Charterhouse Management Services Limited

Registration No:171831

Annual Report and Financial Statements for the year ended 31 December 2020

HSBC

Charterhouse Management Services Limited

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Contents

Strategic Report

Principal activities

Charterhouse Management Services Limited ('the Company') is a private limited company domiciled and incorporated in the United Kingdom and registered 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. The Company has no stakeholders other than its parent company.

The business is funded principally by a parent undertaking through equity investment and retained earnings.

Section 172 statement

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, amongst other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

As a Group, HSBC considers its stakeholders to be the people who work for us, bank with us, own us, regulate us and live in the societies we serve. The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values, and operate the business in a sustainable way.

As a non-trading, investment holding company, the principal stakeholder of the Company is the Company's parent entity. No decisions were taken by the Board during the year other than those of a routine nature.

Performance

The Company's results for the year and financial position as at 31 December 2020 are as detailed in the income statement and the balance sheet on page 7 and page 8 of these financial statements respectively.

During the year, the Company released a provision of £1,910 (2019: £1,766) 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 15 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 the UK leaving the EU commencing on 29 March 2017. The UK left the EU on 31 January 2020 and entered into a transition period until 31 December 2020. During the transition period, the UK continued to be bound by EU laws and regulations. A Trade and Cooperation Agreement between the EU and UK was agreed on 24 December 2020 and ratified by the UK on 30 December 2020.There is no expected impact on the Company's operating model, neither operationally nor financially.

At this stage the ultimate economic effect of the UK leaving the EU remains uncertain and will depend on the outcome of replacement trading arrangements following the separation from the EU. In the meantime, this uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. As described in Note 15, foreign exchange and interest rate risks are managed by the Company in the ordinary course of business and so any increased volatility as a result of the UK leaving the EU is not expected to have a material effect on the results and net assets of the Company. Additionally, any general adverse consequences for credit risk at a UK or EU macroeconomic level that may arise as a consequence of the UK leaving the EU is not expected to translate into a material increase in credit risk for the Company given the nature of the Company's transactions, its counterparties and available security.

In addition to the above, since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. The principal risk to the Company is the valuation of its investments in external parties. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, the COVID-19 outbreak has not had a significant impact on the principal risks facing the Company and this is not expected to change for the foreseeable future.

On behalf of the Board

G. Penin

G Penin
Director

15 September 2021

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

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	Appointed	Resigned
G Penin		
H Vogelberg		13 January 2020
C MacKinnon	13 January 2020	

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 and remain in place 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 2020 (2019: 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

HSBC Continental Europe, the parent undertaking, has committed to ensuring the provision of sufficient funds for a period of not less than twelve months from the date of authorisation of these financial statements, to enable the Company to meet its liabilities as they fall due. As a result of this, together with the considerations referred to in the Principal risks and uncertainties section in the Strategic Report, the Directors have prepared the financial statements on a going concern basis.

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 15 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 the Company'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') are external independent auditors 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 independent auditors.

Statement of Directors' Responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors 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.

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

Directors' confirmations

In the case of each Director in office at the date the Report of the Directors is approved:

- 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

G Penin
Director

15 September 2021

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Independent Auditors' Report 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 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 2020; the income statement, the statement of comprehensive income, the statement of cash flows and 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 Auditors' 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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 or, 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 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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 Statement of Directors' Responsibilities in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- identifying and testing journal entries meeting specific fraud criteria; and
- challenging assumptions made by management in its significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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 obtained 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.

Harry Armour

Harry Armour (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 September 2021

Financial Statements

Income Statement for the year ended 31 December 2020

	Notes	2020 £	2019 £
Interest income	2	20,757	61,057
Dividend income		–	396,849
Net operating income		**20,757**	457,906
Reversal of impairments on investments in subsidiaries		1,910	1,766
General and administrative expenses	3	(13,225)	(4,436)
Operating profit		**9,442**	455,236
Profit before tax		**9,442**	455,236
Tax credit/(expense)	7	956	(10,223)
Profit for the year		**10,398**	445,013

Statement of comprehensive income for the year ended 31 December 2020

There has been no comprehensive income or expense other than the profit for the year as shown above (2019: nil).

Balance sheet at 31 December 2020

	Notes	2020 £	2019 £
Assets			
Cash and cash equivalents		**11,796,072**	11,770,588
Trade and other receivables	10	**269,755**	288,015
Current tax assets		**2,685**	–
Investments in subsidiaries	8	**1,034,653**	1,032,743
Deferred tax assets	9	**18,967**	20,696
Total assets		**13,122,132**	13,112,042
Liabilities and equity			
Liabilities			
Trade and other payables	11	**356,655**	351,283
Current tax liabilities			5,680
Total liabilities		**356,655**	356,963
Equity			
Called up share capital	12	**10,000,000**	10,000,000
Retained earnings		**2,765,477**	2,755,079
Total equity		**12,765,477**	12,755,079
Total liabilities and equity		**13,122,132**	13,112,042

The accompanying notes on pages 11 to17 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 15 September 2021 and signed on its behalf by:

G Penin

G Penin

Director

Company Registration No: 171831

Statement of cash flows for the year ended 31 December 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit before tax	**9,442**	455,236
Adjustments for:		
Non-cash items included in profit before tax	**(1,910)**	(1,766)
Change in operating assets	**18,260**	(19,131)
Change in operating liabilities	**5,372**	26,853
Tax paid	**(5,680)**	(3,455)
Net cash generated from operating activities	**25,484**	457,737
Net increase in cash and cash equivalents	**25,484**	457,737
Cash and cash equivalents brought forward	**11,770,588**	11,312,851
Cash and cash equivalents carried forward	**11,796,072**	11,770,588

Interest received was £20,757 (2019: £61,057) and dividends received was nil (2019: £396,849).

Charterhouse Management Services Limited

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £	Retained earnings £	Total equity £
At 1 Jan 2020	10,000,000	2,755,079	12,755,079
Profit for the year	—	10,398	10,398
At 31 Dec 2020	10,000,000	2,765,477	12,765,477

	Called up share capital £	Retained earnings £	Total equity £
At 1 Jan 2019	10,000,000	2,310,066	12,310,066
Profit for the year	—	445,013	445,013
At 31 Dec 2019	10,000,000	2,755,079	12,755,079

Notes on the financial statements

1 Basis of preparation and significant accounting policies

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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.

There were no unendorsed standards effective for the year ended 31 December 2020 affecting these financial statements.

Other Changes

In addition, the Company has adopted a number of interpretations and amendments to standards, which have had an insignificant effect on the financial statements of the Company.

(b) Future accounting developments

Minor amendments to International Financial Reporting Standards ('IFRSs')

The International Accounting Standards Board ('IASB') has not published any minor amendments to IFRSs which are effective from 1 January 2021 that are applicable to the Company. However, the IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2022 and 1 January 2023. The Company expects they will have an insignificant effect, when adopted, on the financial statements.
New IFRSs

IFRS 17 'Insurance Contracts'

The IASB has published IFRS 17 'Insurance Contracts'. IFRS 17 has not yet been endorsed but is not 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, which 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 present information about the Company as an individual undertaking and not about its group. The Company 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 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. 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 below, 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 estimates and judgements from those reached by management for the purposes of these financial statements.

Management's selection of the Company's accounting policies that 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

HSBC Continental Europe, the parent undertaking, has committed to ensuring the provision of sufficient funds for a period of not less than twelve months from the date of authorisation of these financial statements, to enable the Company to meet its liabilities as they fall due. As a result of this, together with the considerations referred to in the Principal risks and uncertainties section in the Strategic Report, the Directors have prepared the financial statements on a going concern basis.

1.2 Summary of significant accounting policies

(a) 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

Dividend income is recognised when the right to receive a 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

These include trade and other receivables originated by the Company, not classified as held for trading or designated at fair value. They are recognised when cash is advanced to a borrower and are derecognised when either the borrower repays its obligations, or the receivables 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.

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 provision 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) Impairment of amortised cost financial assets and liabilities

Expected credit losses are recognised for loans and advances to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months or less, where the remaining life is less than 12 months, ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in 'stage 3'.

All of the Company's exposures are with other HSBC group undertakings. An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the group company's customer risk rating ('CRR'). The CRR of group companies have been virtually the same over the past few years, therefore the exposures are in stage 1. No ECL is recognised as no loss was incurred for HSBC group undertakings.

(d) Investments in subsidiaries

The Company classifies investments in entities 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.

(e) 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 on 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 are calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

(f) 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.

(g) 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.

2 Interest income

	2020 £	2019 £
Interest income from other group undertakings	20,757	61,057

3 General and administrative expenses

	2020 £	2019 £
Auditors' remuneration	13,230	12,600
Other Income	(5)	(8,164)
Year ended 31 Dec	**13,225**	4,436

Other income represents foreign exchange gain on Euro bank account offset to some extent by bank charges and other miscellaneous expenses.

4 Employee compensation and benefits

The Company has no employees and hence no staff costs (2019: nil).

5 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2019: 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.

6 Auditors' remuneration

	2020 £	2019 £
Audit fees for statutory audit		
- Fees relating to current year	13,230	12,600
Year ended 31 Dec	**13,230**	12,600

£8,820 (2019: £8,400) of the fees relate to the audit of the Company and £4,410 (2019: £4,200) of the fees relates to the audit of a subsidiary company for which the fees are borne by the Company.

7 Tax

Tax (credit)/expense

	2020 £	2019 £
Current tax		
UK Corporation tax		
- For this year	(2,685)	5,680
Total current tax	**(2,685)**	5,680
Deferred tax		
- For this year	4,164	5,078
- Effects of changes in tax rates	(2,435)	(534)
- Other		(1)
Total deferred tax	**1,729**	4,543
Year ended 31 Dec	**(956)**	10,223

The UK corporation tax rate applying to the Company was 19% (2019 19%).

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% would not occur and the UK Corporation Tax Rate would instead remain at 19%. Subsequently, in the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. If the amended tax rate had been used, the deferred tax asset would have been £5,990 higher.

Tax reconciliation

	2020 £	2020 (%)	2019 £	2019 (%)
Profit before tax	**9,442**		455,236	
Tax at 19% (2019: 19%)	**1,794**	**19.0**	86,495	19.0
Expenses not deductible	**(315)**	**(3.3)**	(1)	—
Effects of changes in tax rates	**(2,435)**	**(25.8)**	(534)	(0.1)
Non-taxable income and gains	**—**	**—**	(75,737)	(16.6)
Year ended 31 Dec	**(956)**	**(10.1)**	10,223	2.3

8 Investments in subsidiaries

	2020 £	2019 £
Cost		
At 1 Jan	**6,877,465**	6,877,465
At 31 Dec	**6,877,465**	6,877,465
Provision for impairment		
At 1 Jan	**5,844,722**	5,846,488
Reversal of impairment provision	**(1,910)**	(1,766)
At 31 Dec	**5,842,812**	5,844,722
Net book/carrying value at 31st Dec	**1,034,653**	1,032,743

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 £1,910 (2019: £1,766). This is based on the movement in the Net Asset value of the subsidiary for the year ended 31 December 2020.

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.

	Country of incorporation	Interest in equity capital (%)	Share class
Charterhouse Administrators (D.T.) Limited[1]	**UK**	**100**	**Ordinary**
Keyser Ullmann Limited[1]	**UK**	**100**	**Ordinary**

Footnote:

Registered office:

[1] 8 Canada Square London E14 5HQ United Kingdom

9 Deferred tax assets

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 Jan 2020	**20,696**	**20,696**
Income statement expense	**(1,729)**	**(1,729)**
At 31 Dec 2020	**18,967**	**18,967**

	Property Plant and Equipment £	Total £
At 1 Jan 2019	25,239	25,239
Income statement expense	(4,543)	(4,543)
At 31 Dec 2019	20,696	20,696

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

10 Trade and other receivables

	2020 £	2019 £
Amounts due from other group undertakings	**—**	18,569
Trust deposits	**269,755**	269,446
At 31 Dec	**269,755**	288,015

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

Trust deposits represents balances held in trust with Charterhouse Administrators (D.T.) Limited and HSBC Trust Company (UK) Limited, which represents the amounts due to account holders of the Company when it surrendered its authorisation as a bank in Dec 1999.

11 Trade and other payables

	2020	2019
	£	£
Amounts owed to other group undertakings	86,900	81,837
Customer accounts	269,755	269,446
At 31 Dec	**356,655**	351,283

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 10.

12 Called up share capital

	2020		2019	
	Number	£	Number	£
Issued, allotted and fully paid up				
Ordinary shares of £1 each	10,000,000	10,000,000	10,000,000	10,000,000
As at 1 Jan and 31 Dec	**10,000,000**	**10,000,000**	10,000,000	10,000,000

13 Analysis of financial assets and liabilities by measurement basis

All financial assets and financial liabilities held by the Company are measured on an ongoing basis at amortised cost.

14 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.

15 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.

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.

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.

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

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

Financial liabilities

	On Demand	Total
	£	£
Customer accounts	269,755	269,755
Amounts owed to other group undertakings	86,900	86,900
At 31 Dec 2020	**356,655**	**356,655**

	On Demand	Total
	£	£
Customer accounts	269,446	269,446
Amounts owed to other group undertakings	81,837	81,837
At 31 Dec 2019	351,283	351,283

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 2020, the Company has not been significantly exposed to foreign exchange risk (2019: nil).

Of the cash and cash equivalent balance of £11,796,072 (2019: £11,770,588) an amount of £2,376 (2019: £2,263) 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 2020, 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 £114,400 (2019: £143,258) or a decrease of £4,400 (2019: £59,258).

16 Related party transactions

	2020		2019	
	Highest balance during the year	**Balance at 31 December**	Highest balance during the year	Balance at 31 December
	£	**£**	£	£
Assets				
Cash and cash equivalents[1]	**11,796,072**	**11,796,072**	11,770,588	11,770,588
Amounts due from other group undertakings[2]	**18,569**	**–**	18,569	18,569
Trust deposits[3]	**269,755**	**269,755**	269,446	269,446
Liabilities				
Amounts owed to other group undertakings[1]	**91,286**	**86,900**	81,837	81,837

[1] These balances are held with/ payable to another group company, HSBC Bank plc.

[2] These balances are held with its subsidiary, Charterhouse Administrators (D.T.) Limited.

[3] These balances are held in trust with its subsidiary, Charterhouse Administrators (D.T.) Limited and another group company, HSBC Trust Company (UK) Limited.

	2020	2019
	£	£
Income statement		
Interest income[4]	**20,757**	61,057

[4] These balances are receivable from another group company, HSBC Bank plc.

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.

17 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 Continental Europe is the parent undertaking of the smallest group to consolidate these financial statements.

The immediate parent undertaking is HSBC Continental Europe. HSBC Holdings plc is registered in England and Wales and HSBC Continental Europe is registered in France.

The results of the Company is included in the group financial statements of HSBC Holdings plc and HSBC Continental Europe.

Copies of HSBC Holdings plc and HSBC Continental Europe consolidated financial statements can be obtained from:

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

HSBC Continental Europe
38 Avenue Kleber
Paris 75116
France
www.hsbc.com

18 Events after the balance sheet date

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