

Charterhouse Management Services Limited
Registered No: 171831

Annual Report and Financial Statements for the year ended 31 December 2018



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Annual Report and Financial Statements for the year ended 31 December 2018

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Charterhouse Management Services Limited

Strategic Report

Principal activities

Charterhouse Management Services Limited ('the Company') is a limited company domiciled and incorporated in England and Wales. Its trading address is 8 Canada Square, London E14 5HQ, United Kingdom.

The principal activity of the Company is to act as an investment holding Company. No change in the Company's activities is anticipated.

The Company is limited by shares.

Review of the Company's business

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.

Performance

The Company's results for the year under review are as detailed in the income statement shown on page 8 of these financial statements.

During the year, the Company released a provision of £20,265 (2017: £19,307) against its subsidiary Charterhouse Administrators (D.T.) Limited.

Key performance indicators

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

Principal risks and uncertainties

The principal financial risks and uncertainties facing the Company are credit risk, market risk and liquidity risk. These risks, the exposure to such risks and management of risk are set out in Note 16 of the financial statements.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('EU') with the process of leaving the EU commencing on 29 March 2017. The ultimate economic impact of the UK leaving the EU is currently uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime, this uncertainty is expected to result in market risk volatility in the short to medium term. However this is not expected to have a material impact on the results or net assets of the Company given the nature of the Company's transactions, counterparties and available security.

On behalf of the Board



H Vogelberg
Director

Dated: 25 September 2019

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Charterhouse Management Services Limited

Report of the Directors

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Name

G Penin

H Vogelberg

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

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018 (2017: nil).

Significant events since the end of the financial year

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

Future developments

No change in the Company's activities is expected.

Going concern basis

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, including future projections of profitability, cash flows and capital resources.

Financial 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 Notes on the financial statements.

Capital management

The Company 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.

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.

Independent auditors

PricewaterhouseCoopers LLP ('PwC') is external auditor to the Company. PwC has expressed its willingness to continue in office and the Board recommends that PwC be re-appointed as the Company's auditor.

Report of the Directors

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out in their report on page 6, is made with a view to distinguish the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are responsible for preparing the Annual Report and Financial Statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare a Strategic Report, a Report of the Directors 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').

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 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;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on a going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

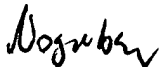
The Directors have responsibility for ensuring that sufficient accounting records are kept that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditors

In accordance with section 418 of the Companies Act 2006, the Directors' report includes a statement, in the case of each Director in office as at the date the Report of the Directors is approved, that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



H Vogelberg
Director

Dated: 25 September 2019

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Charterhouse Management Services Limited

Report of the independent auditors to the members of Charterhouse Management Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Charterhouse Management Services Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

Charterhouse Management Services Limited

Report of the independent auditors to the members of Charterhouse Management Services Limited

knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Charterhouse Management Services Limited

Report of the independent auditors to the members of Charterhouse Management Services Limited

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



David Mayland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Dated: 25 September 2019.

Charterhouse Management Services Limited**Financial statements**

Income statement for the year ended 31 December 2018

	<i>Notes</i>	2018 £	2017 £
Interest income	2	50,156	27,370
Other operating income	3	-	13,823
		<hr/>	<hr/>
Net operating income		50,156	41,193
General and administrative expenses	4	(31,971)	(35,811)
		<hr/>	<hr/>
Operating profit		18,185	5,382
Reversal of impairments on investments in subsidiaries		20,265	19,307
		<hr/>	<hr/>
Profit before tax		38,450	24,689
Tax expense	8	(3,455)	(1,036)
		<hr/>	<hr/>
Profit for the year		34,995	23,653
		<hr/>	<hr/>

Statement of comprehensive income for the year ended 31 December 2018

There has been no comprehensive income or expense other than the profit for the year as shown above (2017: nil).

Charterhouse Management Services Limited

Financial statements

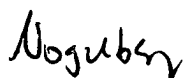
Balance sheet as at 31 December 2018

	Notes	2018 £	2017 £
Assets			
Cash and cash equivalents		11,312,851	11,275,792
Trade and other receivables	11	268,884	268,233
Investments in subsidiaries	9	1,030,977	1,010,712
Current tax asset		-	8,146
Deferred tax asset	10	25,239	25,239
Total assets		12,637,951	12,588,122
Liabilities and equity			
Liabilities			
Trade and other payables	12	324,430	313,051
Current tax liabilities		3,455	-
Total liabilities		327,885	313,051
Equity			
Called up share capital	13	10,000,000	10,000,000
Retained earnings		2,310,066	2,275,071
Total equity		12,310,066	12,275,071
Total liabilities and equity		12,637,951	12,588,122

The accompanying notes on pages 12 to 22 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 25 September 2019 and signed on its behalf by:

H Vogelberg



Director
Company Registration No: 171831

Charterhouse Management Services Limited**Financial statements**

Statement of cash flows for the year ended 31 December 2018

	2018	2017
	£	£
Cash flows from operating activities		
Profit before tax	38,450	24,689
Adjustments for:		
Non-cash items included in profit before tax	(20,265)	(19,307)
Change in operating assets	(651)	7,431
Change in operating liabilities	11,379	8,379
Tax received/(paid)	8,146	(3,564)
	<hr/>	<hr/>
Net cash used in from operating activities	(1,391)	(7,061)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	37,059	17,628
Cash and cash equivalents brought forward	11,275,792	11,258,164
	<hr/>	<hr/>
Cash and cash equivalents carried forward	11,312,851	11,275,792
	<hr/> <hr/>	<hr/> <hr/>

Charterhouse Management Services Limited

Financial statements

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital £	Retained earnings £	Total equity £
At 1 January 2018	10,000,000	2,275,071	12,275,071
Profit for the year	-	34,995	34,995
At 31 December 2018	10,000,000	2,310,066	12,310,066

	Called up Share capital £	Retained earnings £	Total equity £
At 1 January 2017	10,000,000	2,251,418	12,251,418
Profit for the year	-	23,653	23,653
At 31 December 2017	10,000,000	2,275,071	12,275,071

1 Basis of preparation and significant accounting policies

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ('IFRSs'). The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance IFRSs as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU').

At 31 December 2018, there were no unendorsed standards effective for the year ended 31 December 2018 affecting these financial statements and the Company's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

Standards adopted during the year ended 31 December 2018

The Company has adopted the requirements of IFRS 9 'Financial Instruments' from 1 January 2018. In addition, the Company has adopted the requirements of IFRS 15 'Revenue from contracts with customers'. Adoption has had no material impact on the results or net assets of the Company.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB has published a number of minor amendments to IFRSs which are effective from 2019, some of which have been endorsed for use in the EU. The Company expects they will have an insignificant effect, when adopted on the financial statements of the Company.

Major new IFRSs

There are no new IFRSs published by the IASB which are effective from 1 January 2019 that are expected to have an impact on the financial statements of the Company.

(c) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost that are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

(d) Presentation of information

The functional currency of the Company is sterling, which is also the presentational currency of the financial statements of the Company.

The financial statements have been prepared on the historical cost basis.

(e) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions.

Charterhouse Management Services Limited

Notes on the financial statements

In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, highlighted as the 'critical accounting estimates and judgements' in section 1.2 to follow, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different conclusions from those reached by management for the purposes of these financial statements.

Management's selection of the Company's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

(f) Going concern

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, including future projections of profitability, cash flows and capital resources.

1.2 Summary of significant accounting policies

(a) Income and expense

Operating income

Interest income and expense

Interest income and expense for all financial instruments excluding those classified as held for trading or designated at fair value are recognised in 'Interest income' and 'Interest expense' 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.

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.

Dividend income is recognised in the income statement when the right to receive payment is established. This is usually the date when the shareholders approve the dividend for unlisted equity securities.

(b) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, are measured at amortised cost. Such financial assets include trade and other receivables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision or impairment.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is uncollectable, it is written off against trade receivables and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited to the income statement.

Charterhouse Management Services Limited

Notes on the financial statements

Trade and other payables

Amounts owed to other group undertakings represent financial liabilities and are included within trade and other payables. 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.

(c) Investments in subsidiaries

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

For the purpose of determining this classification, the Company is considered to have control of an entity when it is exposed, or has rights to variable returns from its involvements with the entity and has the ability to affect those returns through its power over the entity.

The Company's investments in subsidiaries are stated at cost less impairment losses and any return of capital.

Critical accounting estimates and judgements

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired. Impairment testing involves significant judgement in determining the value in use, and in particular estimating the present values of cash flows expected to arise from continuing to hold the investment and the rates used to discount these cash flows.

(d) Tax

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 the tax 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 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.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

Current and deferred tax is calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

Critical accounting estimates and judgements

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies. In the absence of a history of taxable profits, the most significant judgements relate to expected future profitability and to the applicability of tax planning strategies, including corporate reorganisations.

(e) Cash and cash equivalents

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.

Charterhouse Management Services Limited

Notes on the financial statements

(f) Called up share capital

Financial instruments issued are generally 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 the proceeds, net of tax.

(g) Statement of cash flows

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

2 Interest income

	2018 £	2017 £
Interest income from other group undertakings	50,156	27,370
	<hr/>	<hr/>

3 Other operating income

	2018 £	2017 £
Income with closure of third party	-	13,823
	<hr/>	<hr/>

4 General and administrative expenses

	2018 £	2017 £
Audit fees	12,000	12,000
Other expenses	19,971	23,811
	<hr/>	<hr/>
	31,971	35,811
	<hr/>	<hr/>

5 Employee compensation and benefits

The Company has no employees and hence no staff costs (2017: nil).

6 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2017: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

7 Auditors' remuneration

During the year, the Company incurred audit fees of £8,000 (2017: £8,000). The Company has also borne audit fees on behalf of another group undertaking of £4,000 (2017: £4,000).

There were no non-audit fees incurred during the year (2017: nil).

Charterhouse Management Services Limited

Notes on the financial statements

8 Tax

Tax expense

	2018 £	2017 £
Current tax		
UK Corporation tax		
- for this year	3,455	1,036
Total current tax	3,455	1,036
Total tax charged to income statement	3,455	1,036

The UK corporation tax rate applying to the Company was 19.00% (2017: 19.25%).

In the UK Budget on 8 July 2015, the UK Government proposed to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020 and this was enacted in the Finance (No2) Act 2016 on 6 September 2016. This has therefore been taken into account in the calculation of the UK related deferred tax balances as these balances will materially reverse after 1 April 2020.

Tax reconciliation

	2018 £	Percentage of overall profit before tax %	2017 £	Percentage of overall profit before tax %
Profit before tax	38,450		24,689	
Tax at 19.00% (2017: 19.25%)	7,306	19.0	4,752	19.3
Non-taxable income and gains	(3,851)	(10.0)	(3,716)	(15.1)
Total tax charged to income statement	3,455	9.0	1,036	4.2

9 Investments in subsidiaries

	2018 £	2017 £
Cost		
At 1 January	6,877,465	6,877,465
At 31 December	6,877,465	6,877,465
Provisions for Impairment		
At 1 January	5,866,753	5,886,060
Reversal of impairment provision	(20,265)	(19,307)
At 31 December	5,846,488	5,866,753
Net carrying amount at 31 December	1,030,977	1,010,712

Charterhouse Management Services Limited

Notes on the financial statements

Impairment loss

During the year there was a partial release in the impairment provision against the Company's investment in its subsidiary Charterhouse Administrators (D.T.) Limited of £20,265 (2017: £19,307). This is based on the recoverable amount, using fair value less costs to sell.

In the opinion of the Directors, the fair value of the investments in subsidiaries are not less than the amount at which they are stated in the Balance sheet.

Subsidiaries	Country of incorporation	Interest in equity capital		Footnote
		%	Share class	
Charterhouse Administrators (D.T.) Limited	UK	100.00	Ordinary	1
Keyser Ullmann Limited	UK	100.00	Ordinary	1

Footnote:

Registered office:

1 8 Canada Square London E14 5HQ United Kingdom

10 Deferred tax asset

The following table shows the gross deferred tax asset recognised in the Balance sheet and the related amounts recognised in the Income statement:

	Property, plant and equipment £	Total £
At 1 January 2018	25,239	25,239
Income statement expense	-	-
At 31 December 2018	25,239	25,239

	Property, plant and equipment £	Total £
At 1 January 2017	25,239	25,239
Income statement expense	-	-
At 31 December 2017	25,239	25,239

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**

11 Trade and other receivables

	2018 £	2017 £
Amounts due from other group undertakings	31	239
Trust deposits	<u>268,853</u>	<u>267,994</u>
	<u><u>268,884</u></u>	<u><u>268,233</u></u>

Amounts due from other group undertakings are unsecured, interest-free and repayable on demand.

Trust deposits are held by HSBC Trust Company (UK) Limited.

12 Trade and other payables

	2018 £	2017 £
Amounts owed to other group undertakings	55,577	45,057
Customer accounts	<u>268,853</u>	<u>267,994</u>
	<u><u>324,430</u></u>	<u><u>313,051</u></u>

Amounts owed to other group undertakings are unsecured, interest free and repayable on demand.

Customer accounts represent external customer deposits with the Company and are held in trust deposit as per note 11.

13 Called up share capital

	2018 £	2017 £
Issued, allotted and fully paid up		
10,000,000 Ordinary shares (2017: 10,000,000) of £1 each		
As at 1 January and 31 December	<u><u>10,000,000</u></u>	<u><u>10,000,000</u></u>
Authorised:		
10,000,000 Ordinary shares (2017: 10,000,000) of £1 each		
As at 1 January and 31 December	<u><u>10,000,000</u></u>	<u><u>10,000,000</u></u>

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14 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 liabilities by category and by Balance sheet heading:

At 31 December 2018		Amortised cost £	Total £
Assets			
Cash and cash equivalents		11,312,851	11,312,851
Trade and other receivables		268,884	268,884
Total financial assets		11,581,735	11,581,735
Total non-financial assets			1,056,216
Total assets			12,637,951
Liabilities			
Trade and other payables		324,430	324,430
Total financial liabilities		324,430	324,430
Total non- financial liabilities			3,455
Total liabilities			327,885
At 31 December 2017	Loans and receivables £	Financial liabilities at amortised cost £	Total £
Assets			
Cash and cash equivalents	11,275,792	-	11,275,792
Trade and other receivables	268,233	-	268,233
Total financial assets	11,544,025	-	11,544,025
Total non-financial assets			1,044,097
Total assets			12,588,122
Liabilities			
Trade and other payables		313,051	313,051
Total financial liabilities		313,051	313,051
Total non- financial liabilities			1,036
Total liabilities			314,087

15 Fair value of financial instruments not carried at fair value

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

16 Management of financial risk

All of the Company'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 Company as a going concern.

a) Credit risk management

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

Within the overall framework of the HSBC Company policy, the Company 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 Company 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 Company's financial assets, and are considered to be fully recoverable.

Maximum exposure to credit risk

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

b) Liquidity risk management

Liquidity risk is the risk that the Company 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 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 the Company as described above for risks generally.

The Company's assets net of deferred tax, are funded principally by borrowings from another group undertaking, which acts as a treasury function. This funding has no fixed repayment date and therefore is technically repayable on demand.

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 £	Total £
At 31 December 2018		
Customer accounts	(268,853)	(268,853)
Amounts owed to other group undertakings	(55,577)	(55,577)
	<u>(324,430)</u>	<u>(324,430)</u>

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	On demand £	Total £
At 31 December 2017		
Customer accounts	(267,994)	(267,994)
Amounts owed to other group undertakings	(45,057)	(45,057)
	<u>(313,051)</u>	<u>(313,051)</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 Company's income or the value of its portfolios.

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

The Company manages market risk through risk limits approved by the HSBC Company Executive Committee and adopted by the Company'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 2018, the Company has not been significantly exposed to foreign exchange risk (2017: nil).

Of the cash and cash equivalent balance of £11,312,851 (2017: £11,275,792) an amount of £2,414 (2017: £2,389) 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

As at 31 December 2018, the Company was exposed to interest rate risk on its bank 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 £147,000 (2017: £121,800) or a decrease of £21,000 (2017: £46,200).

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17 Related party transactions

Balances with related parties:

	2018		2017	
	Highest balance during the year £	Balance at 31 December £	Highest balance during the year £	Balance at 31 December £
Assets				
Cash and cash equivalents ¹	11,312,851	11,312,851	11,281,947	11,275,792
Amounts due from other group undertakings	9,765	31	4,865	239
Trust deposits	268,853	268,853	267,994	267,994
Liabilities				
Amounts owed to other group undertakings	69,360	55,577	45,057	45,057

¹ These balances are held with HSBC Bank plc.

Income statement	2018	2017
	£	£
Interest income	50,156	27,370

The above outstanding balances arose in the ordinary course of business and are on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

18 Parent undertakings

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 France S.A. is the parent undertaking of the smallest group to consolidate these financial statements.

The immediate parent undertaking is HSBC France S.A. HSBC Holdings plc is registered in England and Wales and HSBC France S.A. is registered in France.

The results of the Company is included in the group financial statements of HSBC Holdings plc and HSBC France S.A.

Copies of HSBC Holdings plc and HSBC France S.A consolidated financial statements can be obtained from:

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

HSBC France S.A.
103 Avenue des Champs-Élysées
Paris 75008
France
www.hsbc.com

19 Events after the balance sheet date

There are no significant events after the balance sheet date.