

Charterhouse Management Services Limited
Registered No: 171831

Annual Report and Financial Statements for the year ended 31 December 2019

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Charterhouse Management Services Limited
Registered No: 171831

Annual Report and Financial Statements for the year ended 31 December 2019

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Charterhouse Management Services Limited

Strategic Report

Principal activities

Charterhouse Management Services Limited ('the Company') is a limited company domiciled and incorporated in England and Wales. Its trading address is 8 Canada Square, London E14 5HQ, United Kingdom.

The principal activity of the Company is to act as an investment holding company. No change in the Company's activities is anticipated.

The Company is limited by shares.

Review of the Company's business

The Company has no employees. The Company has no stakeholders other than its parent company.

The business is funded principally by a parent undertaking through equity investment and other liabilities.

Section 172 statement

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

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

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

Performance

The Company's results for the year under review are as detailed in the income statement shown on page 9 of these financial statements.

During the year, the Company released a provision of £1,766 (2018: £20,265) against its subsidiary Charterhouse Administrators (D.T.) Limited.

Key performance indicators

As the Company is managed as part of a global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of HSBC Bank plc. Ongoing review of the performance of the Company is carried out by comparing actual performance against annually set budgets.

Charterhouse Management Services Limited

Strategic Report

Principal risks and uncertainties

The principal financial risks and uncertainties facing the Company are credit risk, market risk and liquidity risk. These risks, the exposure to such risks and management of risk are set out in Note 15 of the financial statements.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('EU') with the process of leaving the EU commencing on 29 March 2018. The UK left the EU on 31 January 2020 and entered into a transition period until 31 December 2020, during which negotiations will take place on the future relationship between the UK and the EU. At this stage, the ultimate economic effect of 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. However this is not expected to have a material impact on the results and net assets of the Company, given the nature of the Company's transactions, its counterparties and available security.

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

On behalf of the Board



C MacKinnon
Director

Dated: 29 September 2020

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Charterhouse Management Services Limited

Report of the Directors

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

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

The Articles of Association of the Company contain a qualifying third-party indemnity provision, which entitles Directors and other officers to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year and up to the date of approval of the financial statements but have not been utilised by the Directors. Additionally, 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 2019 (2018: nil).

Significant events since the end of the financial year

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, the COVID-19 outbreak is not considered to have a significant impact on the principal risks facing the Company.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date.

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

Future developments

No change in the Company's activities is expected.

Going concern basis

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 the Covid-19 outbreak referred to above, together with future projections of profitability, cash flows and capital resources.

Financial risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 15 of the Notes on the financial statements.

Charterhouse Management Services Limited

Report of the Directors

Capital management

The Company is not subject to externally imposed capital requirements and is dependent on the HSBC Group to provide necessary capital resources which are therefore managed on a group basis.

The Company defines capital as total shareholders' equity. It is 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.

Independent auditors

PricewaterhouseCoopers LLP ('PwC') are external independent auditors to the Company. PwC has expressed its willingness to continue in office and the Board recommends that PwC be re-appointed as the Company's independent auditors.

Statement of Directors' Responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and 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 the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are 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.

Charterhouse Management Services Limited

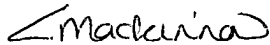
Report of the Directors

Directors' confirmations

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



C MacKinnon
Director

Dated: 29 September 2020

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Charterhouse Management Services Limited

Independent auditors' report to the member of Charterhouse Management Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Charterhouse Management Services Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (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 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; 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 for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

Charterhouse Management Services Limited

Independent auditors' report to the member of Charterhouse Management Services Limited

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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements 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 member 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.

Charterhouse Management Services Limited

Independent auditors' report to the member of Charterhouse Management Services Limited

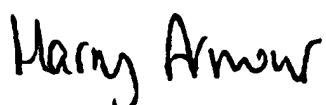
Other required reporting

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.



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

Dated: 29 September 2020

Charterhouse Management Services Limited**Financial statements**

Income statement for the year ended 31 December 2019

	<i>Notes</i>	2019 £	2018 £
Interest income	2	61,057	50,156
Dividend income		396,849	-
		<hr/>	<hr/>
Net operating income		457,906	50,156
General and administrative expenses	3	(4,436)	(31,971)
		<hr/>	<hr/>
Operating profit		453,470	18,185
Reversal of impairments on investments in subsidiaries		1,766	20,265
		<hr/>	<hr/>
Profit before tax		455,236	38,450
		<hr/>	<hr/>
Tax expense	7	(10,223)	(3,455)
		<hr/>	<hr/>
Profit for the year		445,013	34,995
		<hr/>	<hr/>

Statement of comprehensive income for the year ended 31 December 2019

There has been no comprehensive income or expense other than the profit for the year as shown above (2018: nil).

Charterhouse Management Services Limited

Financial statements

Balance sheet as at 31 December 2019

	Notes	2019 £	2018 £
Assets			
Cash and cash equivalents		11,770,588	11,312,851
Trade and other receivables	10	288,015	268,884
Investments in subsidiaries	8	1,032,743	1,030,977
Deferred tax asset	9	20,696	25,239
Total assets		13,112,042	12,637,951
Liabilities and equity			
Liabilities			
Trade and other payables	11	351,283	324,430
Current tax liabilities		5,680	3,455
Total liabilities		356,963	327,885
Equity			
Called up share capital	12	10,000,000	10,000,000
Retained earnings		2,755,079	2,310,066
Total equity		12,755,079	12,310,066
Total liabilities and equity		13,112,042	12,637,951

The accompanying notes on pages 13 to 23 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29 September 2020 and signed on its behalf by:

C MacKinnon



Director
Company Registration No: 171831

Charterhouse Management Services Limited**Financial statements**

Statement of cash flows for the year ended 31 December 2019

	2019	2018
	£	£
Cash flows from operating activities		
Profit before tax	455,236	38,450
Adjustments for:		
Non-cash items included in profit before tax	(1,766)	(20,265)
Change in operating assets	(19,131)	(651)
Change in operating liabilities	26,853	11,379
Tax (paid)/received	(3,455)	8,146
Net cash generated from/ (used in) from operating activities	2,501	(1,391)
Net increase in cash and cash equivalents	457,737	37,059
Cash and cash equivalents brought forward	11,312,851	11,275,792
Cash and cash equivalents carried forward	11,770,588	11,312,851

Charterhouse Management Services Limited

Financial statements

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital £	Retained earnings £	Total equity £
At 1 January 2019	10,000,000	2,310,066	12,310,066
Profit for the year	-	445,013	445,013
	<hr/>	<hr/>	<hr/>
At 31 December 2019	10,000,000	2,755,079	12,755,079
	<hr/>	<hr/>	<hr/>

	Called up Share capital £	Retained earnings £	Total equity £
At 1 January 2018	10,000,000	2,275,071	12,275,071
Profit for the year	-	34,995	34,995
	<hr/>	<hr/>	<hr/>
At 31 December 2018	10,000,000	2,310,066	12,310,066
	<hr/>	<hr/>	<hr/>

Charterhouse Management Services Limited

Notes on the Financial statements

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 2019, there were no unendorsed standards effective for the year ended 31 December 2019 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 2019

During 2019, the Company adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements of the Company.

(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 2020, some of which have been endorsed for use in the EU. The Company expects that they will have an insignificant effect, when adopted, on the financial statements of the Company.

Major new IFRSs

There are no new IFRSs published by the IASB which are endorsed by the EU and are effective from 1 January 2020 that are expected to have an impact on the financial statements of the Company.

(c) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost 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.

(d) Presentation of information

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

The financial statements have been prepared on the historical cost basis.

(e) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, highlighted as the 'critical accounting estimates and judgements' in section 1.2 to follow, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based.

Charterhouse Management Services Limited

Notes on the Financial statements

This could result in materially different conclusions from those reached by management for the purposes of these financial statements.

Management's selection of the Company's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

(f) Going concern

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 the COVID-19 outbreak, together with future projections of profitability, cash flows and capital resources.

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.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Dividend income 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

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, are measured at amortised cost. Such financial assets include trade and other receivables.

Trade and other receivables

These include trade and other receivables originated by the Company, not classified as held for trading or designated at fair value. They are recognised when cash is advanced to a borrower and are derecognised when either the borrower repays its obligations, or the receivables are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment allowance.

Trade and other payables

Amounts owed to other group undertakings represent financial liabilities and are included within trade and other payables. Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised when the Company becomes party to the contractual 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) Impairment of amortised cost financial assets and liabilities

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

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

Further details can be found in HSBC Holdings plc Annual Report and Accounts 2019 Note 1.2 (i).

(d) 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.

(e) Tax

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

Charterhouse Management Services Limited

Notes on the Financial statements

Current tax is the tax expected to be payable on the taxable profit for the year and any adjustment to tax payable in respect of previous years. The Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods 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.

Critical accounting estimates and judgements

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies. In the absence of a history of taxable profits, the most significant judgements relate to expected future profitability and to the applicability of tax planning strategies, including corporate reorganisations.

(f) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition.

(g) Called up share capital

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

(h) Statement of cash flows

The statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under 'Operating activities', movements in inter-company transactions are shown under the heading of 'Financing activities'. Such movements arise ultimately from the Company's financing activities, through which the Company will acquire resources intended to generate future income and cash flows.

2 Interest income

	2019 £	2018 £
Interest income from other group undertakings	<u>61,057</u>	<u>50,156</u>

3 General and administrative expenses

	2019 £	2018 £
Audit fees	12,600	12,000
Other (income)/expenses	<u>(8,164)</u>	<u>19,971</u>
	<u>4,436</u>	<u>31,971</u>

Other income represents the write back of over accrual of admin fees payable to HSBC Bank plc offset to some extent by bank charges and foreign exchange loss on Euro bank account.

Charterhouse Management Services Limited

Notes on the Financial statements

4 Employee compensation and benefits

The Company has no employees and hence no staff costs (2018: nil).

5 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2018: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

6 Auditors' remuneration

During the year, the Company incurred audit fees of £8,400 (2018: £8,000). The Company has also borne audit fees on behalf of another group undertaking of £4,200 (2018: £4,000).

There were no non-audit fees incurred during the year (2018: nil).

7 Tax

Tax expense

	2019 £	2018 £
Current tax		
UK Corporation tax		
- for this year	5,680	3,455
Total current tax	5,680	3,455
Deferred tax		
Current year	5,078	-
Effect of changes in tax rates	(534)	-
Rounding Difference	(1)	-
Total Deferred tax	4,543	-
Total tax charged to income statement	10,223	3,455

The UK corporation tax rate applying to the Company was 19% (2018: 19%).

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 December 2019 continue to reflect the planned rate reduction. If the deferred tax asset as at 31 December 2019 were re-measured at 19% it would increase by £2,435.

Charterhouse Management Services Limited

Notes on the Financial statements

Tax reconciliation

	2019 £	Percentage of overall profit before tax %	2018 £	Percentage of overall profit before tax %
Profit before tax	455,236		38,450	
Tax at 19% (2018: 19%)	86,495	19.0	7,306	19.0
Non-taxable income and gains	(1)	0.0	(3,851)	(10.0)
Income not taxable	(75,737)	(16.6)	-	-
Effect of changes in tax rates	(534)	(0.1)	-	-
Total tax charged to income statement	<u>10,223</u>	2.3	<u>3,455</u>	9.0

8 Investments in subsidiaries

	2019 £	2018 £
Cost		
At 1 January	6,877,465	6,877,465
At 31 December	<u>6,877,465</u>	<u>6,877,465</u>
Provisions for Impairment		
At 1 January	5,846,488	5,866,753
Reversal of impairment provision	(1,766)	(20,265)
At 31 December	<u>5,844,722</u>	<u>5,846,488</u>
Net carrying amount at 31 December	<u>1,032,743</u>	<u>1,030,977</u>

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 £1,766 (2018: £20,265). This is based on the movement in the Net Asset value of the subsidiary for the year ended 31 December 2019.

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

Charterhouse Management Services Limited

Notes on the Financial statements

9 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 2019	25,239	25,239
Income statement expense	(4,543)	(4,543)
At 31 December 2019	20,696	20,696
	Property, plant and equipment £	Total £
At 1 January 2018	25,239	25,239
Income statement expense	-	-
At 31 December 2018	25,239	25,239

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

10 Trade and other receivables

	2019 £	2018 £
Amounts due from other undertakings	18,569	31
Trust deposits	269,446	268,853
	288,015	268,884

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

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

Charterhouse Management Services Limited

Notes on the Financial statements

11 Trade and other payables

	2019 £	2018 £
Amounts owed to other group undertakings	81,837	55,577
Customer accounts	269,446	268,853
	<u>351,283</u>	<u>324,430</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 10.

12 Called up share capital

	2019 £	2018 £
Issued, allotted and fully paid up 10,000,000 Ordinary shares (2018: 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 (2018: 10,000,000) of £1 each As at 1 January and 31 December	<u>10,000,000</u>	<u>10,000,000</u>

13 Analysis of financial assets and liabilities by measurement basis

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

14 Fair value of financial instruments not carried at fair value

The fair value of financial assets and liabilities not carried at fair value are as follows: Cash and cash equivalents, trade and other receivables and other financial liabilities carrying amount as shown in the Balance sheet is a reasonable approximation of fair value as they are short term in nature.

15 Management of financial risk

All of the Company's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which comprises credit risk, liquidity risk and market risk. The management of financial risk and consideration of profitability, cash flows and capital resources form a key element in the Directors' assessment of the Company as a going concern.

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.

Charterhouse Management Services Limited

Notes on the Financial statements

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.

The Company's assets net of deferred tax, are funded principally by borrowings from another group undertaking, which acts as a treasury function. This funding has no fixed repayment date and therefore is technically repayable on demand.

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 2019		
Customer accounts	269,446	269,446
Amounts owed to other group undertakings	81,837	81,837
	<u>351,283</u>	<u>351,283</u>

	On demand £	Total £
At 31 December 2018		
Customer accounts	268,853	268,853
Amounts owed to other group undertakings	55,577	55,577
	<u>324,430</u>	<u>324,430</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.

Charterhouse Management Services Limited

Notes on the Financial statements

Disclosures on foreign exchange risk and interest rate risk are provided below.

Foreign exchange risk

During 2019, the Company has not been significantly exposed to foreign exchange risk (2018: nil).

Of the cash and cash equivalent balance of £11,770,588 (2018: £11,312,851) an amount of £2,263 (2018: £2,414) 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 2019, 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 £143,258 (2018: £147,000) or a decrease of £24,742 (2018: £21,000).

16 Related party transactions

Balances with related parties:

	2019		2018	
	Highest balance during the year £	Balance at 31 December £	Highest balance during the year £	Balance at 31 December £
Assets				
Cash and cash equivalents ¹	11,770,588	11,770,588	11,312,851	11,312,851
Amounts due from other group undertakings	18,569	18,569	9,765	31
Trust deposits	269,446	269,446	268,853	268,853
Liabilities				
Amounts owed to other group undertakings	81,837	81,837	69,360	55,577

¹These balances are held with HSBC Bank plc.

Income statement	2019	2018
	£	£
Interest income	61,057	50,156

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

17 Parent undertakings

The ultimate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest group to consolidate these financial statements. HSBC 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-Élysées
Paris 75008
France
www.hsbc.com

18 Events after the balance sheet date

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, the COVID-19 outbreak is not considered to have a significant impact on the principal risks facing the Company.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date

There are no other significant events after the balance sheet date.