

Standard Chartered Masterbrand Licensing Limited

Strategic Report, Directors' Report and Financial Statements

For the year ended 31 December 2016

Registered Number: 5618994

Standard Chartered Masterbrand Licensing Limited (Registered
Number 5618994)
Strategic Report, Directors' Report and Financial Statements
for the year ended 31 December 2016

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Strategic Report

Principal objectives and strategies

Standard Chartered Masterbrand Licensing Limited ("the Company") has not actively traded in 2016. Previously the principal activity of the Company was to manage Standard Chartered Bank's Masterbrand and royalty licensing business for Standard Chartered PLC ("the Group"). The licence expired on 31 December 2015, and a change in the strategic direction of the parent company has meant that it is intended to place the Company in liquidation. More details are included in note 1.

Given the nature of business conducted by the Company, the key performance indicator used by management in assessing the performance of the Company is monitoring of the net return on the specific underlying transaction which the Company has entered into. Monthly management accounts are prepared and reviewed by the management of the Standard Chartered PLC in which the Company resides.

Business review

The Directors set out below a review of the development and performance of the Company's business during the year and its position at the year end. This review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties faced which are explained in note 10.

The Company's profit for the year totalled \$1.1 m (2015: loss of \$1.2 m).

The Company's cash in hand as at 31 December 2016 totalled \$53.0 m (2015: \$43.0 m).

Employees

The Company does not directly employ staff. However, in prior years the Company entered into a Services and Cost Sharing Agreement each year with Standard Chartered Bank ("SCB") in order to obtain the support necessary to perform branding activities as well as for the services needed for the effective running of the Company. As at 31 December 2015 the Company had paid 58% of the costs for the services of ten permanent staff employed by SCB. In view of the termination of the royalty licensing business on 1 January 2016, there were no such costs incurred in 2016.

By order of the board



S J King
Director
Company registration number - 5618994
Date: 22 September 2017

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 2016.

Financial instruments

Financial instruments entered into during the year comprised amounts due to / from the Standard Chartered Bank undertaking and amounts due to / from Group undertaking.

Results and dividends

The results of the Company are set out from pages 7 to 19.

The Company paid no dividend during the year (2015: nil).

Going concern

The Company no longer adopts the going concern basis in preparing the Financial Statements since the Directors intend to commence the liquidation of the Company within the foreseeable future. The immediate parent company has given an undertaking to provide such financial assistance as is necessary to settle the net liability position of the Company prior to liquidation. Further details are in note 1.

Directors

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

S R Atkinson

W R Holmes, resigned on 22 July 2016

S J King, appointed on 29 September 2016

Qualifying third party indemnities

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

Risk management

The risk management objectives of the Company are set out in note 10.

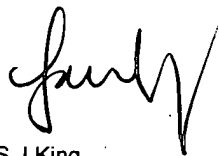
Disclosure of information to auditor

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

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



S J King

Director

Company registration number - 5618994

Date: 22 September 2017

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 the strategic report, the Directors' report and the Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting standards (IFRS) as adopted by the European Union (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.

As explained in note 1 to the Financial Statements, the directors do not believe the going concern basis to be appropriate and these Financials Statements have not been prepared on that basis.

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 Masterbrand Licensing Limited

We have audited the Financial Statements of Standard Chartered Masterbrand Licensing Limited (the "Company") for the year ended 31 December 2016 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.

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 2016 and of its profit 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 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.


Based solely on the work required to be undertaken in the course of the audit of the Financial Statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.



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

22 September 2017

Income Statement

for the year ended 31 December 2016

	Note	2016 \$000	2015 \$000
Interest income		-	53
Royalty income	4	(800)	55,404
Interest expense		(146)	-
Total operating income		(946)	55,457
Net foreign exchange loss		(709)	(589)
Amortisation of intangible licence	7	-	(16,892)
Brand development expenses	5	-	(33,971)
Operating (loss)/profit		(1,655)	4,005
(Loss)/profit before taxation		(1,655)	4,005
Tax credit/(charge)	6	2,713	(5,213)
Profit/(loss) for the year		1,058	(1,208)

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

The notes on pages 11 to 19 form part of the Financial Statements.

Statement of Other Comprehensive Income

for the year ended 31 December 2016

The Company had no other comprehensive income for the years ended 31 December 2016 and 31 December 2015 other than the profit/(loss) for the year. A separate statement of other comprehensive income has therefore not been prepared.

Statement of Financial Position

as at 31 December 2016

	Note	2016 \$000	2015 \$000
Current assets			
Amounts owed by group companies	9	19,241	66,537
Amounts owed by group companies - cash	8	52,979	43,028
Sponsorship prepayment	5	-	9,424
Total assets		72,220	118,989
Current liabilities			
Amounts owed to group companies - recharges	9	3,668	11,326
Amount owed to group companies - demand loan	9	60,000	92,500
Amount owed to group companies - tax	9	8,868	16,679
Other creditors		142	-
Total liabilities		72,678	120,505
Equity			
Accumulated losses		(458)	(1,516)
Total equity and liabilities		72,220	118,989

The notes on pages 11 to 19 form part of the Financial Statements.

These Financial Statements were approved by the Board of Directors on 22 September 2017, and were signed on its behalf by:



S J King
Director
22 September 2017

Statement of Changes in Equity

for the year ended 31 December 2016

	Accumulated losses \$000	Total equity \$000
Balance at 1 January 2015	(308)	(308)
Loss for the year	(1,208)	(1,208)
Balance at 31 December 2015/ 1 January 2016	(1,516)	(1,516)
Profit for the year	1,058	1,058
Balance at 31 December 2016	(458)	(458)

The share capital of the company is \$2 (2015: \$2).

Statement of Cash Flows

for the year ended 31 December 2016

	Note	2016 \$000	2015 \$000
Cash flows from operating activities			
(Loss)/profit before tax		(1,655)	4,005
Adjustment for items not involving the movement of funds:			
Decrease in debtors		47,296	4,832
Amortisation of the licence fee		-	16,892
Increase in other creditors		142	-
Change in intercompany recharge balance		(7,658)	680
Sponsorship prepayment		9,424	983
Overseas tax payable		2,300	(4,583)
Group tax relief settled		(7,398)	(3,240)
Net cash from operating activities		42,451	19,569
Cash flows from financing activities			
Repayment of demand loan		(32,500)	-
Net cash used in financing activities		(32,500)	-
Net cash increase in cash and cash equivalents		9,951	19,569
Cash and cash equivalents at beginning of year		43,028	23,459
Cash and cash equivalents at end of year		52,979	43,028

The notes on pages 11 to 19 form part of the Financial Statements.

Notes to the Financial Statements

for the year ended 31 December 2016

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').

Basis of preparation

At 31 December 2016, 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 Company no longer adopts the going concern basis in preparing the Financial Statements since the Directors intend to commence the liquidation of the Company within the foreseeable future. The immediate parent company has given an undertaking to provide such financial assistance as is necessary to settle the net liability position of the Company prior to liquidation. This has had no impact on the carrying value of the assets. The accounting policies set out below have been applied consistently across the Company and to all periods presented in these Financial Statements.

Uses of estimates and judgements

The preparation of the Financial Statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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.

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.

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.

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Interest income and expense

Interest income and expense are 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

Notes to the Financial Statements (continued)

for the year ended 31 December 2016

1. Principal accounting policies (continued)

Interest (continued)

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.

Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds. Dividends on ordinary shares are recognised in the period in which they are declared.

Royalty income

Royalty income is recognised when it is probable that economic benefits will flow to the company with reference to an agreed royalty rate based on total operating income, according to local GAAP. The royalty fee itself is payable on invoice, annually in arrears, after the local statutory accounts have been filed.

Amortisation and impairment

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are tested for impairment when there is an indication of impairment (a triggering event) and are amortised from the date they are available for use. The estimated useful life of the brand licence was 10 years up to the maturity date of 28 November 2015. The licence was extended to 31 December 2015 for a sum not considered material to amortise.

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.

Recently issued accounting pronouncements

The following pronouncements relevant and applicable to the Company had been issued as at 31 December 2016 but have effective dates for periods beginning after 31 December 2016. 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 adjustments to the Financial Statements.

Notes to the Financial Statements (continued)

for the year ended 31 December 2016

1. Principal accounting policies (continued)

Recently issued accounting pronouncements (continued)		Mandatory effective date for the Company
Pronouncement	Description of impact	
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&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.</p> <p>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> <p>The changes in measures arising on initial application of IFRS 9 will be incorporated through an adjustment to the opening reserves and retained earnings position as at 1 January 2018. Although IFRS 9 will be retrospectively applied, the Group is only permitted to restate comparatives if, and only if, it is possible without the use of hindsight. The Group does not consider it possible to restate comparatives for impairment without the use of hindsight. If comparatives were to be restated, they must incorporate all of the requirements of IFRS 9. IFRS 9 has been adopted by the EU in November 2016.</p>	1 January 2018
IFRS 10 and IAS 28 - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	<p>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.</p>	Deferred indefinitely by amendments made in December 2015

Notes to the Financial Statements (continued)

for the year ended 31 December 2016

1. Principal accounting policies (continued)

Recently issued accounting pronouncements (continued)

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. It is expected that revenue in scope of IFRS 15 will predominantly be fees and commission income and the impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 15 in these Financial Statements. IFRS 15 has been endorsed by the EU.	1 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. The standard has yet to be endorsed by the EU.	1 January 2018

2. Auditor's remuneration

The auditor's remuneration of \$22,945 (2015: \$25,978) for the period was borne by Standard Chartered Bank.

3. Directors' emoluments

None of the Directors or officers received any fees or emoluments in respect of qualifying services to the Company during the year (2015:nil).

4. Royalty income

	2016	2015
	\$000	\$000
	\$	\$
Royalty income	(800)	55,404
Total	(800)	55,404

The charge against royalty income during the year is due to an over accrual of income in prior years.

Notes to the Financial Statements (continued)

for the year ended 31 December 2016

5. Brand development expenses

	2016 \$000	2015 \$000
Corporate Brand Campaign		
Advertising costs	-	5,784
Liverpool Sponsorship and Activation Costs		
Liverpool	-	20,977
Marathon rights fee	-	4,871
General and Administration		
Staff costs	-	1,072
Research and professional fees	-	986
Rent and maintenance	-	89
Travel and accommodation	-	11
Other costs	-	181
Total	-	33,971

In 2015 based on the Services and Cost Sharing Agreement between Standard Chartered Bank and the Company, the Company paid 58% of shared brand development expenses that were not dedicated advertising activities within the Company's markets. On 14 September 2009, Liverpool FC and Standard Chartered Bank announced the agreement of a four year deal for Standard Chartered Bank to become the club's main sponsor, commencing 1 July 2010. Part of the sponsorship fee was borne by the Company. During 2013, Standard Chartered Bank entered into a revised sponsorship agreement with Liverpool FC to run for an additional two years (total three year revised agreement) ending on 30 June 2016. On 22 April 2015, Standard Chartered Bank entered into an additional sponsorship agreement with Liverpool FC to continue as the official shirt sponsor for an additional three years commencing from 1 July 2016.

At 31 December 2015, a Sponsorship prepayment of \$9.4 m represented the Company's share of the amount prepaid for the Liverpool FC shirt sponsorship. During 2016, the prepayment was transferred to Standard Chartered Bank.

There were no brand development expenses incurred during 2016 as the licence expired and the Directors intend to place the Company into liquidation.

6. Taxation

Analysis of tax (credit)/charge for the year

	2016 \$000	2015 \$000
The tax (credit)/charge for taxation based upon the (loss)/profit for the year comprises:		
Current tax:		
United Kingdom corporation tax at 20% (2015: 20.25%)		
Current tax on income for the year	(557)	5,073
Adjustments in respect of prior periods	(2,156)	141
Double taxation relief	-	(4,412)
Prior period adjustment to double tax relief	305	2

Notes to the Financial Statements (continued)

for the year ended 31 December 2016

6. Taxation (continued)

Analysis of tax (credit)/charge (continued)

	2016 \$000	2015 \$000
Foreign tax:		
Current tax on income for the year	-	4,411
Adjustments in respect of prior periods	(305)	(2)
Tax (credit)/charge on profits on ordinary activities	(2,713)	5,213

Explanation of the relationship between tax (credit)/charge and accounting profit

	2016 \$000	2015 \$000
(Loss)/profit on ordinary activities before taxation	(1,655)	4,005
Tax charge at 20% (2015: 20.25%)	(331)	811
Effects of:		
Adjustments to tax charge in respect of previous periods	(2,156)	141
Connected party bad debt provision	-	125
Foreign exchange gain on disallowed items not taxed	(144)	-
Amortisation of intangibles	-	3,421
Transfer pricing adjustment	(82)	715
Tax (credit)/charge on profits on ordinary activities	(2,713)	5,213

On 5 December 2012, the UK government announced a reduction in the UK corporation tax rate to 20 percent in 2015-16. This tax rate change has been enacted as at 31 December 2016 giving a rate of 20% for the year ended 31 December 2016.

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. On 16th March 2016 the UK Government announced a further one percent reduction in the main rate of UK Corporation Tax in 2020-21, the effect of this reduction is to lower the rate to 17 percent in 2020-21. This rate change has been substantively enacted at the balance sheet date and accordingly these changes have been reflected in these Financial Statements.

Notes to the Financial Statements (continued)

for the year ended 31 December 2016

7. Intangible brand licence

	2016 \$000	2015 \$000
Cost		
At 1 January	-	232,065
At 31 December	-	232,065
Amortisation		
At 1 January	-	215,173
Amortisation for the year	-	16,892
At 31 December	-	232,065
Net book value		
At 1 January	-	16,892
At 31 December	-	-

The intangible asset was fully amortised in 2015 as the licence expired on 31 December 2015.

8. Cash and cash equivalents

	2016 \$000	2015 \$000
Amounts due from group companies	52,979	43,028

9. Related parties

Directors and officers

None of the Directors or officers received any fees or emoluments in respect of qualifying services to the Company during the year (2015: nil).

Company

In 2005, Standard Chartered Bank incorporated the Company with an injection of \$1,467.5 m.

The Company issued to Standard Chartered Bank ordinary shares to the value of \$ 50m and redeemable preference shares to the value of \$1,417.5 m. \$1,089 m of the redeemable preference shares were redeemed in 2008.

In 2010, 16,600 of the redeemable preference shares of \$10,000 par value held by Standard Chartered Bank were redeemed at a redemption price of \$10,000 per share totalling \$166 m.

In 2011 the Company redeemed 8,000 of the redeemable preference shares of \$10,000 par value held by Standard Chartered Bank at a redemption price of \$10,000 per share totalling \$80 m.

Notes to the Financial Statements (continued)

for the year ended 31 December 2016

9. Related parties (continued)

Company (continued)

In 2012 the company simplified its capital structure by redeeming the remaining 8,250 redeemable preference shares of \$10,000 par value held by Standard Chartered Bank at a redemption price of \$ 10,000 per share. In addition 49,999,998 ordinary shares of \$1 each totalling \$49,999,998 were redeemed. These liabilities were replaced by the issuance of a \$132.5 m interest free loan repayable on demand to Standard Chartered Bank.

The unsecured interest free demand loan balance as at 31 December 2016 was \$60.0 m (2015: \$92.5 m).

	2016 \$000	2015 \$000
Amounts owed by group companies		
Royalties receivable	9,313	66,022
Amounts owed by group undertakings - Cash and cash equivalent	52,979	43,028
Amount owed by Standard Chartered Bank	9,928	515
Total	72,220	109,565

Amounts due to group companies

Amounts owed to group undertakings - Demand loan	(60,000)	(92,500)
Intercompany balances owed to group undertakings - Recharges	(3,668)	(11,326)
Amounts owed to group undertakings - Tax	(8,868)	(16,679)
Total	(72,536)	(120,505)

10. Risk management

(a). Credit risk

Credit risk arises from the possibility that the counterparty in a transaction may default. The Company's credit risk is primarily attributable to amounts due from other Group undertakings. Standard Chartered Group has policies and procedures in place to manage risk so that the credit risk from amounts owed by Group undertakings is not considered 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). 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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2016

11. 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.