdings Plc.

Copies of the group financial statements may be obtained from the following addresses

HSBC France SA  
103 avenue des Champs-Élysées  
75008  
Paris  
France

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

Other than the transactions and balances disclosed elsewhere in these financial statements, the Company did not enter into any material related party transactions during the year.

#### 20 Contingent liabilities

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There were no contingent liabilities at 31 December 2014 (2013: £Nil).

#### 21 Subsequent events

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There are no subsequent events requiring disclosure in the financial statements.