Charterhouse Management Services Limited
Registered No: 171831

Financial Statements for the year ended 31 December 2016

HSBC

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Contents

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Strategic Report

Principal activities

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

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 6 of these financial statements.

During the year, the Company recognised a reversal of an impairment loss for the investment in its subsidiary Charterhouse Administrators (D.T.) Limited, for the amount of £16,345 (2015: £20,423).

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 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 with the process of leaving the EU ('Brexit') commencing on 29 March 2017. The ultimate economic impact of Brexit is currently uncertain and will depend on the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime, this uncertainty is expected to result in volatility in respect of the principal risks affecting the Company. However this is not expected to have any effect on the company's ability to trade as a going concern.

Signed on behalf of the Board

Hans Vogelberg

H M Vogelberg
Director

Dated: 12 September 2017

Registered office
8 Canada Square
London
E14 5HQ

Directors

The Directors who served during the year were as follows:

Name	Appointed
G Penin	
H M Vogelberg	4 January 2016

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 2016 (2015: £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.

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.

Financial risk management

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

Capital management

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.

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.

Disclosure of information to auditor

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and the Director has taken all the steps that he 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 of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore PricewaterhouseCoopers LLP will continue in office.

Statement of Directors' Responsibilities

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

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

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

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.

Signed on behalf of the Board

Hans Vogelberg

H M Vogelberg
Director

Dated : 12 September 2017

Registered office
8 Canada Square
London
E14 5HQ

Charterhouse Management Services Limited
Registered No: 171831

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

Report on the financial statements

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the statement of financial position as at 31 December 2016;
- the income statement for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other Matters on which we are required to report by exception
Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Andrew Batty (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 15 September 2017

Charterhouse Management Services Limited
Registered No: 171831

Financial Statements

Income statement for the year ended 31 December 2016

	Notes	**2016**	2015
		£	£
Interest income	2	**44,030**	44,047
Net operating income		**44,030**	44,047
General and administrative expense	3	**(35,945)**	(47,310)
Total operating expenses		**(35,945)**	(47,310)
Operating profit/(loss)		**8,085**	(3,263)
Reversal of impairments on investments in subsidiaries		**16,345**	20,423
Profit before tax		**24,430**	17,160
Tax expense	7	**(3,102)**	(2,252)
Profit for the year		**21,328**	14,908

The notes on pages 10 to 22 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2016

There has been no comprehensive income or expense other than the profit for the year as shown above (2015: £nil).

Statement of financial position as at 31 December 2016

	Notes	**2016**	2015
		£	£
Assets			
Cash and cash equivalents		**11,258,164**	11,226,323
Trade and other receivables	10	**275,664**	275,624
Investments in subsidiary undertakings	8	**991,405**	975,060
Current tax asset		**5,618**	7,235
Deferred tax asset	9	**25,239**	26,724
Total assets		**12,556,090**	12,510,966
Liabilities and equity			
Liabilities			
Trade and other payables	11	**304,672**	280,876
Total liabilities		**304,672**	280,876
Equity			
Called up share capital	12	**10,000,000**	10,000,000
Retained earnings		**2,251,418**	2,230,090
Total equity		**12,251,418**	12,230,090
Total equity and liabilities		**12,556,090**	12,510,966

The notes on pages 10 to 22 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 12 September 2017 and were signed on its behalf by:

Hans Vogelberg

H M Vogelberg
Director

Statement of cash flows for the year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit before tax	**24,430**	17,160
Adjustments for:		
- non cash items included in profit before tax	**(16,345)**	(20,423)
- change in operating assets	**(40)**	(13,652)
- change in operating liabilities	**23,796**	(5,510)
- (tax paid)/tax relief	**-**	7,527
Net cash generated from/(used in) operating activities	**31,841**	(14,898)
Net increase/(decrease) in cash and cash equivalents	**31,841**	(14,898)
Cash and cash equivalents brought forward	**11,226,323**	11,241,221
Cash and cash equivalents carried forward	**11,258,164**	11,226,323

The notes on pages 10 to 22 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2016

	Called up share capital	Retained earnings	Total
	£	£	£
2016			
At 1 January 2016	**10,000,000**	**2,230,090**	**12,230,090**
Profit for the year	**-**	**21,328**	**21,328**
At 31 December 2016	**10,000,000**	**2,251,418**	**12,251,418**

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

The notes on pages 10 to 22 form an integral part of these financial statements.

Equity is wholly attributable to ordinary shareholders.

1 Basis of preparation and significant accounting policies

A Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('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 2016, there were no unendorsed standards effective for the year ended 31 December 2016 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 2016

There were no new standards applied during the year ended 31 December 2016.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB has published a number of minor amendments to IFRSs in the 'Annual Improvements to IFRSs 2012-2014' and in a series of stand-alone amendments, one of which has not yet been endorsed for use in the EU. The Company has not early adopted any of the amendments effective after 31 December 2016, and it expects they will have an immaterial impact, when adopted, on the financial statements of the Company.

Major new IFRSs

The IASB has published IFRS 9 'Financial Instruments'.

IFRS 9 'Financial Instruments'

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

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the Company's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. However, based on an assessment of financial assets performed to date and expectations around changes to balance sheet composition, the Company expects that the overall impact of any change will not be significant.

For financial liabilities designated to be measured at fair value, gains or losses relating to changes in the Company's own credit risk are to be included in other comprehensive income.

Impairment
The Impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an 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 in 'stage 1'; financial assets that 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'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge will tend to be more volatile. IFRS 9 will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

Transition
The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The company does not intend to restate comparatives. The mandatory application date for the standard as a whole is 1 January 2018, but it is possible to apply the revised presentation for certain liabilities measured at fair value from an earlier date. The Company is assessing the impact that the impairment requirements will have on the financial statements.

The joint Global Risk and Global Finance IFRS 9 Implementation Programme for HSBC group continues to progress with the documentation of Group accounting policy, the development of operating and system target operating models and the development, build and testing of risk modelling methodologies for the calculation of impairment nearing completion. HSBC group intends to perform a parallel run during the second half of 2017 to gain a better understanding of the potential effect of the new standard and for the governance framework to gain experience. The Company intends to quantify the potential impact of IFRS 9 once it is practicable to provide reliable estimates, which will be no later than in the Financial Statements 2017. Until reliable estimates of the impact are available, particularly on the interaction with the regulatory capital requirements, further information on the expected impact on the financial position cannot be provided.

(c) Presentation of information

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 2016.

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

The financial statements are prepared on the historical cost basis.

(d) 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 listed below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of the 2016 Financial Statements.

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

(e) 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.

(f) 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.

(g) General information

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

B Significant accounting policies

(a) 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.

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.

(b) Dividend income

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.

(c) Trade and other receivables

Trade and other receivables are recognised when cash is advanced to a borrower and are derecognised when either the borrower repays its obligations, or the loans are 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.

(d) 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.

2 Interest income

	2016	2015
	£	£
Interest income from other group undertakings	**44,030**	44,047

3 General and administrative expense

	2016	2015
	£	£
Audit fees	**16,270**	27,188
Other (income)/expenses	**19,675**	20,122
	35,945	47,310

4 Employee compensation and benefits

The Company has no employees and hence no staff costs (2015: £nil).

5 Remuneration of Directors

No director received any fees or emoluments from the Company during the year (2015: £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

During the year, the Company incurred audit fees of £10,085 (2015: £9,188). The Company has also borne audit fees on behalf of a fellow group undertaking of £6,185 (2015: £18,000).

There were no non-audit fees incurred during the year (2015: £nil).

7 Tax expense

Accounting policy

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

Current tax is the tax expected to be payable on the taxable profit for the year 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 in which the assets will be realised or the liabilities settled

Current tax and deferred tax is calculated based on tax rates and laws enacted, or substantively enacted, by the date of the Statement of financial position.

Tax charged to the income statement

	2016	2015
	£	£
Current tax		
UK Corporation tax		
- for this year	**1,617**	(7,235)
Total current tax	**1,617**	(7,235)
Deferred tax		
Origination and reversal of temporary differences	-	6,598
Effect of changes in tax rates	**1,485**	2,889
Total deferred tax	**1,485**	9,487
Total tax charged to income statement	**3,102**	2,252

The UK corporation tax rate applying to the Company was 20.00% (2015: 20.25%).

Tax reconciliation

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

	2016	Percentage of overall profit before tax	2015	Percentage of overall profit before tax
	£	%	£	%
Profit before tax	24,430		17,160	
Tax at 20.00% (2015: 20.25%)	4,886	20.00	3,475	20.25
Permanent disallowables	-	-	24	0.14
Impact due to changes in tax rates	1,485	6.08	2,889	16.84
Non-taxable income and gains	(3,269)	(13.38)	(4,136)	(24.10)
Total tax charged to income statement	3,102	12.70	2,252	13.13

In the UK Budget on 8 July 2015, the UK Government proposed to reduce the main rate of corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020 instead of the reduction to 18% as originally planned.

The rate reduction to 17% was enacted during the period and 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]. These reductions in the corporation tax rate were enacted in the Finance (No2) Act 2016.

8 Investments in subsidiary undertakings

Accounting policy

The Company classifies investments in entities which it controls as subsidiaries. Where an entity is governed by voting rights, the Company consolidates when it holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities and whether power is held as agent or principal.

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

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.

	2016 £	2015 £
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	**5,902,405**	5,922,828
Reversal of impairment provision	**(16,345)**	(20,423)
At 31 December	**5,886,060**	5,902,405
Net carrying amount at 31 December	**991,405**	975,060

Impairment loss

During the year there was a reversal of an impairment loss for the investment in its subsidiary Charterhouse Administrators (D.T.) Limited of £16,345 (2015: £20,423), 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.

	Country of incorporation	Interest in Equity Capital	Share Class	Footnote
Charterhouse Administrators (D.T.) Limited	UK	100%	Ordinary	1
Keyser Ullmann Limited	UK	100%	Ordinary	1

1 8 Canada Square London E14 5HQ United Kingdom

9 Deferred tax asset

Critical accounting estimates and judgements

Deferred tax assets

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.

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

	Property, plant and equipment £	Total £
At 1 January 2016	**26,724**	**26,724**
Income statement expense	**(1,485)**	**(1,485)**
At 31 December 2016	**25,239**	**25,239**

	Property, plant and equipment £	Total £
At 1 January 2015	36,211	36,211
Income statement expense	(6,598)	(6,598)
Tax rate change	(2,889)	(2,889)
At 31 December 2015	26,724	26,724

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

	2016 £	2015 £
Amounts due from other group undertakings	**5,717**	11,537
Trust deposits	**269,947**	264,087
	275,664	275,624

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

11 Trade and other payables

	2016 £	2015 £
Amounts owed to other group undertakings	**2**	2
Customer accounts	**269,947**	264,087
Other liabilities	**34,723**	16,787
	304,672	286,386

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

12 Called up share capital

Accounting policy

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

	2016	2015
	£	£
Issued, allotted and fully paid up		
10,000,000 Ordinary shares (2015: 10,000,000) of £1 each		
As at 1 January and 31 December	**10,000,000**	10,000,000
Authorised:		
10,000,000 Ordinary shares (2015: 10,000,000) of £1 each		
As at 1 January and 31 December	**10,000,000**	10,000,000

13 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 as defined in IAS 39 and by statement of financial position heading:

At 31 December 2016	**Financial assets and liabilities at amortised cost**	**Total**
	£	**£**
Assets		
Cash and cash equivalents	**11,258,164**	**11,258,164**
Trade and other receivables	**275,664**	**275,664**
Total financial assets	**11,533,828**	**11,533,828**
Total non-financial assets		**1,022,262**
Total assets		**12,556,090**
Liabilities		
Trade and other payables	**304,672**	**304,672**
Total financial liabilities	**304,672**	**304,672**
Total liabilities		**304,672**

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

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, 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.

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.

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 statement of financial position.

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 parent undertakings.

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

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

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

	On demand	**Due within 3 months**	**Total**
	£	**£**	**£**
At 31 December 2016			
Customer accounts	**(269,947)**	**-**	**(269,947)**
Other liabilities	**-**	**(34,723)**	**(34,723)**
Amounts owed to other group undertakings	**(2)**	**-**	**(2)**
	(269,949)	**(34,723)**	**(304,672)**

	On demand	Due within 3 months	Total
	£	£	£
At 31 December 2015			
Customer accounts	(264,087)	-	(264,087)
Other liabilities	-	(16,787)	(16,787)
Amounts owed to other group undertakings	(2)	-	(2)
	(264,089)	(16,787)	(280,876)

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 2016, the Company has not been significantly exposed to foreign exchange risk (2015: £nil).

Of the cash and cash equivalent balance of £11,258,164 (2015: £11,226,323) an amount of £2,302 (2015: £1,977) 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 2016, the Company was exposed to interest rate risk on its deposits with other group undertakings which are based on floating market rates.

The effect on future net interest income of an incremental 100 basis points parallel rise or fall in interest rates at the report date (floored to 0%) amounts to an increase of £118,010 (2015: £132,720) or a decrease of £49,990 (2015: £35,280).

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

16 Related party transactions

Balance with other related parties.

Transactions detailed below include amounts due to/from other group undertakings.

	2016		2015	
	Highest balance during the year[2]	**Balance at 31 December[2]**	Highest balance during the year[2]	Balance at 31 December[2]
	£	**£**	£	£
Assets				
Cash and cash equivalents[1]	8,405,606	11,258,164	8,400,104	11,226,323
Amounts due from other group undertakings	17,906	5,717	8,409	11,537
Liabilities				
Amounts owed to other group undertakings	2	2	2	2

[1]*All cash balances are held with HSBC Bank plc.*
[2]The disclosure of the year-end balance and the highest balance during the year is considered the most meaningful information to represent transactions during the year.

Income statement	**2016**	2015
	£	£
Interest income	**44,030**	44,047

17 Events after the balance sheet date

There are no significant events after the balance sheet date.

18 Contingent liabilities

There were no contingent liabilities at 31 December 2016 (2015: £nil).

19 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 Bank plc is the parent undertaking of the smallest group to consolidate these financial statements.

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

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

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