

HSBC UK Holdings Limited
Registered No: 10587192

Financial Statements for the period 27 January 2017 to 31 December 2017

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Principal activities

HSBC UK Holdings Limited (the 'Company') was incorporated on 27 January 2017 to be an investment holding Company and is a wholly owned subsidiary of HSBC Holdings plc. This is the first set of financial statements which covers the period from formation to 31 December 2017.

The Company became the intermediate holding company of HSBC UK Bank plc (formally both HSBC UK RFB Limited and HSBC UK RFB plc) on 21 March 2017, when HSBC UK Bank plc was transferred from HSBC Holdings plc.

The company is a limited company domiciled and incorporated in England and Wales.

Review of the Company's business

The business is funded principally by its parent, HSBC Holdings plc.

On 27 January 2017 the Company issued 100,000 ordinary shares for a consideration of £100k and 1 preferred ordinary share for a consideration of £1, to HSBC Holdings plc.

On 21 March 2017 the Company issued 50,000 ordinary shares for a consideration of £50k to HSBC Holdings plc and acquired the entire 50,000 ordinary share capital in HSBC UK Bank plc for £50k.

On 30 May 2017 the Company issued one ordinary share of £1, in exchange for a consideration of £14,950k to HSBC Holdings and acquired 1 ordinary share in HSBC UK Bank plc for £14,950k.

The reserves available for distribution at 31 December 2017 were £202.

Performance

The performance and position of the Company for the period 27 January 2017 to 31 December 2017 and the state of the Company's financial affairs at that date are set out on pages 7 to 21 of these financial statements.

The results of the Company show a profit before tax of £250 for the year.

During 2017, the Company invested £15m in HSBC UK Bank plc, funded by issuing £15m share capital.

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 Holdings plc. Ongoing review of the Company is carried out by monitoring the subsidiary performance, including cash flows from and to each subsidiary.

Principal risks and uncertainties

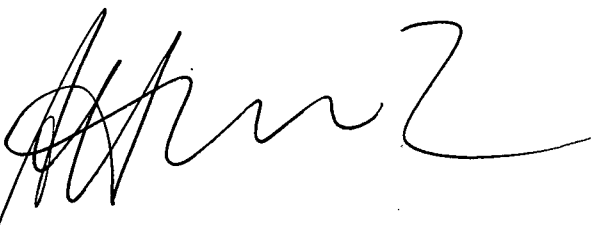
The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required under Part 1 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, are set out in Note 9 on the financial statements.

The Company's exposures to liquidity and market risks are limited due to the nature of its business, which is predominantly investing in or financing of group companies. These transactions are generally funded by way of equity obtained from the parent Company.

Being an investment holding company, the Company is subject to the risks of the performance of its subsidiaries which could result in impairment of these investments. No impairment charge was recognised during 2017.

The Company's accounting policy for impairment of investments in subsidiaries is set out in Note 1.2 of the financial statements.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'R J Hennity', written over a horizontal line.

R J Hennity
Director

26 February 2018

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

Report of the Directors

Directors

The Directors who served during the year and up to the date of approval of the financial statements were as follows:

Name	Appointed
Richard John Hennity	27 January 2017
Stephen James Wotton	27 January 2017

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 and at the date of approval of Report of the directors 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 period 27 January 2017 to 31 December 2017.

Significant events since the end of the financial year

No 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 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.

Disclosure of information to the Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and each 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 auditors are aware of that information.

Auditor

It was the first full year during which Pricewaterhousecoopers LLP ("PwC") was the Entity's external auditors following their appointment. Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PwC will therefore continue in office.

Report of the Directors

Statement of Directors' Responsibilities

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

Company law requires Directors 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;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on a 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. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

On behalf of the Board

A handwritten signature in black ink, appearing to be 'R J Hennity', written over a horizontal line.

R J Hennity
Director

26 February 2018

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

Independent auditors' report to the members of HSBC UK Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, HSBC UK Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the 11 month period (the "period") then ended;
- have been properly prepared in accordance with 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 Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the 11 month period then ended; and the notes to 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 when:

- 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 except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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 period ended 31 December 2017 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, 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 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.

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.



Carl Sizer (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
26 February 2018

Income statement for the period 27 January 2017 to 31 December 2017

	<i>Notes</i>	Period ended 31 December 2017 £'000
Interest income		-
Profit before tax		-
Tax expense	5	-
Profit for the year		-

Statement of comprehensive income for the period 27 January 2017 to 31 December 2017

There has been no comprehensive income or expense other than the profit for the year as shown as above.

The accompanying notes on pages 11 to 21 form an integral part of these financial statements.

Financial Statements

Statement of financial position as at 31 December 2017

	<i>Notes</i>	2017 £'000
Assets		
Cash and cash equivalents		100
Investments in subsidiaries	6	15,000
Total assets		15,100
Liabilities and equity		
Liabilities		
Current tax liabilities		-
Total liabilities		-
Equity		
Called up share capital	7	150
Share premium account		14,950
Retained earnings		-
Total equity		15,100
Total liabilities and equity		15,100

The accompanying notes on pages 11 to 21 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 February 2018 and were signed on its behalf by:



R J Hennity

Director

Company Registration No: 10587192

Financial Statements

Statement of cash flows for the period 27 January 2017 to 31 December 2017

	<i>Notes</i>	2017 £'000
Cash flows from operating activities		
Profit before tax		-
Adjustments for:		
Tax received		-
Net cash generated from operating activities		-
Cash flows from investing activities		
Purchase of interest in subsidiaries		(15,000)
Net cash generated from investing activities		(15,000)
Cash flows from financing activities		
Issue of ordinary share capital	7	15,100
Net cash generated from financing activities		15,100
Net increase in cash and cash equivalents		100
Cash and cash equivalents carried forward		100

The accompanying notes on pages 11 to 21 form an integral part of these financial statements.

HSBC UK Holdings Limited
Financial Statements

Statement of changes in equity for the period 27 January 2017 to 31 December 2017

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 27 January 2017				
Profit for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Proceeds from shares issued	150	14,950	-	15,100
At 31 December 2017	150	14,950	-	15,100

The accompanying notes on pages 11 to 21 form an integral part of these financial statements.

1 Basis of preparation and significant accounting policies

1.1 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 2017, there were no unendorsed standards effective for the year ended 31 December 2017 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 2017

There were no new standards applied in 2017. However, during 2017, 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 June 2018 and 2019, some of which have been endorsed for use in the EU. The Company expects they will have an insignificant effect, when adopted on the financial statements. The Company has not early adopted any of the amendments effective after 31 December 2017.

Major new IFRSs

The IASB has published IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. IFRS 9 and IFRS 15 have been endorsed for use in the EU.

IFRS 9 'Financial Instruments'

In July 2015, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the Company's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. However, based on an assessment of financial assets performed to date and expectations around changes to statement of financial position composition, the Company expects that the overall impact of any change will not be significant.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an 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 in 'stage 1'; financial assets that 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'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge will tend to be more volatile. IFRS 9 will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

Hedge accounting

The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. However, they do not explicitly address macro hedge accounting strategies, which are particularly important for banks. As a result, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting.

Transition

The requirements of IFRS 9 'Financial Instruments' will be adopted from 1 January 2018. IFRS 9 includes an accounting policy choice to continue IAS 39 hedge accounting, which the Company has exercised, although it will implement the revised hedge accounting disclosures required by the related amendments to IFRS 7 'Financial Instruments: Disclosures'. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening statement of financial position at the date of initial application, with no requirement to restate comparative periods. The Company does not intend to restate comparatives. The Company expects that the overall impact of adoption would not be significant.

IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers' and it is effective for annual periods beginning on or after 1 January 2018. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for performance obligations as they are satisfied. The Company will adopt the standard on its mandatory effective date, and the standard will be applied on a modified retrospective basis, recognising the cumulative effect, if any, of initially applying the standards as an adjustment to the opening balance of retained earnings. The Company has assessed the impact of IFRS 15 and expects that the standard will have no significant effect, when applied, on the financial statements of the Company.

(c) Foreign currencies

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

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 financial statements have been prepared on the historical cost basis, modified by revaluation of financial assets designated at fair value and available-for-sale financial assets.

All amounts have been rounded to the nearest thousand unless otherwise stated.

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.

(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 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting 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 future projections of profitability, cash flows and capital resources.

1.2 Significant accounting policies

(a) Income and expense

Operating income

Interest income and expense

Interest income and expense for all financial instruments except for 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.

(b) Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Company recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction either until the transaction matures or is closed out, the valuation inputs become observable or HSBC enters into an offsetting transaction.

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

Critical accounting estimates and judgements

The majority of valuation techniques employ only observable market data. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them the measurement of fair value is more judgemental. An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, a significant proportion of the instrument's inception profit or greater than 5% of the instrument's valuation is driven by unobservable inputs. 'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used).

(c) Investments in subsidiaries

The Company classifies investments in entities which it controls as subsidiaries. Where a company 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.

(d) Impairment of assets (other than financial assets)

The carrying amounts of the Company's investments in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated as the higher of the asset's fair value less costs to sell and its value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income statement.

If the amount of the impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The impairment reversal is recognised in the Income statement for the year.

(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.

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.

(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.

Notes to the Financial Statements

(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.

2 Employee compensation and benefits

The Company has no employees and hence no staff costs.

3 Directors' emoluments

No director received any fees or emoluments from the Company during the year. 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

Certain expenses including auditors' remuneration have been borne by HSBC Holdings plc and are therefore not charged in arriving at profit before tax. Audit fees are disclosed in the financial statements of HSBC Holdings plc. The amount incurred in respect of the audit of these financial statements was £20,000.

There were no non-audit fees during the year.

5 Tax

Tax expense

	2017 £'000
Current tax	
- for this year	-
Total tax expense for the year ended 31 December	-

The UK corporation tax rate applying to the Company was 19%.

Tax reconciliation

The tax charged to the income statement is taxed at the UK corporation tax rate as follows:

	2017 £'000	%
Profit before tax	-	
Tax at 19%	-	19
Total tax charged to the income statement	-	19

6 Investments in subsidiaries

	2017 £'000
Cost	
Additions	15,000
At 31 December	15,000
Provision for impairment	
At 31 December	-
Net carrying amount as at 31 December	15,000

Additions of investments

The Company invested £15m in HSBC UK Bank plc during the year.

Impairment of investments

The Company's accounting policy for the impairment of assets (other than financial assets) is described in Note 1.2.

No impairment charge was recognised during 2017.

The principal subsidiary undertakings of the Company as at 31 December 2017 are set out below.

	Country of Incorporation	Interest in equity capital %	Share class
HSBC UK Bank plc	United Kingdom	100.00	Ordinary shares

Details of all the Company's subsidiaries, as required under section 409 of the Companies act 2006, are set out in Note 14.

Notes to the Financial Statements

7 Called up share capital

As at 31 December 2017, the share capital of the Company is made up as follows:

Class of shares	Nominal value per share (£)	Number of issued and fully paid shares	Issued share capital (£'000)
Ordinary shares	1	150,001	150
Preferred Ordinary shares	1	1	-
Balance as at 31 December 2017		150,002	150

All shares rank equally with one vote attached to each fully paid share.

On 27 January 2017 the Company issued 100,000 ordinary shares for a consideration of £100k and 1 preferred ordinary share for a consideration of £1, to HSBC Holdings plc.

On 21 March 2017 the Company issued 50,000 ordinary shares for a consideration of £50k to HSBC Holdings plc.

On 30 May 2017 the Company issued one ordinary share of £1, in exchange for a consideration of £14,950k to HSBC Holdings plc.

8 Analysis of financial assets and liabilities by measurement basis

All financial assets and financial liabilities are carried at amortised cost.

The following table analyses the carrying amount of financial assets and liabilities by category as defined in IAS 39 and by statement of financial position heading:

At 31 December 2017	Financial assets and liabilities at amortised cost £'000	Total £'000
Assets		
Cash and cash equivalents	100	100
Total financial assets	100	100
Total non-financial assets		15,000
Total assets		15,100
Liabilities		
Total liabilities		-

9 Management of financial risk

Systems and procedures are in place in the HSBC Group to identify, control and report on the major risks associated with financial instruments which include credit, liquidity and market risk. A Risk Management Meeting of the Group Management Board, chaired by the Group Chief Risk Officer, is held each month (except August) to address asset, liability and risk management issues for the HSBC Group. The Risk Management Meeting sets processes and limits to be applied by HSBC subsidiaries, including HSBC UK Holdings Limited. Exposure to these risks is monitored by HSBC Holdings plc's Asset and Liability Committee.

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.

The Company's exposure to credit risk in relation to cash held with other group entities relates to group undertakings that are wholly owned subsidiaries of HSBC Holdings plc. 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.

Maximum exposure to credit risk

	2017	
	Maximum exposure £'000	Exposure to credit risk (net) £'000
Cash and cash equivalents	100	100
As at 31 December	100	100

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 group undertakings.

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

31 December 2017	On demand £'000	Due within 3 months £'000	Total £'000
Assets			
Cash and cash equivalents	-	100	100
Total as at December 2017	-	100	100

c) Market risk management

Market risk is the risk that movements in market risk factors, including interest rates and foreign exchange rates will impact the Company's income. Exposure to these risks arises from short-term cash balances and funding positions with HSBC undertakings.

Notes to the Financial Statements

Interest rate risk

The Company is not exposed to significant interest rate risk on its financial assets or financial liabilities.

Foreign exchange risk

During 2017, the Company has not been exposed to foreign exchange risk.

10 Related party transactions

Transactions with other related parties

Balances with related parties

Transactions detailed below include amounts due from other group undertakings.

	2017	
	Highest balance during the year £'000	Balance at 31 December £'000
Assets		
Cash and cash equivalents	15,050	100
		2017
		£'000

Income statement

Interest income

All interest income was from related parties.

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.

11 Contingent liabilities and contractual commitments and guarantees

There were no contingent liabilities at 31 December 2017.

12 Parent undertakings

The ultimate and immediate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest and smallest group to consolidate these financial statements.

HSBC Holdings plc is incorporated in England and Wales.

Copies of HSBC Holdings plc consolidated financial statements can be obtained from:

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

13 Events after the statement of financial position

There are no significant events after the statement of financial position.

Notes to the Financial Statements

14 Subsidiary undertakings

In accordance with Section 409 of the Companies Act 2006 a list of the Company's subsidiaries, the country of incorporation and the effective percentage of equity owned at 31 December 2017 is disclosed below.

Subsidiaries	Interest (%)	Footnotes
HSBC UK Bank plc	100%	1, 2

Description of Shares	Reference
1	Ordinary Shares

Registered Office	Reference
2	8 Canada Square, London, E14 5HQ, United Kingdom