Legend Estates Limited
Registered No: 3395489

Financial Statements for the year ended 31 December 2016

HSBC

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Registered No: 3395489

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Contents

Strategic Report

Principal activities

Legend Estates Limited's (the 'Company') principal activity is to act as a holding company for HSBC Equities (Luxembourg) S.A.R.L. No change in the Company's activities is expected.

Review of the Company's business

The business is funded principally by a parent undertaking through borrowing. The Company's principal stakeholder is its parent company.

Performance

The performance and position of the Company for the year ended 31 December 2016 and the state of the Company's financial affairs at that date are set out on pages 7 to 23.

The results of the Company show a profit before tax of EUR 8.3 million for the year (2015: EUR 1.5 million).

The Company received dividends of EUR 6,500,000 in the year, from the Company's subsidiary HSBC Equities (Luxembourg) S.A.R.L. (2015: EUR 1,500,000).

Key performance indicators

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

Principal risks and uncertainties

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 14 of the financial statements.

Signed on behalf of the Board

Director
J Subramaniyan

Dated: 12 September 2017

Registered Office
8 Canada Square
London
E14 5HQ

Directors' Report

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
G Owen-Conway		
J R Kent		31 May 2017
J Subramaniyan		
S E Long	15 March 2016	
R L H Bencard		1 August 2016
M C Anderson		22 March 2017

On 22 March 2017, C R J Irvin was appointed as a Director of the Company.

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 2016 (2015: EUR nil).

Significant events since the end of the financial year

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union and the process of leaving the EU ('Brexit') commenced on 29 March 2017. The ultimate economic impact of Brexit is currently uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime this uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. As described in Note 14, foreign exchange and interest rate risks are managed by the Company in the ordinary course of business and so any increased volatility as a result of Brexit is not expected to have a material effect on the results and net assets of the Company. Additionally, any general adverse consequences for credit risk at a UK or EU macroeconomic level that may arise as a consequence of Brexit is not expected to translate into a material increase in credit risk for the Company given the nature of the Company's transactions, its counterparties, and available security.

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

Future developments

No change in the Company's activities is expected.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

Capital management

The Company defines capital as total shareholder's èquity. It is HSBC's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Company's approach to capital management during the year.

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

Disclosure of information to 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 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Auditors' 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 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 Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

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

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.

Signed on behalf of the Board

J Subramaniyan
Director

Dated: 12 September 2017

Registered Office
8 Canada Square
London
E14 5HQ

Independent Auditors' Report to the Members of Legend Estates Limited

Report on the financial statements

Our opinion

In our opinion, Legend Estates Limited's financial statements (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 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.

What we have audited

The financial statements, included within the Financial Statements (the 'Annual Report'), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement and the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Company Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements 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) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Andrew Batty (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Dated: 14 September 2017

Income statement for the year ended 31 December 2016

	Notes	**2016** **EUR**	2015 EUR
Interest income	5	**1,786,424**	140,180
Interest expense	6	**-**	(165,988)
Net interest income/(expense)		**1,786,424**	(25,808)
Dividend income		**6,500,000**	1,500,000
Net operating income		**8,286,424**	1,474,192
Profit before tax		**8,286,424**	1,474,192
Tax expense	7	**(345,935)**	(190,258)
Profit for the year		**7,940,489**	1,283,934

The notes on pages 11 to 23 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2016

There has been no comprehensive income or expense other than the profit for the year as shown above (2015: EUR nil).

The accompanying notes on pages 11 to 23 form an integral part of these financial statements.

Statement of financial position as at 31 December 2016

	Notes	**2016 EUR**	2015 EUR	2014 EUR
Assets				
Cash and cash equivalents	8	**6,825,402**	692,228	343,668
Trade and other receivables	9	**298,577**	77,621	2
Investments in subsidiary undertakings	10	**750,000,000**	750,000,000	750,000,000
Deferred tax asset		**-**	-	23,576
Total assets		**757,123,979**	750,769,849	750,367,246
Liabilities and equity				
Liabilities				
Trade and other payables	11	**748,932,795**	749,937,439	751,057,064
Current tax liabilities		**36,300**	618,015	379,721
Total liabilities		**748,969,095**	750,555,454	751,436,785
Equity				
Called up share capital	12	**2**	2	2
Retained earnings/(accumulated losses)		**8,154,882**	214,393	(1,069,541)
Total equity		**8,154,884**	214,395	(1,069,539)
Total equity and liabilities		**757,123,979**	750,769,849	750,367,246

The notes on pages 11 to 23 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 12 September 2017 and were signed on its behalf by:

J Subramaniyan
Director
Company Registration No: 3395489

Statement of cash flows for the year ended 31 December 2016

	Notes	2016 EUR	2015 EUR
Cash flows from operating activities			
Profit before tax		**8,286,424**	1,474,192
Adjustments for:			
- non cash items included in profit before tax	8	**(8,286,424)**	(1,640,180)
- interest expenses		**-**	165,988
- tax received/(paid)		**(927,651)**	71,612
Dividend income		**6,500,000**	1,500,000
Interest received		**1,565,468**	62,561
Interest paid		**-**	(239,209)
Net cash used in operating activities		**7,137,817**	1,394,964
Cash flows from financing activities			
Repayments of borrowings		**(1,004,643)**	(1,046,404)
Net cash generated from financing activities		**(1,004,643)**	(1,046,404)
Net increase in cash and cash equivalents		**6,133,174**	348,560
Cash and cash equivalents brought forward		**692,228**	343,668
Cash and cash equivalents carried forward	8	**6,825,402**	692,228

The notes on pages 11 to 23 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2016

	Called up share capital EUR	Retained earnings /(accumulated losses) EUR	Total EUR
2016			
At 1 January 2016	**2**	**214,393**	**214,395**
Profit for the year	**-**	**7,940,489**	**7,940,489**
Total comprehensive income for the year	**-**	**7,940,489**	**7,940,489**
At 31 December 2016	**2**	**8,154,882**	**8,154,884**

	Called up share capital EUR	Retained earnings /(accumulated losses) EUR	Total EUR
2015			
At 1 January 2015	2	(1,069,541)	(1,069,539)
Profit for the year	-	1,283,934	1,283,934
Total comprehensive income for the year	-	1,283,934	1,283,934
At 31 December 2015	2	214,393	214,395

The notes on pages 11 to 23 form an integral part of these financial statements.

1 Basis of preparation and significant accounting policies

A Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('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 2016, there were no unendorsed standards effective for the year ended 31 December 2016 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 2016

There were no new standards adopted during the year ended 31 December 2016.

(b) Future accounting developments

At 31 December 2016, a number of standards and amendments to standards had been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2016. None of these is expected to have a significant effect on the results or net assets of the Company when adopted.

(c) Changes to the presentation of the Financial Statements and Notes on the Financial Statements

The Company has changed its statement of financial position from the current/non-current to the liquidity basis of presentation and also changed the classification of certain items in the statement of financial position and the income statement in order to make the financial statements and notes thereon more reliable and relevant by adopting the presentation format of its ultimate parent HSBC Holdings plc and other HSBC group entities. For this year of transition, the statement of financial position includes two years of prior year comparatives.

In order to make the financial statements and notes thereon easier to understand, the Company has changed the location and the wording used to describe certain accounting policies within the notes, removed certain immaterial disclosures and changed the order of certain sections.

In applying materiality to financial statement disclosures, we consider both the amount and nature of each item. The main changes to the presentation of the financial statements and notes thereon in 2016 are as follows:

Note 1B Summary of significant accounting policies : accounting policies have been placed, wherever possible, within the relevant Notes on the financial statements and the changes in the wording are intended to more clearly set out the accounting policies. These changes in the wording do not represent changes in accounting policies.

(d) Presentation of information

The financial statements present information about the Company as an individual undertaking and not about its group. The Company is not required to prepare consolidated financial statements by virtue of the exemption conferred by Section 400 of the Companies Act 2006.

The functional currency of the Company is EURO, which is also the presentation currency of the financial statements of the Company.

(e) Critical accounting estimates and judgements

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 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.

(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 future projections of profitability, cash flows and capital resources.

(g) 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.

B Significant accounting policies

(a) Operating income

Interest income and expense

Interest income and expense for all financial instruments excluding those classified as held for trading or designated at fair value are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method.

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

Dividend income is recognised when the right to receive a payment is established. This is usually the date when the shareholders approve the dividend for unlisted equity securities.

(b) Financial assets and liabilities

(i) Trade and other receivables

Receivables include amounts originated by the Company which are not classified either as held for trading or designated at fair value. Receivables are recognised when cash is advanced to borrowers. They are derecognised when either borrowers repay their 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 losses.

(ii) 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.

(c) 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 losses are calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate with its carrying value and the amount of any loss charged in the income statement.

(d) 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).

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.

2 Employee compensation and benefits

The Company has no employees and hence no staff costs (2015: EUR nil).

3 Remuneration of directors

No director received any fees or emoluments from the Company during the year (2015: EUR 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.

4 Auditors' remuneration

The amount incurred in respect of the audit of these financial statements was EUR 5,288 (2015: EUR 3,745). There were no non-audit fees during the year (2015: EUR nil)

5 Interest income

	2016	2015
	EUR	EUR
Interest income from parent entity	1,786,424	140,180
	1,786,424	140,180

6 Interest expense

	2016	2015
	EUR	EUR
Interest expense from parent entity	-	(165,988)
	-	(165,988)

7 Tax

Accounting policy

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position 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 end of the reporting period.

Tax charged to the income statement

	2016	2015
	EUR	EUR
Current tax		
UK Corporation tax		
- for this year	**393,585**	190,681
- adjustments in respect of prior years	**(3,114)**	(23,999)
Foreign exchange movements		
- for this year	**(44,536)**	-
Total current tax	**345,935**	166,682
Deferred tax		
Origination and reversal of temporary differences	-	19,029
Adjustments in respect of prior years	-	4,547
Total deferred tax	-	23,576
Total tax charged to income statement	**345,935**	190,258

The UK corporation tax rate applying to the Company was 20.00% (2015: 20.25%).

Tax reconciliation

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

	2016 EUR	Percentage of overall profit before tax	2015 EUR	Percentage of overall profit before tax
Profit before tax	8,286,424		1,474,192	
Tax at 20.00% (2015: 20.25%)	1,657,285	20.00%	298,523	20.25%
Adjustments in respect of prior period liabilities	(3,114)	(0.04)%	(19,501)	(1.32)%
Foreign exchange on tax balances	(44,536)	(0.54)%	-	-%
Non taxable income and gains	(1,300,000)	(15.69)%	(303,699)	(20.60)%
CFC apportionment	36,300	0.44%	214,935	14.58%
Total tax charged to income statement	345,935	4.17%	190,258	12.91%

In the UK Budget on 8 July 2015, the UK Government proposed to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020, instead of the reduction to 18% as originally planned. These reductions in the corporation tax rate were enacted in the Finance (No2) Act 2016.

8 Reconciliation of profit before tax to net cash flow from operating activities

Accounting policy

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.

	2016 EUR	2015 EUR
a) Non-cash items included in profit and loss		
Interest income	(1,786,424)	(140,180)
Dividend income	(6,500,000)	(1,500,000)
	(8,286,424)	(1,640,180)
b) Cash and cash equivalents comprise		
Cash and balances at central banks	6,825,402	692,228
	6,825,402	692,228

9 Trade and other receivables

Accounting policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision or impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is un collectable, it is written off against trade receivables and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited to the income statements.

	2016	2015
	EUR	EUR
Interest receivable on amounts held with parent undertakings	**298,575**	77,619
Other receivables	**2**	2
	298,577	77,621

10 Investments in subsidiary undertakings

Accounting policy

The Company classifies investments in entities which it controls as subsidiaries. Where an entity is governed by voting rights, the Company consolidates when it holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities and whether power is held as agent or principal.

The Company's investments in subsidiaries are stated at cost less impairment losses.

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.

	2016	2015
	EUR	EUR
Cost		
At 1 January	**750,000,000**	750,000,000
At 31 December	**750,000,000**	750,000,000

The Principal subsidiary undertakings of the Company as at 31 December 2016 are set as below.

Principal Subsidiary	Country of Incorporation	Interest in equity capital	Share class	Address
HSBC Equities (Luxembourg) S.A.R.L.	Luxembourg	100%	Ordinary Shares	16 Boulevard d'Avranches L-1160 Luxembourg

The fair value of the investment in subsidiary is not considered to be less than the amount at which it is stated in the statement of financial position.

11 Trade and other payables

Accounting policy

Trade and other payables represent liabilities for goods and services provided to the Company by other group companies prior to the end of the financial year, which are unpaid. The amounts are recognised initially at their fair value and subsequently measure at amortised cost using the effective interest method.

	2016 EUR	2015 EUR
Amounts owed to parent undertaking	**748,932,795**	749,937,439
Trade and other payables	**748,932,795**	749,937,439

The interest rate on the amounts owed to parent undertakings remained negative during the year and is based on the 3 month Euribor rate.

Amounts due to parent undertakings have no fixed date for repayment and are therefore technically repayable on demand. They are accounted for as financial liabilities, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value.

12 Called up share capital

Accounting policy

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.

	2016 EUR	2015 EUR
Allotted, called up and fully paid up		
2 Ordinary shares of £1 each (2015: 2)	**2**	2

13 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost.

The following table analyses the carrying amount of financial assets and liability by category as defined in IAS 39 and by balance sheet heading:

At 31 December 2016	**Loans and receivables**	**Financial assets and liabilities at amortised cost**	**Total**
	EUR	**EUR**	**EUR**
Assets			
Cash and cash equivalents	-	6,825,402	6,825,402
Trade and other receivables	2	298,575	298,577
Total financial assets	2	7,123,977	7,123,979
Total non-financial assets			750,000,000
Total assets			757,123,979
Liabilities			
Trade and other payables	-	748,932,795	748,932,795
Total financial liabilities	-	748,932,795	748,932,795
Total non-financial liabilities			36,300
Total liabilities			748,969,095

At 31 December 2015	Loans and receivables	Financial assets and liabilities at amortised cost	Total
	EUR	EUR	EUR
Assets			
Cash and cash equivalents	-	692,228	692,228
Trade and other receivables	2	77,619	77,621
Total financial assets	2	769,847	769,849
Total non-financial assets			750,000,000
Total assets			750,769,849
Liabilities			
Trade and other payables	-	749,937,439	749,937,439
Total financial liabilities	-	749,937,439	749,937,439
Total non-financial liabilities			618,015
Total liabilities			750,555,454

14 Management of financial risk

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.

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.

a) 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 other group undertakings.

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

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.

b) 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.

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

The following is an analysis of assets and liabilities by remaining contractual maturities at the balance sheet date:

31 December 2016	On demand	Due within 3 months	Undated	Total
	EUR	EUR	EUR	EUR
Assets				
Cash and cash equivalents	6,825,402	-	-	6,825,402
Trade and other receivables	-	298,577	-	298,577
Non-financial assets	-	-	750,000,000	750,000,000
Total as at 31 December 2016	6,825,402	298,577	750,000,000	757,123,979

31 December 2016	**On demand**	**Due within 3 months**	**Undated**	**Total**
	EUR	**EUR**	**EUR**	**EUR**
Liabilities and equity				
Trade and other payables	-	748,932,795	-	748,932,795
Non-financial liabilities	-	-	36,300	36,300
Equity	-	-	8,154,884	8,154,884
Total as at 31 December 2016	-	**748,932,795**	**8,191,184**	**757,123,979**

31 December 2015	On demand	Due within 3 months	Undated	Total
	EUR	EUR	EUR	EUR
Assets				
Cash and cash equivalents	692,228	-	-	692,228
Trade and other receivables	-	77,621	-	77,621
Non-financial assets	-	-	750,000,000	750,000,000
Total as at 31 December 2015	692,228	77,621	750,000,000	750,769,849

31 December 2015	On demand	Due within 3 months	Undated	Total
	EUR	EUR	EUR	EUR
Liabilities and equity				
Trade and other payables	-	749,937,439	-	749,937,439
Non-financial liabilities	-	-	618,015	618,015
Equity	-	-	214,395	214,395
Total as at 31 December 2015	-	749,937,439	832,410	750,769,849

c) 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.

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 2015.

	Profit or loss 100 bp increase EUR	Profit or loss 100 bp decrease EUR
31 December 2016		
Financial liabilities at amortised cost	**(7,489,328)**	**7,499,374**
Total (increase)/decrease	**(7,489,328)**	**7,499,374**
31 December 2015		
Financial liabilities at amortised cost	(7,499,374)	7,499,374
Total (increase)/decrease	(7,499,374)	7,499,374

15 Fair value of financial assets and liabilities

Cash and cash equivalents, short-term receivables, 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.

16 Related party transactions

Transactions with other related parties

Balances with related parties

	2016		2015	
	Highest balance during the year[3] EUR	Balance at 31 December[3] EUR	Highest balance during the year[3] EUR	Balance at 31 December[3] EUR
Assets				
Cash and cash equivalents[1]	**6,825,402**	**6,825,402**	692,223	692,228
Liabilities				
Trade and other payables[2]	**749,929,057**	**748,932,795**	749,849,506	749,937,439

	2016 EUR	2015 EUR
Income statement		
Interest income	**1,786,424**	140,180
Interest expense	**-**	(165,988)
Dividend income	**6,500,000**	1,500,000

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

[2] These balances are held with the parent of the Company.

[3] The disclosure of the year-end balance and the highest balance during the year is considered the most meaningful information to represent transactions during the year.

17 Parent undertakings

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 and the parent undertaking of the smallest such group is HSBC Holdings plc.

The immediate parent company is HSBC Investment Bank Holdings Limited (formerly known as HSBC Investment Bank Holding 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

18 Contingent liabilities

There were no contingent liabilities at 31 December 2016 (2015: EUR nil).

19 Events after the balance sheet date

There are no significant events after the balance sheet date.