

# **Standard Chartered NEA Limited**

## **Strategic Report, Directors' Report and Financial Statements**

**For the year ended 31 December 2015**

**Registered Number: 05345091**

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# Strategic Report

## Principal objectives and strategies

The principal activity of Standard Chartered NEA Limited (the "Company") throughout the year was that of a holding company. Given the nature of business conducted by the Company, the key performance indicator used by management in assessing the performance of the Company is the monitoring of the net return on the specific underlying investment which the Company has entered into. Monthly management accounts are prepared and reviewed by the management of the Standard Chartered business in which this Company resides. The Company forms part of the Standard Chartered Group and this is not expected to change in the foreseeable future.

## Economic environment

The Company has a significant investment in Korea. In the Retail Clients segment in Korea, while impairment remained at an elevated level, indications suggest improvements with a decrease in the filings under the Personal Debt Rehabilitation Scheme (PDRS) introduced by the Korean government. Standard Chartered Group has taken action to manage its expense base in Korea and focus on growth through operational improvements and cooperation with Shinsegae, one of the largest retailers in Korea, to reshape the branch network. Returns in Korea remain challenging but Standard Chartered Group is determined to reduce losses and return the business to profitability.

## Principal risks and uncertainties

The nature of business of the Company is that of a holding company and not of trading, therefore the principal risk facing the entity is that of a fall in value of the underlying investment and dividend remittance restrictions in the jurisdictions in which the Company's subsidiary operates. This risk can be mitigated by creating structures whereby companies experiencing such restrictions are transferred to other companies within the Standard Chartered Group.

## Business review

During the year the Company impaired its investment in Standard Chartered Bank Korea Limited by \$1,834 million. As a result, it reported a loss after tax of \$1,420 million (2014: profit after tax of \$135 million).

The Company received \$448 million (2014: \$134 million) gross dividend from its subsidiary, Standard Chartered Bank Korea Limited.

The Company has demand loans of \$1,755 million (2014: \$2,035 million) with Standard Chartered Bank.

The Company has a non interest bearing current account owed by group undertakings of \$132 million (2014: \$174 million). This amount is repayable on demand.

## Employees

The Company has no employees (2014: nil).

By order of the board



P S Chambers  
Director  
Company registration number - 05345091  
Date: 27 April 2016

1 Basinghall Avenue  
London  
EC2V 5DD  
UK

## Directors' Report

The directors present their report together with the Company's financial statements for the year ended 31 December 2015.

### Financial instruments

Financial instruments entered into during the year comprised amounts due to and from group companies.

### Results and dividends

The results of the Company are set out from pages 7 to 10.

The Company paid no dividend during the year (2014: \$127 million).

### Creditor payment policy

The Company is a holding company and does not trade. Therefore, it is not considered meaningful to give average supplier payment terms.

### Directors

The directors who held office during the year were as follows:

P S Chambers

T Lord, alternate director to P S Chambers

C J Daniels, resigned as alternate director to D L Taylor on 1 October 2015. He was then appointed as Director on the same day.

A H Strachan, appointed as alternate director to C J Daniels on 1 October 2015

D L Taylor resigned on 1 October 2015

### Qualifying third party indemnities

There are no qualifying third party indemnities in force at the time of this report.

### Employees

Please refer to strategic report on page 3.

### Risk management

The risk management objectives of the Company are set out in note 13.

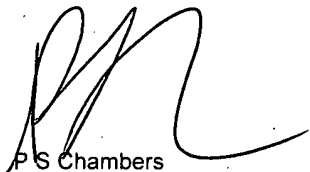
### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report and financial statements confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

KPMG Audit Plc resigned as auditor pursuant to section 516 of the Companies Act 2006. The Directors appointed KPMG LLP as auditor of the company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be appointed and KPMG LLP will therefore continue in office.

By order of the board



P S Chambers

Director

Company registration number - 05345091

Date: 27 April 2016

1 Basinghall Avenue  
London  
EC2V 5DD  
UK

## **Statement of Directors' Responsibilities in respect of the Directors' Report and Financial Statements**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 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. They 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.

# **Independent Auditor's Report to the members of Standard Chartered NEA Limited**

We have audited the financial statements of Standard Chartered NEA Limited (the "Company") for the year ended 31 December 2015 set out on pages 7 - 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matter[s] prescribed by the Companies Act 2006**

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

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit or;
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



**Richard Rawstron (Senior statutory auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditors**  
Chartered Accountants  
15 Canada Square  
Canary Wharf  
London E14 5GL

27 April 2016

## Income Statement

for the year ended 31 December 2015

	Note	2015 \$000	2014 \$000
Interest expense	4	(1,469)	-
Dividend income		447,668	133,856
Other operating (expense) / income	8	(16,434)	16,823
<b>Total operating income</b>		<b>429,765</b>	<b>150,679</b>
<b>Operating profit</b>		<b>429,765</b>	<b>150,679</b>
Impairment	9	(1,834,000)	-
<b>(Loss) / Profit before taxation</b>		<b>(1,404,235)</b>	<b>150,679</b>
Taxation	6	(15,737)	(15,947)
<b>(Loss) / profit for the year</b>		<b>(1,419,972)</b>	<b>134,732</b>

(Loss) / profit for the year is attributable to the equity shareholders and relates to continuing operations.

## Statement of Other Comprehensive Income

for the year ended 31 December 2015

The Company had no comprehensive income for the years ended 31 December 2015 and 31 December 2014 other than the (loss) / profit for the year. A separate statement of other comprehensive income has therefore not been prepared.

The notes on pages 11 to 19 form part of the financial statements.

# Statement of Financial Position

as at 31 December 2015

	Note	2015 \$000	2014 \$000
<b>Non-current assets</b>			
Investments in subsidiaries	9	2,749,801	4,583,801
<b>Current assets</b>			
Amounts owed by group companies	12	132,324	174,225
Other debtors	5	170,422	-
<b>Total assets</b>		<b>3,052,547</b>	<b>4,758,026</b>
<b>Current liabilities</b>			
Demand loans owed to group companies	12	1,754,918	2,035,196
Accrued interest payable to group companies		1,418	-
Corporation tax payable		2,607	2,894
<b>Non-current liabilities</b>			
Deferred Tax	7	-	6,360
<b>Total liabilities</b>		<b>1,758,943</b>	<b>2,044,450</b>
<b>Net assets</b>		<b>1,293,604</b>	<b>2,713,576</b>
<b>Equity</b>			
Share capital	10	1,026,784	1,026,784
Share premium		1,671,005	1,671,005
(Accumulated losses) / Retained earnings		(1,404,185)	15,787
<b>Total equity</b>		<b>1,293,604</b>	<b>2,713,576</b>

The notes on pages 11 to 19 form part of the financial statements.

These financial statements were approved by the Board of Directors on 27 April 2016, and were signed on its behalf by:



P S Chambers  
Director



## Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital \$000	Share premium \$000	(Accumulated losses) / Retained earnings \$000	Total equity \$000
Balance at 1 January 2014	1,026,784	1,671,005	8,055	2,705,844
Profit for the year	-	-	134,732	134,732
Dividend paid	-	-	(127,000)	(127,000)
<b>Balance at 31 December 2014 / 1 January 2015</b>	<b>1,026,784</b>	<b>1,671,005</b>	<b>15,787</b>	<b>2,713,576</b>
Loss for the year	-	-	(1,419,972)	(1,419,972)
<b>Balance at 31 December 2015</b>	<b>1,026,784</b>	<b>1,671,005</b>	<b>(1,404,185)</b>	<b>1,293,604</b>

The notes on pages 11 to 19 form part of the financial statements.

## Statement of Cash Flows

for the year ended 31 December 2015

	Note	2015 \$000	2014 \$000
<b>Cash flows from operating activities</b>			
(Loss) / Profit before tax		(1,404,235)	150,679
Adjustment for items not involving the movement of funds			
Impairment on investment in subsidiary		1,834,000	-
Change in other receivables		(170,422)	-
Change in accruals		1,418	-
Overseas tax paid		(22,383)	(6,693)
<b>Net cash from operating activities</b>		<b>238,378</b>	<b>143,986</b>
<b>Cash flows from investing activities</b>			
Part disposal of investment in subsidiary		-	40,805
<b>Net cash from investing activities</b>		<b>-</b>	<b>40,805</b>
<b>Cash flows from financing activities</b>			
Dividend paid		-	(127,000)
Intercompany loan due to group companies		170,421	-
Repayment of demand loans		(450,700)	-
<b>Net cash from financing activities</b>		<b>(280,279)</b>	<b>(127,000)</b>
<b>Net cash (decrease) / increase in cash and cash equivalents</b>		<b>(41,901)</b>	<b>57,791</b>
Cash and cash equivalents at beginning of year		174,225	116,434
<b>Cash and cash equivalents at end of year</b>		<b>132,324</b>	<b>174,225</b>

The notes on pages 11 to 19 form part of the financial statements.

# Notes to the Financial Statements

for the year ended 31 December 2015

## 1. Principal accounting policies

### Statement of compliance

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations as adopted by the European Union (EU) (together 'adopted IFRS').

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated group accounts. These financial statements present information about the Company as an individual undertaking and not of its group.

### Basis of preparation

At 31 December 2015, the Company had adopted all IFRS and interpretations that had been issued by the International Accounting Standards Board (IASB) and IFRIC, and endorsed by the EU. The accounting policies set out below have been applied consistently across the Company and to all periods presented in these financial statements. The Company financial statements have been prepared on an historical cost basis.

### Functional currency

Items included in the Company financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency of that entity). The Company's functional and presentational currency is the United States Dollar (USD or \$). All financial information presented in USD has been rounded to the nearest thousand, except when otherwise indicated.

### Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary transactions are translated at historical exchange rates.

### Investments

Investment in subsidiary undertakings are stated at cost less impairment and dividends from pre-acquisition profits received prior to 01 January 2010, if any.

Subsidiaries are all entities, including structured entities, which the Company controls. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

### Dividends

Dividends paid on the Company's ordinary equity shares are recognised in the period in which they are declared. Dividends received on equity instruments are recognised in the income statement when the Company's right to receive payment is established.

### Interest income and expense

Interest income and expense is recognised in the income statement using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

# Notes to the Financial Statements (continued)

for the year ended 31 December 2015

## 1. Principal accounting policies (continued)

### Estimates and assumptions

The preparation of the financial statements requires management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences. There are no key assumptions concerning the future, or other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Taxation

Income tax on profit or loss for the year comprises current and deferred tax and is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

### Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and balances with Standard Chartered Bank and callable on demand.

### Recently issued accounting pronouncements

The following pronouncements relevant and applicable to the Company had been issued as at 31 December 2015 but have effective dates for periods beginning after 31 December 2015. The use of IFRS and IFRIC Interpretations that have yet to be endorsed by the European Union is not permitted.

The full impact of these IFRS and IFRIC Interpretations has been assessed by the Company; none of these pronouncements are expected to result in any material adjustments to the financial statements.

Pronouncement	Description of impact	Mandatory effective date for the Company
IFRS 9 - Financial Instruments (Classification and Measurement)	<p>IFRS 9 will replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> and introduce new requirements for the classification and measurement of financial assets and financial liabilities, a new model for recognising loan loss provisions based on expected losses and provide for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.</p> <p>IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&amp;L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.</p> <p>IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.</p>	01 January 2018

## Notes to the Financial Statements (continued)

for the year ended 31 December 2015

### 1. Principal accounting policies (continued)

#### Recently issued accounting pronouncements (continued)

IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception	The IASB has published "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)." The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. They are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.	01 January 2016
IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) amends IFRS 11 such that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. The pronouncement is not expected to have an impact on the Company.	01 January 2016
IFRS 14 - Regulatory Deferral Accounts issued	IFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.  Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. The standard is not expected to have a material impact on the Company.	01 January 2016
IAS 27 - Equity Method in Separate Financial Statements	The International Accounting Standards Board (IASB) has published 'Equity Method in Separate Financial Statements (Amendments to IAS 27)'. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	The standard provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard must be applied retrospectively.  Whilst it is expected that a significant proportion of the Group's revenue will be outside the scope of IFRS 15, the impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 15 on these financial statements. IFRS 15 has not yet been endorsed by the EU.	01 January 2018
IFRS 16 – Leases	IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.  IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.  The impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 16 on these financial statements.	01 January 2019
IAS 1 Disclosure initiative	In December 2014, the IASB issued amendments to IAS 1 to further encourage companies to apply professional judgement in determining what information to disclose and how to structure it in their financial statements.	01 January 2016

## Notes to the Financial Statements (continued)

for the year ended 31 December 2015

### 1. Principal accounting policies (continued)

#### Recently issued accounting pronouncements (continued)

IFRS 10 and IAS 28 - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	On 11 September 2014, the IASB has issued "Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)." The amendments address a conflict between the requirements in IAS 28, "Investments in Associates and Joint Ventures," and those in IFRS 10, "Consolidated Financial Statements." Specifically, they clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments in Effective Date of Amendments to IFRS 10 and IAS 28 defer the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded. Earlier application of the September 2014 amendments continues to be permitted.	Unknown date of application
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### 2. Auditor's remuneration

The auditor's remuneration of \$12,989 (2014: \$10,000) was borne by Standard Chartered Bank.

### 3. Directors' emoluments

None of the directors received any fees or emoluments for performing services as a director of the Company during the year (2014: nil).

### 4. Financial expense

	2015 \$000	2014 \$000
Interest payable	(1,469)	-

On 13 August 2015, Standard Chartered Bank (the Parent), has provided the Company a demand loan of KRW 199.8 billion (equivalent to \$170.4 million at 31 December 2015) for the purpose of funding a tax demand raised by the Korean Tax authorities. As per the terms of the loan agreement, interest payable shall be calculated at an annual rate, equal to the one year Korean Interbank Rate prevailing at 11:00 a.m. London time on the first day of each interest period.

### 5. Other debtors

	2015 \$000	2014 \$000
Other debtors	170,422	-

During April and May 2015, the Company paid KRW 199.8 billion in corporate income tax and local income surtax to the Korean tax authorities. Based on external legal advice, the Directors are confident that the Company will recover this amount through ongoing litigation with the Korean Tax Authorities. The amount of KRW 199.8 billion (equivalent to \$170.4 million at 31 December 2015) has therefore been recognised as other debtors.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2015

### 6. Taxation

#### Analysis of taxation charge for the year

	2015 \$000	2014 \$000
The charge for taxation based upon the (loss) / profits for the year comprises:		
<b>Current tax:</b>		
United Kingdom corporation tax at 20.25% (2014: 21.5%)		
Current tax on income for the year	(286)	2,894
<b>Overseas tax:</b>		
Current tax on income for the year	22,383	6,693
<b>Deferred tax:</b>		
(Reversal) / Origination of temporary differences year	(6,360)	6,360
<b>Tax on profit on ordinary activities</b>	<b>15,737</b>	<b>15,947</b>

#### Explanation of the relationship between tax charge and accounting profit

	2015 \$000	2014 \$000
(Loss) / Profit on ordinary activities before taxation	(1,404,235)	150,679
Tax (credit) / charge at 20.25% (2014: 21.5%)	(284,358)	32,396
Effects of:		
Disallowed expenses	374,725	-
Non taxable dividend income	(90,653)	(29,502)
Unremitted earning and overseas tax	16,023	13,053
<b>Tax on profit on ordinary activities</b>	<b>15,737</b>	<b>15,947</b>

On 5 December 2012, the UK government announced reductions in the UK corporation tax rate to 23 percent in 2013-14, 21 percent in 2014-15 and 20 percent in 2015-16.

On 8 July 2015 the UK government announced changes to tax rates the effect of these reductions is to lower the rate to 19 percent in 2017-18 and to 18 percent in 2020-21.

All tax rates changes have been substantively enacted as at 31 December 2015 giving a blended rate of 20.25% for the year ended 31 December 2015.

In the budget of 16th March 2016 a further one percent cut in the corporation tax rate to 17 percent from 1 April 2020 was announced. This has not been substantively enacted at the present time.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2015

### 7. Deferred tax

The following are the major deferred tax liabilities recognised by the Company

	2015 \$000	2014 \$000
Withholding tax on unremitted earnings from overseas subsidiaries	-	6,360
<b>At 31 December</b>	<b>-</b>	<b>6,360</b>

The company has not provided deferred tax on the withholding tax arising on unremitted earnings from overseas subsidiaries of \$324,153,059 (2014: \$88,461,000) as it is not anticipated these profits will be remitted in the foreseeable future.

The movement in net deferred tax liability comprises:

	2015 \$000	2014 \$000
At 1 January	6,360	-
(Credit)/ Charge to income statement	(6,360)	6,360
<b>At 31 December</b>	<b>-</b>	<b>6,360</b>

### Current liabilities

	2015 \$000	2014 \$000
Corporation tax payable through group relief to group undertaking	2,607	2,894

### 8. Other operating (expense) / income

	2015 \$000	2014 \$000
Foreign exchange (loss) / gain	(16,435)	3,360
Interest earned on tax refund	-	13,463
Interest on Bank account	1	-
<b>Other operating (expense) / income</b>	<b>(16,434)</b>	<b>16,823</b>



## Notes to the Financial Statements (continued)

for the year ended 31 December 2015

### 9. Investment in subsidiaries

	2015 \$000	2014 \$000
Cost at 1 January	4,583,801	4,624,606
Disposals	-	(40,805)
<b>Cost at 31 December</b>	<b>4,583,801</b>	<b>4,583,801</b>
Provision for impairment	(1,834,000)	-
<b>Impairment at 31 December</b>	<b>(1,834,000)</b>	<b>-</b>
<b>Net book value at 31 December</b>	<b>2,749,801</b>	<b>4,583,801</b>

The subsidiary undertaking of the Company are as follows:

Investment	Place of incorporation	% Holding		Principal activity
		2015	2014	
Standard Chartered Bank Korea Limited	Korea	100	100	Banking

The Company's subsidiary, Standard Chartered Korea Limited, was merged with Standard Chartered Bank Korea Limited. Effective from 1 Dec 2015, Standard Chartered Bank Korea Limited is the surviving entity.

During the year, the Company impaired its investment in Standard Chartered Bank Korea Limited by \$1,834 million.

During December 2014, the Company received a refund from the Korean tax authority amounting to \$52.1 million in respect of corporation tax originally paid by the Company in 2006 and capitalised as cost of investment in Standard Chartered Korea Limited. Thus, the original capitalisation of \$36.9 million was reversed from the cost of investment in subsidiary in December 2014. The difference of \$15.2 million was credited to Income statement and reported as other operating income.

The Company has also received a refund from the Jongno District Office in Korea amounting to \$5.5 million in respect of local income tax originally paid by it in January 2007 and capitalised as cost in investment in Standard Chartered Korea Limited. Thus, the original capitalisation of \$3.9 million was reversed from the cost of investment in subsidiary. The difference of \$1.6 million was credited to Income statement and reported as other operating income.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2015

### 10. Called up share capital

Following amendment to corporate law in the UK through the Companies Act 2006, the Company has amended its Articles of Association to remove the provision for authorised share capital.

	2015 \$000	2014 \$000
<b>Issued and fully paid</b>		
1,026,784,416 (2014: 1,026,784,416) Ordinary shares of US \$1.00 each at 31 December	1,026,784	1,026,784

### 11. Cash and cash equivalents

	2015 \$000	2014 \$000
Amounts owed by group companies	132,324	174,225

### 12. Related parties

#### Directors and officers

None of the directors or officers received any fees or emoluments from the Company during the year (2014: nil).

#### Company

The Company is a wholly owned subsidiary of Standard Chartered Bank, a company incorporated in England with limited liability.

The Company has demand loans of \$1,755 million (2014: \$2,035 million) due to Standard Chartered Bank. Out of \$1,755 million, \$1,585 million is interest free and \$170 million is interest bearing with an interest rate per annum equal to the one year Korean Interbank Rate prevailing at 11 am London time on the first day of each interest period.

The Company has a non interest bearing current account owed by Standard Chartered Bank of \$132 million (2014: \$174 million). This amount is repayable on demand.

### 13. Risk management

#### (a) Credit risk

Credit risk is the risk that counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. Financial instruments for the year comprised inter group balances and investments. The Standard Chartered Group has policies and procedures in place to manage risk so the credit risk is not significant from amounts owed by group undertakings. Investments are stated at cost less impairment. The Company's exposure to credit risk from investments is not significant.

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk is mitigated as both investing and funding decisions are within the control of the ultimate parent undertaking.

#### (c) Foreign currency risk

Foreign currency risk is the risk of a loss from assets or liabilities denoted in a foreign currency. The net assets of the Company are denominated in United States dollars ("USD").

## Notes to the Financial Statements (continued)

for the year ended 31 December 2015

### 13. Risk management (continued)

#### (d) Market risk

Market risk is the exposure created by potential changes in market prices and rates. The Company is not exposed to any significant market risk. The Company has no significant exposures as its transactions and balances are confined within the group.

### 14. Capital Management

The Company's primary objective in respect of capital management is to ensure that it has sufficient capital now and in the future to support the risks in the business.

The Company is not subject to externally imposed capital requirements in either the current year or the prior year, other than the minimum share capital required by the Companies Act with which it complies. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the directors, to support the transactions and level of business undertaken by the Company.

### 15. Ultimate holding and parent undertaking of larger group

The Company is a subsidiary undertaking of Standard Chartered Bank a company incorporated in England with limited liability by Royal Charter. The smallest group in which the results of the Company are consolidated is that headed by Standard Chartered Bank. The ultimate holding company is Standard Chartered PLC registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Standard Chartered PLC. The consolidated financial statements of this company are available to the public and may be obtained from the Company Secretary at 1 Basinghall Avenue, London EC2V 5DD.

### 16. Post balance sheet event

The demand loan with Standard Chartered Bank of \$1,585 million will be charged interest from 1 January 2016. The interest payable on the loan shall be calculated at a rate equal to the 3-month US\$ LIBOR rate prevailing at 11 am London time on the date which is two business days prior to start of each interest period plus 1.40% per annum compounded annually.