

Charterhouse Management Services Limited
Registered No: 171831

Annual Report and Financial Statements for the year ended 31 December 2017



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Charterhouse Management Services Limited

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 8 of these financial statements.

During the year, the Company released a provision of £19,307 (2016: £16,345) against its subsidiary Charterhouse Administrators (D.T.) Limited.

Key performance indicators

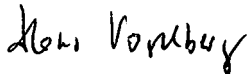
As the Company is managed as part of a global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of HSBC Bank plc. Ongoing review of performance of the Company is carried out by comparing actual performance 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 the UK leaving the EU commencing on 29 March 2017. The ultimate economic effect 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 including sterling exchange rates and interest rates. As described in Note 16, 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 macro-economic 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.

On behalf of the Board



H M Vogelberg
Director

Dated: 24 September 2018

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Charterhouse Management Services Limited

Report of the Directors

Directors

The Directors who served during the year were as follows:

Name

G Penin

H M 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 2017 (2016: 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.

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.

Disclosure of information to the Auditor and Statement of Directors' Responsibilities

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each 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.

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 Auditor 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').

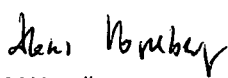
Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

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.

On behalf of the Board


H M Vogelberg
Director

Dated: 24 September 2018

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with 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 for the year ended 31 December 2017 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; 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 on the financial statements, which include a description of the significant accounting policies.

Basis of 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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 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 2017 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 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.

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: *24 September 2018.*

Charterhouse Management Services Limited

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Income statement for the year ended 31 December 2017

	Notes	2017 £	2016 £
Interest income	2	27,370	44,030
Other operating income	3	13,823	-
Net operating income		41,193	44,030
General and administrative expenses	4	(35,811)	(35,945)
Operating profit		5,382	8,085
Reversal of impairments on investments in subsidiaries		19,307	16,345
Profit before tax		24,689	24,430
Tax expense	8	(1,036)	(3,102)
Profit for the year		23,653	21,328

Statement of comprehensive income for the year ended 31 December 2017

There has been no comprehensive income or expense other than the profit for the year as shown above (2016: nil).

Charterhouse Management Services Limited

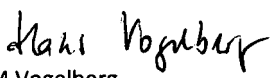
Financial Statements

Balance sheet as at 31 December 2017

	Notes	2017 £	2016 £
Assets			
Cash and cash equivalents		11,275,792	11,258,164
Trade and other receivables	11	268,233	275,664
Investments in subsidiaries	9	1,010,712	991,405
Current tax asset		8,146	5,618
Deferred tax asset	10	25,239	25,239
Total assets		12,588,122	12,556,090
Liabilities and equity			
Liabilities			
Trade and other payables	12	313,051	304,672
Total liabilities		313,051	304,672
Equity			
Called up share capital	13	10,000,000	10,000,000
Retained earnings		2,275,071	2,251,418
Total equity		12,275,071	12,251,418
Total liabilities and equity		12,588,122	12,556,090

The accompanying notes on pages 12 to 24 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 September 2018 and signed on its behalf by:


H M Vogelberg
Director
Company Registration No: 171831

Charterhouse Management Services Limited

Financial Statements

Statement of cash flows for the year ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit before tax	24,689	24,430
Adjustments for:		
Non-cash items included in profit before tax	(19,307)	(16,345)
Change in operating assets	7,431	(40)
Change in operating liabilities	8,379	23,796
Tax paid	(3,564)	-
Net cash (used in)/generated from operating activities	<u>(9,742)</u>	<u>31,841</u>
Net increase in cash and cash equivalents	17,628	31,841
Cash and cash equivalents brought forward	<u>11,258,164</u>	<u>11,226,323</u>
Cash and cash equivalents carried forward	<u>11,275,792</u>	<u>11,258,164</u>

Charterhouse Management Services Limited**Financial Statements**

Statement of changes in equity for the year ended 31 December 2017

	Called up share capital £	Retained earnings £	Total equity £
2017			
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

	Called up Share capital £	Retained earnings £	Total equity £
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

Equity is wholly attributable to ordinary shareholders.

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 2017, there were no unendorsed standards effective for the year ended 31 December 2017 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 2017

There were no new standards applied during the year ended 31 December 2017.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB has published a number of minor amendments to IFRSs which are effective from 1 January 2018 and 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. The Company has not early adopted any of the amendments effective after 31 December 2017.

Major new IFRSs

The IASB has published IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. IFRS 9, IFRS 15 have been endorsed for use in the EU.

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. In addition, on transition to IFRS 9 entities are required to revoke previous designations of financial assets and financial liabilities measured at fair value through profit or loss where the accounting mismatch no longer exists and are permitted to revoke such designations where accounting mismatches continue to exist.

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.

Transitional impact

The requirements of IFRS 9 'Financial Instruments' will be adopted from 1 January 2018. 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. Adoption is expected to have no effect on the net assets at 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The original effective date of IFRS 15 has been delayed by one year and the standard is now effective for annual periods beginning on or after 1 January 2018 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for performance obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The Company has assessed the impact of IFRS 15 and expects that the standard will have no significant effect, when applied, on the financial statements of the Company.

(c) 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 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 shown in 1.2 (c) below as the critical accounting estimates and judgements, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This would result in materially different conclusions from those reached by management for the purposes of these Financial Statements.

(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.

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.

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

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.

Financial liabilities

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.

Charterhouse Management Services Limited

Notes on the Financial Statements

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.

(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.

(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.

2 Interest income

	2017 £	2016 £
Interest income from other group undertakings	27,370	44,030

3 Other operating income

	2017 £	2016 £
Income with closure of third party	13,823	-
	<u>13,823</u>	<u>-</u>

4 General and administrative expenses

	2017 £	2016 £
Audit fees	12,000	16,270
Other expenses	23,811	19,675
	<u>35,811</u>	<u>35,945</u>

5 Employee compensation and benefits

The Company has no employees and hence no staff costs (2016: nil).

6 Remuneration of Directors

No director received any fees or emoluments from the Company during the year (2016: 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.

Charterhouse Management Services Limited

Notes on the Financial Statements

7 Auditors' remuneration

During the year, the Company incurred audit fees of £8,000 (2016: £10,085). The Company has also borne audit fees on behalf of another group undertaking of £4,000 (2016: £6,185).

There were no non-audit fees incurred during the year (2016: nil).

8 Tax

Tax expense

	2017 £	2016 £
Current tax		
UK Corporation tax		
- for this year	1,036	1,617
Total current tax	1,036	1,617
Deferred tax		
Effect of changes in tax rates	-	1,485
Total deferred tax	-	1,485
Total tax charged to income statement	1,036	3,102

The UK corporation tax rate applying to the Company was 19.25% (2016: 20.00%).

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.

Tax reconciliation

The tax charged to the income statement differs to the tax charge that would apply if all profits had been taxed at the UK Corporation tax rate as follows:

	2017 £	Percentage of overall profit before tax %	2016 £	Percentage of overall profit before tax %
Profit before tax	24,689		24,430	
Tax at 19.25% (2016: 20.00%)	4,752	19.25	4,886	20.00
Impact due to changes in tax rates	-	-	1,485	6.1
Non-taxable income and gains	(3,716)	(15.1)	(3,269)	(13.4)
Total tax charged to income statement	1,036	4.2	3,102	12.7

Charterhouse Management Services Limited

Notes on the Financial Statements

9 Investments in subsidiaries

	2017 £	2016 £
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	5,886,060	5,902,405
Reversal of impairment provision	(19,307)	(16,345)
At 31 December	5,866,753	5,886,060
Net carrying amount at 31 December	1,010,712	991,405

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 £19,307 (2016: £16,345). 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 %	Share class	Footnote
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 2017	25,239	25,239
Income statement expense	-	-
At 31 December 2017	25,239	25,239

Charterhouse Management Services Limited

Notes on the Financial Statements

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

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

11 Trade and other receivables

	2017 £	2016 £
Amounts due from other group undertakings	239	5,717
Trust deposits	<u>267,994</u>	<u>269,947</u>
	<u>268,233</u>	<u>275,664</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

	2017 £	2016 £
Amounts owed to other group undertakings	45,057	34,725
Customer accounts	<u>267,994</u>	<u>269,947</u>
	<u>313,051</u>	<u>304,672</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

	2017 £	2016 £
Issued, allotted and fully paid up		
10,000,000 Ordinary shares (2016: 10,000,000) of £1 each		
As at 1 January and 31 December	<u>10,000,000</u>	<u>10,000,000</u>
Authorised:		
10,000,000 Ordinary shares (2016: 10,000,000) of £1 each		
As at 1 January and 31 December	<u>10,000,000</u>	<u>10,000,000</u>

Charterhouse Management Services Limited

Notes on the Financial Statements

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:

	Loans and receivables £	Financial liabilities at amortised cost £	Total £
At 31 December 2017			
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 liabilities			313,051
At 31 December 2016			
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

Notes on the Financial Statements

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.

Charterhouse Management Services Limited

Notes on the Financial Statements

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 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>
	On demand £	Total £
At 31 December 2016		
Customer accounts	(269,947)	(269,947)
Amounts owed to other group undertakings	(34,725)	(34,725)
	<u>(304,672)</u>	<u>(304,672)</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 2017, the Company has not been significantly exposed to foreign exchange risk (2016: nil).

Of the cash and cash equivalent balance of £11,275,792 (2016: £11,258,164) an amount of £2,389 (2016: £2,302) 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 2017, 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 £121,800 (2016: £118,010) or a decrease of £46,200 (2016: £49,990).

17 Related party transactions

Balances with related parties:

	2017	2016
Assets		
Cash and cash equivalents [†]	11,281,947	8,405,606
Amounts due from other group undertakings	4,865	17,906
Trust deposits	267,994	269,947
Liabilities		
Amounts owed to other group undertakings	45,057	34,725
	45,057	34,725

[†]These balances are held with HSBC Bank plc.

Income statement

Interest income	2017	2016
	£	£
	27,370	44,030

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.

Charterhouse Management Services Limited

Notes on the Financial Statements

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-Elysees
Paris 75008
France
www.hsbc.com

19 Contingent liabilities

There were no contingent liabilities at 31 December 2017 (2016: nil).

20 Events after the balance sheet date

There are no significant events after the balance sheet date.