HSBC FUNDING (UK) HOLDINGS
Registered No: 2566924

Financial Statements for the year ended 31 December 2014

HSBC

Contents

Review of the Company's business

HSBC Funding (UK) Holdings' ("the Company") principal activity is that of a holding Company for financing transactions undertaken by subsidiaries.

As regards to the future, the Company will continue to be used as a holding Company for financing transactions undertaken by subsidiaries.

The business is funded principally by subsidiary undertakings through borrowing. The Company has no employees. Services required are provided by fellow subsidiaries of HSBC Holdings plc ("the HSBC Group"). The Company's principal stakeholder is its parent company.

Financial Performance

The key performance indicator used by management in assessing the performance of the Company is the monitoring of the Company's cash balances. Monthly management accounts are prepared and reviewed by the management of the HSBC business in which this Company resides.

The Company's results for the year under review are as detailed in the income statement shown in these accounts.

Risk management

The Company participates in transactions to which other HSBC group companies are also party. The HSBC Business in which these companies reside (the "Business") has an established risk management process which considers the risks at the outset and on an ongoing basis in relation to each transaction from the Business' perspective – this will consolidate the risks of participating companies and, as such, offsetting risks will be eliminated. To the extent there is any residual risk, management will mitigate this by implementing the appropriate instruments and these will reside in the relevant company.

As part of that process, the Business' management will review the monthly management accounts of the Business. There were no changes in the Company's approach to risk management during the year.

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 12 of the financial statements.

Signed on behalf of the Board

R L H Bencard
Director

Dated: 29 April 2015

Registered Office
8 Canada Square
London
E14 5HQ

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
D J Cavanna		
J Subramaniyan		
R L H Bencard		
J R Kent		
N Manjanath		11 September 2014
G Owen-Conway		

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. All Directors have the benefit of directors' and officers' liability insurance.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014 (2013: US$ Nil).

Significant events since the end of the financial year

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

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.

Disclosure of information to the Auditor

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Auditor

Pursuant to Section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore KPMG Audit Plc will continue in office for the financial period 1 January 2014 to 31 December 2014.

Following a tender process for the audit of HSBC Holdings plc and its subsidiaries that took place in 2013, it was recommended that PricewaterhouseCoopers LLP be appointed as auditors for the HSBC Group entities effective for periods ending on or after 1 January 2015.

As a result KPMG Audit Plc will not be seeking reappointment as the Company's auditor for the financial year commencing 1 January 2015 and PricewaterhouseCoopers LLP will seek appointment instead.

Statement of Directors' responsibilities

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

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

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

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

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The Directors have responsibility for ensuring that sufficient accounting records are kept that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board

R L H Bencard
Director

Dated: 29 April 2015

Registered Office
8 Canada Square
London
E14 5HQ

Independent Auditor's Report to the Members of HSBC Funding (UK) Holdings

We have audited the financial statements of HSBC Funding (UK) Holdings for the year ended 31 December 2014 set out on pages 6 to 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 4, 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 web-site 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 2014 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 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.

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Zaffarali Khakoo (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
United Kingdom

Dated: 29/04/15

Income statement for the year ended 31 December 2014

	Notes	**2014** **US$**	2013 US$
Finance income/(costs)			
Interest income	3	**75**	176
Interest expense	3	**(49)**	(55)
Profit before tax		**26**	121
Tax expense	5	**(7,999)**	(4,459)
Loss for the year		**(7,973)**	(4,338)

The accounting policies and notes on pages 10 to 19 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2014

There has been no other comprehensive income or expense other than the loss for the current and prior years as shown above.

Statement of financial position as at 31 December 2014

	Notes	2014 US$	2013 US$
ASSETS			
Non-current assets			
Investments in subsidiaries	6	**6**	6
Deferred tax assets	7	**-**	83,333
		6	83,339
Current assets			
Cash and cash equivalents held with parent undertakings	8	**150,111**	85,394
Deferred tax assets	7	**40,422**	-
Current tax assets		**39,335**	50,096
		229,868	135,490
Total assets		**229,874**	218,829
LIABILITIES AND EQUITY			
Current liabilities			
Other financial liabilities	9	**39,241**	20,223
Total liabilities		**39,241**	20,223
Equity			
Called up share capital	10	**3**	3
Retained earnings		**190,630**	198,603
Total shareholders' equity		**190,633**	198,606
Total equity and liabilities		**229,874**	218,829

The accounting policies and notes on pages 10 to 19 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29 April 2015 and were signed on its behalf by:

R L H Bencard
Director
Company Registration No: 2566924

Statement of cash flows for the year ended 31 December 2014

	2014 US$	2013 US$
Cash flows from operating activities		
Profit before tax	**26**	121
Adjustments for:		
Interest income	**(75)**	(176)
Interest expense	**49**	55
Tax received/(paid)	**45,673**	(15,703)
Net cash from /(used in) operating activities	**45,673**	(15,703)
Cash flows from investing activities		
Interest paid	**(48)**	(62)
Interest received	**75**	176
Net cash generated from investing activities	**27**	114
Cash flows from financing activities		
Movements in amounts owed to group undertakings	**19,017**	633
Net cash generated from financing activities	**19,017**	633
Net increase/(decrease) in cash and cash equivalents	**64,717**	(14,956)
Cash and cash equivalents brought forward	**85,394**	100,350
Cash and cash equivalents carried forward	**150,111**	85,394

The accounting policies and notes on pages 10 to 19 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2014

	Called up share capital	**Retained earnings**	**Total shareholders' equity**
	US$	**US$**	**US$**
Year ended 31 December 2014			
At 1 January 2014	**3**	**198,603**	**198,606**
Loss for the year	**-**	**(7,973)**	**(7,973)**
Total comprehensive expense for the year	**-**	**(7,973)**	**(7,973)**
At 31 December 2014	**3**	**190,630**	**190,633**

	Called up share capital	Retained earnings	Total shareholders' equity
	US$	US$	US$
Year ended 31 December 2013			
At 1 January 2013	3	202,941	202,944
Loss for the year	-	(4,338)	(4,338)
Total comprehensive expense for the year	-	(4,338)	(4,338)
At 31 December 2013	3	198,603	198,606

The accounting policies and notes on pages 10 to 19 form an integral part of these financial statements.

Shareholder's equity is wholly attributable to the ordinary shareholder.

1. Basis of preparation

(a) Compliance with International Financial Reporting Standards

The principal currency in which the Company's business is conducted (which is its functional currency) is the US Dollar. These accounts are therefore presented in that currency. For the purpose of these financial statements, Sterling is a foreign currency.

International Financial Reporting Standards ('IFRSs') comprise accounting standards issued or adopted by the International Accounting Standards Board ('IASB') as well as interpretations issued or adopted by the IFRS Interpretations Committee ('IFRS IC').

The financial statements of the Company have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the EU. EU-endorsed IFRSs could differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs were not to be endorsed by the EU.

At 31 December 2014, there were no unendorsed standards effective for the year ended 31 December 2014 affecting these financial statements and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the Company's financial statements for the year ended 31 December 2014 are prepared in accordance with IFRSs as issued by the IASB.

There were no new standards adopted during the year ended 31 December 2014.

The Company is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. The financial statements present information about the Company as an individual undertaking.

(b) Future accounting developments

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. The new standards will not have a material impact upon the company.

(c) General information

HSBC Funding (UK) Holdings is an unlimited company with shares domiciled and incorporated in England and Wales.

2. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except where stated otherwise.

(a) Interest income and expense

Interest income and expense for all financial instruments are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method. The effective interest method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period.

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. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

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

(b) Income tax

Income tax comprises current and deferred tax and is recognised in the income statement.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting period.

(c) Foreign currencies

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the end of the reporting period. Any resulting exchange differences are included in the income statement.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

(d) Subsidiaries

The Company classifies investments in entities which it controls as subsidiaries. For the purpose of determining the classification, control is considered to be the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

2. Summary of significant accounting policies (continued)

The Company's investments in subsidiaries are stated at cost less any impairment losses. An impairment loss recognised in prior periods shall be reversed through the income statement if, and only if, there has been a change in the estimates used to determine the investment in subsidiary's recoverable amount since the last impairment loss was recognised.

Profits on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in the respective associates or joint ventures. Losses are also eliminated to the extent of the Company's interest in the associates or joint ventures unless the transaction provides evidence of an impairment of the asset transferred.

(e) Financial assets and liabilities

(i) Financial liabilities

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.

(ii) Cash and cash equivalents

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

(f) Impairment of financial assets

Financial assets are written off to the extent that there is no realistic prospect of recovery.

The Company recognises losses for impaired balances promptly where there is objective evidence that impairment of an asset or portfolio of assets has occurred. Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded as charges to the income statement. The carrying amount of impaired loans on the statement of financial position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually assessed impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying amount.

Collectively assessed impairment losses are calculated on the basis of past experience, current economic conditions and other relevant factors to provide for losses not yet specifically identified.

(g) Share Capital

Shares are 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 proceeds, net of tax.

Dividends payable in relation to equity shares are recognised as a liability in the period in which they are paid.

(h) Determination of fair value

In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

2. Summary of significant accounting policies (continued)

Subsequent to initial recognition, the fair value of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison to similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

The fair value of financial instruments is generally measured by the individual financial instrument. However, in cases where the Company manages a group of financial assets and financial liabilities according to its net exposure to either market risks or credit risk, the Company measures the fair value of the group of financial instruments on a net basis, but presents the underlying financial assets and liabilities separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

(i) Use of assumptions and estimates

When preparing the financial statements, it is the Directors' responsibility to select suitable accounting policies and to make judgements and estimates that are reasonable and prudent.

There are no accounting policies that are deemed critical to the Company's IFRS results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation.

(j) 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.

3. Interest income/(expense)

	2014	2013
	US$	US$
Related parties:		
Interest income from other group undertakings	**75**	176
Related parties:		
Interest expense from subsidiary undertakings	**(49)**	(55)

4. Result for the year

Certain expenses including auditor's remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before tax.

The auditor's remuneration borne on behalf of the Company amounted to US$ 8,397 (2013: US$8,431).

The Company has no employees and hence no staff costs (2013: US$ Nil).

The Directors made no charge for their services. No emoluments were received or are receivable by any of the Directors in respect of their services to the Company during the year (2013: US$ Nil). The details regarding Directors who are also Directors of other group undertakings are disclosed in the financial statements of those companies.

5. Tax expense

	Notes	2014 US$	2013 US$
Current taxation			
UK corporation tax charge - on current year profit		**(42,906)**	(46,384)
Foreign exchange movements			
current year		**3,280**	(3,710)
prior year		**4,714**	(372)
Total current tax		**(34,912)**	(50,466)
Deferred taxation			
Origination and reversal of temporary differences		**42,911**	46,412
Effect of changes in tax rates		**-**	8,513
Total deferred tax	*7*	**42,911**	54,925
Total tax charged/(credited) to the income statement		**7,999**	4,459

The UK corporation tax rate applying to the Company was 21.5% (2013: 23.3%).

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

	2014	**Percentage of overall profit before tax**	2013	Percentage of overall profit before tax
	US$	**%**	US$	%
Taxation at UK corporation tax rate of 21.5% (2013: 23.3%)	**5**	**21.5%**	28	23.3%
Changes in tax rates	**-**	**-**	8,513	7,035.1%
Other items - foreign exchange translation of balances	**7,994**	**30,746.2%**	(4,082)	(3,372.7)%
Total tax charged to the income statement	**7,999**	**27,587.0%**	4,459	3,685.7%

The main rate of corporation tax in the UK reduced from 23% to 21% on 1 April 2014 and will be further reduced to 20% on 1 April 2015. The reduction in the corporation tax rate to 20% was enacted through the 2013 Finance Act on 17 July 2013.

6. Investments in subsidiaries

Cost & Net Carrying Amount	**2014 US$**	2013 US$
At 1 January	**6**	6
At 31 December	**6**	6

The principal subsidiary undertakings of the Company at the end of the reporting period were:

Name of Undertaking	Class of Capital	Country of Incorporation	Type of business	Ownership Percentage 2014	Ownership Percentage 2013
HSBC City Funding Holdings	Ordinary Shares of GBP 1 each	England and Wales	Unlimited Funding Company	100%	100%
HSBC Lodge Funding (UK) Holdings	Ordinary Shares of GBP 1 each	England and Wales	Unlimited Funding Company	100%	100%

7. Deferred tax assets

	2014 US$	2013 US$
At 1 January	**83,333**	138,258
Release of IFRS opening adjustments	**(42,911)**	(46,412)
Tax rate change	**-**	(8,513)
At 31 December	**40,422**	83,333

A deferred tax asset of US$ 598,950 was recognised directly in equity as an adjustment in respect of the initial adoption of IAS 39 at 1 January 2005. Under UK tax legislation the current tax consequences of that adjustment crystallise over a 10 year period commencing 1 January 2006 and results in a corresponding reversal of deferred tax over the same period.

During the year ended 31 December 2007, capital losses of US$ 183 million were generated on the redemption of investments. A further US$ 8.8million of losses were generated during 2008, US$ 97.5 million in 2010 and US$ 12.6 million in 2012. The losses are utilised against capital gains within the wider HSBC Group to obtain relief for the sterling equivalent when arising. At 31 December 2014, an estimated US$ 65.8 million of losses remained (2013: US$ 115.6 million). The losses have been translated to US$ using year end rates and are equivalent to GBP 42.2 million. No deferred tax asset has been created, however, as there is no certainty that the group will be able to utilise the losses.

8. Cash and cash equivalents

	2014 US$	2013 US$
Amounts held with parent undertakings	**150,111**	85,394
	150,111	85,394

9. Other financial liabilities

	2014 US$	2013 US$
Current		
Amount owed to group undertakings	**39,240**	20,223
Accrued interest on amount owed to group undertakings	**1**	-
	39,241	20,223

Amount owed to group undertakings carries accrued interest of US$ 1 (2013: US$ nil) which is payable quarterly at a floating rate with reference to 3 month USD LIBOR.

10. Share capital

	2014 US$	2013 US$
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	3	3
	3	3

The share capital denominated in Sterling has been translated into USD at the exchange rate ruling at the date of issue.

11. Analysis of financial assets and financial liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

At 31 December 2014	**Financial assets and liabilities at amortised cost US$**	**Total US$**
Assets		
Cash and cash equivalents	150,111	150,111
Total financial assets	150,111	150,111
Total non financial assets		79,763
Total assets		229,874
Liabilities		
Amounts owed to group undertakings	39,240	39,240
Accrued interest on loans from other group undertakings	1	1
Total financial liabilities	39,241	39,241
Total liabilities		39,241

At 31 December 2013	Financial assets and liabilities at amortised cost US$	Total US$
Assets		
Cash and cash equivalents	85,394	85,394
Total financial assets	85,394	85,394
Total non financial assets		133,435
Total assets		218,829
Liabilities		
Amounts owed to group undertakings	20,223	20,223
Total financial liabilities	20,223	20,223
Total liabilities		20,223

12. Risk Management

The Company has exposure to the following types of risk arising from its use of financial instruments; credit risk, liquidity risk and market risk. Market risk includes interest rate risk and foreign exchange risk.

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note.

Credit risk management

Credit risk is the risk that financial loss arises from the failure of counterparty to meet its obligations under a contract, and arises principally from amounts owed by group undertakings.

The Company's exposure to credit risk is minimised because cash held with group undertakings form all of the Company's assets. Such group undertakings are wholly owned subsidiaries of HSBC Holdings plc, and are part of the Business described above. Such counterparties have no history of default and have been able to meet their liabilities as they fall due. On this basis the Company considers the amounts due to be fully recoverable.

There has been no significant change in the credit quality of financial assets during the year.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 group undertakings/parent undertakings. Fellow group undertakings have committed to provide funds as and when needed.

Interest is currently payable at 3 month USD LIBOR.

The Business manages liquidity risk for this entity as described above for risks generally.

The following is an analysis of undiscounted cash flows payable under financial liabilities by remaining contractual maturities at the end of the reporting period:

	Carrying value US$	Contractual cash flows US$	Less than one year US$
At 31 December 2014			
Amounts owed to group undertakings	**39,241**	**(39,241)**	**(39,241)**
	39,241	**(39,241)**	**(39,241)**
At 31 December 2013			
Amounts owed to group undertakings	20,223	(20,223)	(20,223)
	20,223	(20,223)	(20,223)

Market risk management

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will affect the Company's income. The Company is not exposed to foreign exchange risk on its financial assets or financial liabilities.

Interest receivable on amounts owed by group undertaking is at a floating interest rate. Interest payable on amounts owed to group undertaking is at a floating interest rate. Management keep the interest rate exposure under review and, where deemed appropriate, will eliminate this wholly or partly through interest rate swaps.

12. Risk Management (continued)

Interest rate risks

Sensitivity analysis: interest rate risk

The table below sets out the effect on our future net interest income of an incremental 100 basis points parallel rise or fall in interest rates at the reporting date (floored to 0%). The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013.

	Profit or loss 100 bp increase US$	Profit or loss 100 bp decrease US$
As at 31 December 2014		
Financial assets		
Financial assets at amortised cost	1,501	(135)
Total increase/(decrease)	1,501	(135)
As at 31 December 2013		
Financial assets		
Financial assets at amortised cost	854	(68)
Total increase/(decrease)	854	(68)

13. Fair value of financial assets and liabilities

The accounting policies which determine and describe the classification and methods used to determine fair values of financial instruments are described in Note 2. Fair values of financial instruments not carried at fair value are, however, provided for information and are calculated as described below.

Cash and cash equivalents and other financial liabilities carrying amount as shown in the statement of financial position is a reasonable approximation of fair value as they are short term in nature.

14. Related-party transactions

The Company has a related party relationship with its parent, with other HSBC Group undertakings.

Particulars of transactions, arrangements and agreements involving third parties are disclosed elsewhere within the financial statements.

Other than the transactions and balances disclosed elsewhere in these financial statements, the Company did not enter into any material related party transactions during the year.

The ultimate parent undertaking (which is the ultimate controlling party) and the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is HSBC Holdings plc.

HSBC Investment Bank Holdings Plc, its immediate parent company, is the Company's direct controlling party and HSBC Holdings plc is the Company's ultimate controlling party.

The result of the Company is included in the group financial statements of HSBC Holdings plc.

Copies of the group financial statements of HSBC Holdings plc may be obtained from the following address:

HSBC Holdings plc
8 Canada Square
London
E14 5HQ
www.hsbc.com

15. Investment Commitments

There were no commitments at 31 December 2014 (2013: US$ Nil).

16. Contingent liabilities

There were no contingent liabilities at 31 December 2014 (2013: US$ Nil).

17. Subsequent events

There were no subsequent events requiring disclosure in the financial statements.