

# HSBC Private Equity Investments (UK) Limited

**Registration No: 1440338**

**Annual Report and Financial Statements for the year  
ended 31 December 2018**



# Annual Report and Financial Statements for the year ended 31 December 2018

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## **Strategic Report**

### **Principal activities**

HSBC Private Equity Investments (UK) Limited ('the Company') is a limited company domiciled and incorporated in England and Wales. Its trading address is 8 Canada square, London E14 5HQ, United Kingdom.

The principal activity of the Company is to act as an investment company in unlisted companies, by direct investment or through managed funds. No change in the Company's activities is anticipated.

### **Review of the Company's business**

During the year, the Company received distributions from its investment in respect of realisations and other receipts from the underlying investments.

No new investment commitments were made during the year. Impairments of financial investments amounted to nil in the financial year (2017: nil).

Support services for the Company were provided by HSBC Bank plc. These services included the maintaining of accurate accounting and other records such as cash management and the collection and settlement of receivables and payables as they became due.

The Company has no employees, and all the related services are provided by the parent company, HSBC Bank plc.

The Company's shareholders are limited to its parent company.

### **Performance**

The Company's results for the year under review are as detailed in the income statement shown on page 6 of these financial statements.

### **Key performance indicators**

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

### **Principal risks and uncertainties**

The principal financial risks and uncertainties facing the Company together with an analysis of the exposures to such risks are set out in Note 18 of the financial statements.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('EU') with the process of leaving the EU commencing on 29 March 2017. The ultimate economic effect of UK leaving the EU is currently uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime this uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. As described in Note 18 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 UK leaving the EU 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 macro-economic level that may arise as a consequence of UK leaving the EU 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.

On behalf of the Board



M J Kershaw  
Director

25 September 2019

8 Canada square  
London E14 5HQ  
United Kingdom

## **Report of the Directors**

### **Directors**

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

<b>Name</b>
M J Kershaw
C R J Irvin

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 2018 (2017: nil).

### **Significant events since the end of the financial year**

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

### **Future developments**

No change in the Company's activities is expected.

### **Going concern basis**

The Company had net current liabilities of £21,276,000 as at 31 December 2018. HSBC Bank Plc, a parent undertaking, has committed to ensuring the provision of sufficient funds to enable the company to meet its liabilities as they fall due. As a result, the Directors have prepared these financial statements on a going concern basis.

### **Financial risk management**

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 18 of the Notes on the financial statements.

### **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 Group's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Company's approach to capital management during the year.

### **Independent auditors**

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

## **Directors' responsibility statement**

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities set out in their report on page 5, is made with a view to distinguish the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are responsible for preparing the *Annual Report and Financial Statements*, in accordance with applicable law and regulations.

Company law requires the Directors to prepare a Strategic Report, a Report of the Directors 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').

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 for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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.

## **Disclosure of Information to Auditors**

In accordance with section 418 of the Companies Act 2006, the Directors' report includes a statement, in the case of each Director in office as at the date the Report of the Directors is approved, that:

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

On behalf of the Board



M J Kershaw  
Director

25 September 2019

8 Canada square  
London E14 5HQ  
United Kingdom

# **Report of the independent auditors to the members of HSBC Private Equity Investments (UK) Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, HSBC Private Equity Investments (UK) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the *Annual Report and Financial Statements* (the "*Annual Report*"), which comprise: the balance sheet as at 31 December 2018; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes 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 of Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's 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**

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### **Reporting on other information**

The other information comprises all of the information in the *Annual Report* other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### **Strategic Report and Report of the Directors**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 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 Directors' Responsibility Statement set out on page 3, 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](http://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.

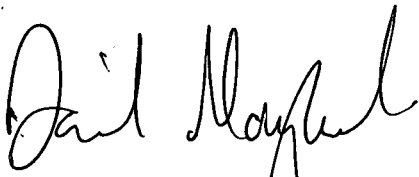
## **Other required reporting**

### **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.



David Mayland (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

28 September 2018.

## Financial statements

### Income statement for the year ended 31 December 2018

		2018	2017
	Notes	£'000	£'000
Gains less losses from financial investments	2	5	15
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	2	109	—
<b>Net operating income</b>		<b>114</b>	<b>15</b>
<b>Profit before tax</b>		<b>114</b>	<b>15</b>
Tax expense	6	(22)	(5)
<b>Profit for the year</b>		<b>92</b>	<b>10</b>



**Statement of comprehensive income for the year ended 31 December 2018**

	2018 £'000	2017 £'000
Profit for the year	92	10
Other comprehensive income/(expense)		
<b>Items that will be reclassified subsequently to profit and loss when specific conditions are met:</b>		
- fair value gains	—	13
- fair value gains/(losses) reclassified to the income statement	—	(15)
- associated deferred tax taken directly to equity	—	(6)
- associated current tax taken directly to equity	—	6
<b>Other comprehensive income/(expense) for the year, net of tax</b>	—	(2)
<b>Total comprehensive income for the year</b>	<b>92</b>	<b>8</b>

# HSBC Private Equity Investments (UK) Limited

## Balance sheet at 31 December 2018

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	Notes	2018 £'000	2017 £'000
<b>Assets</b>			
Trade and other receivables	13	2	2
Financial investments	14	—	83
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	12	192	—
Current tax assets	7	3	6
Deferred tax assets	8	—	8
<b>Total assets</b>		<b>197</b>	<b>99</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Bank loans and overdrafts	15	21,281	21,289
Deferred tax liabilities		14	—
<b>Total liabilities</b>		<b>21,295</b>	<b>21,289</b>
<b>Equity</b>			
Called up share capital	17	5,000	5,000
Other reserves		—	24
Accumulated losses		(26,098)	(26,214)
<b>Total equity</b>		<b>(21,098)</b>	<b>(21,190)</b>
<b>Total liabilities and equity</b>		<b>197</b>	<b>99</b>

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 25 September 2019 and signed on its behalf by:



M J Kershaw  
Director

**Statement of cash flows for the year ended 31 December 2018**

	2018	2017
	£'000	£'000
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>114</b>	<b>15</b>
<b>Adjustments for:</b>		
Net loss on investing activities	(104)	(15)
Tax paid	(3)	(2)
<b>Net cash generated from/(used in) operating activities</b>	<b>7</b>	<b>(2)</b>
<b>Cash flows from investing activities</b>		
Proceeds from the sale and maturity of financial investments	—	15
<b>Net cash generated from investing activities</b>	<b>—</b>	<b>15</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(7)	(13)
<b>Net cash used in financing activities</b>	<b>(7)</b>	<b>(13)</b>
Cash and cash equivalents brought forward	—	—
<b>Cash and cash equivalents carried forward</b>	<b>—</b>	<b>—</b>

# Statement of changes in equity for the year ended 31 December 2018

	Called up share capital	Accumulated losses	Other reserves	Total equity
			Financial assets at FVOCI reserve	
	£'000	£'000	£'000	£'000
<b>As at 31 Dec 2017</b>	<b>5,000</b>	<b>(26,214)</b>	<b>24</b>	<b>(21,190)</b>
Impact on transition to IFRS 9	—	24	(24)	—
<b>At 1 Jan 2018</b>	<b>5,000</b>	<b>(26,190)</b>	<b>—</b>	<b>(21,190)</b>
Profit for the year	—	92	—	92
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>92</b>	<b>—</b>	<b>92</b>
<b>At 31 Dec 2018</b>	<b>5,000</b>	<b>(26,098)</b>	<b>—</b>	<b>(21,098)</b>

	Called up share capital	Accumulated losses	Other reserves	Total equity
			Available for sale fair value reserve	
	£'000	£'000	£'000	£'000
<b>At 1 Jan 2017</b>	<b>5,000</b>	<b>(26,224)</b>	<b>26</b>	<b>(21,198)</b>
Profit for the year	—	10	—	10
Other comprehensive expense (net of tax)	—	—	—	—
- available-for-sale Investments	—	—	(2)	(2)
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>10</b>	<b>(2)</b>	<b>8</b>
<b>At 31 Dec 2017</b>	<b>5,000</b>	<b>(26,214)</b>	<b>24</b>	<b>(21,190)</b>

Equity is wholly attributable to ordinary shareholders.

## Notes on the financial statements

### 1 Basis of preparation and significant accounting policies

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ('IFRSs'). The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

#### 1.1 Basis of preparation

##### (a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with 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 2018, there were no unendorsed standards effective for the year ended 31 December 2018 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 2018

The Company has adopted the requirements of IFRS 9 from 1 January 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application. As permitted by IFRS 9, the Company has not restated comparatives. The impact of adoption at 1 January 2018 on Net Assets is 'Nil', however the Retained Earnings has increased by £24k

In addition, the Company has adopted the requirements of IFRS 15 'Revenue from contracts with customers' and a number of interpretations and amendments to standards which have had an insignificant effect on the financial statements of the Company.

IFRS 9 transitional requirements

The transitional requirements of IFRS 9 necessitated a review of the designation of financial instruments at fair value. IFRS 9 requires that the designation is revoked where there is no longer an accounting mismatch at 1 January 2018 and permits designations to be revoked or additional designations created at 1 January 2018 if there are accounting mismatches at that date.

As a result:

- fair value designations for financial liabilities were revoked where the accounting mismatch no longer exists, as required by IFRS 9; and
- fair value designations were revoked for certain long-dated securities where accounting mismatches continue to exist, but where the Company has revoked the designation as permitted by IFRS 9 since it will better mitigate the accounting mismatch by undertaking fair value hedge accounting.

##### (b) Future accounting developments

Minor amendments to IFRSs

The IASB published a number of minor amendments to IFRSs which are effective from 1 January 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 of the Company.

Major new IFRSs

The IASB has published IFRS 16 'Leases' which has been endorsed for use in the EU. In addition, an amendment to IAS 12 'Income Taxes' has not yet been endorsed. These are not expected to have a significant effect on the results or net assets of the Company when adopted. There are no new IFRSs published by the IASB which are effective from 1 January 2019 that are expected to have an impact on the financial statements of the Company.

##### (c) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost, which 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 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 financial statements have been prepared on the historical cost basis, modified by revaluation of financial assets designated at fair value.

##### (e) Critical accounting estimates and judgements

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

## HSBC Private Equity Investments (UK) Limited

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 Company had net current liabilities of £21,276,000 as at 31 December 2018. HSBC Bank Plc, a parent undertaking, has committed to ensuring the provision of sufficient funds to enable the company to meet its liabilities as they fall due. As a result, the Directors have prepared these financial statements on a going concern basis.

## 1.2 Summary of significant accounting policies

### (a) Income and expense

#### Interest income and expense

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

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

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

#### Non-interest income and expense

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

### (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 and the valuation inputs become observable or the Company 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

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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).

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### (c) Financial instruments measured at amortised cost

#### Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for 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 uncollectable, 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 statement.

#### Financial liabilities

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

### (d) Financial instruments designated at fair value through profit or loss ('FVPL')

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below, and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- a group of financial assets, liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- the financial liability contains one or more non-closely related embedded derivatives.

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Designated financial assets are recognised when the Company enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial assets are recognised when the Company enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in the income statement in 'Net income from financial instruments held for trading or managed on a fair value basis', including related derivatives, measured at fair value through profit or loss.

### (e) Impairment of amortised cost financial assets

Expected credit losses are recognised for loans and advances to other group undertakings and other financial assets held at amortised cost. At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months or less, where the remaining life is less than 12 months, ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets 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'.

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

#### Critical accounting estimates and judgements

In determining ECL, management is required to exercise judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Judgement has been applied in determining the lifetime and point of initial recognition of revolving facilities.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience, but given that IFRS 9 requirements have only just been applied, there has been little time available to make these comparisons.

Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions, remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'upside scenarios' which have not generally been subject to experience gained through stress testing.

The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. Pages X to X set out the assumptions underlying the Central scenario and information about how scenarios are developed in relation to the Group's top and emerging risks and its judgements, informed by consensus forecasts of professional industry forecasters. The adjustment from the ECL determined by using the Central scenario alone, which is used to calculate an unbiased expected loss, provides an indication of the overall sensitivity of ECL to different economic assumptions.

### (f) 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 on 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. Payments associated with any incremental base erosion and anti-abuse tax are reflected in tax expense in the period incurred.

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

Current and deferred tax are calculated based on tax rates and laws enacted, or substantively enacted, by the balance-sheet date.

#### Critical accounting estimates and judgements

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

### (g) Called up share capital

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

### (h) 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.

### (i) Accounting policies applicable prior to 1 January 2018

#### Impairment of loans and advances

Losses for impaired loans are recognised promptly where there is objective evidence that impairment of a loan portfolio of a loan or loans has occurred. Impairment losses are calculated on individual loans. Impairment losses are recorded as charges to the income statement. The carrying value of impaired loans on the balance sheet 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.

## HSBC Private Equity Investments (UK) Limited

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.

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

### Available-for-sale financial assets

Available-for-sale financial assets are recognised on the trade date when the Company enters into contractual arrangements to purchase them, and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value, and changes therein are recognised in other comprehensive income until the assets are either sold or become impaired. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses from financial investments'.

### Impairment of available-for-sale financial assets

Available-for-sale financial assets are assessed at each balance sheet date for objective evidence of impairment. Impairment losses are recognised in the income statement within 'Loan impairment charges and other credit risk provisions' for debt instruments and within 'Gains less losses from financial investments' for equities.

### Available-for-sale equity securities

A significant or prolonged decline in the fair value of equity below its cost is objective evidence of impairment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the continuous period in which the fair value of the asset has been below its original cost at initial recognition.

All subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised in other comprehensive income. Subsequent decreases in the fair value of the available-for-sale equity security are recognised in the income statement to the extent that further cumulative impairment losses have been incurred. Impairment losses recognised on the equity security are not reversed through the income statement.

## 2 Net operating income

	2018 £'000	2017 £'000
Gains less losses from financial investments	5	15
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	109	—
<b>Year ended 31 Dec</b>	<b>114</b>	<b>15</b>

## 3 Employee compensation and benefits

The Company has no employees and hence no staff costs (2017: nil).

## 4 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2017: 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.

## 5 Auditors' remuneration

Certain expenses including auditors' remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before tax. The auditors' remuneration borne on behalf of the Company by HSBC Bank plc amounted to £8,000 (2017: £8,000).

There were no non-audit fees incurred during the year (2017: nil).

## 6 Tax

### Tax expense

	2018 £'000	2017 £'000
<b>Current tax</b>		
UK Corporation tax		
- For this year	(4)	—
- Adjustments in respect of prior years	4	5
<b>Total current tax</b>	<b>—</b>	<b>5</b>
<b>Deferred tax</b>		
- For this year	24	—
- Effects of changes in tax rates	(2)	—
<b>Total deferred tax</b>	<b>22</b>	<b>—</b>
<b>Year ended 31 Dec</b>	<b>22</b>	<b>5</b>

The UK corporation tax rate applying to the Company was 19.00% (2017: 19.25%).

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. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020 and this was enacted in the Finance (No2) Act 2016 on 6 September 2016. This has therefore been taken into account in the calculation of the UK related deferred tax balances as these balances will materially reverse after 1 April 2020.



**Tax reconciliation**

	2018		2017	
	£'000	(%)	£'000	(%)
Profit before tax	114		15	
Tax at 19.00 % (2017: 19.25%)	22	19.0	3	19.2
Adjustment in respect of prior years	3	3.0	5	35.0
Impact due to changes in tax rates	(2)	(1.9)	—	—
Non-taxable income and gains	(1)	(0.8)	(3)	(19.2)
<b>Year ended 31 Dec</b>	<b>22</b>	<b>19.3</b>	<b>5</b>	<b>35.0</b>

**7 Current tax asset**

	2018	2017
	£'000	£'000
Current tax receivable	3	6

**8 Deferred tax (liabilities)/assets**

The following table shows the gross deferred tax assets and liabilities recognised in the balance sheet and the related amounts recognised in the income statement:

	AFS transitional adjustment	Available-for-sale investments
	2018	2017
	£'000	£'000
At 1 Jan 2018	8	14
Income statement (charge)/credit	(22)	—
Equity statement credit/(expense)	—	(6)
<b>At 31 Dec 2018</b>	<b>(14)</b>	<b>8</b>

A deferred tax asset of £5k (2017: £8k) is recognised in respect of AFS reserve transitional adjustments and also the liability in respect of fair value of financial investments of £19k (2017: nil) is recognised.

The related tax benefit is to be realised through the creation of future taxable profits within the Company.

**9 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.

	FVPL	Amortised cost	Total
	£'000	£'000	£'000
<b>At 31 Dec 2018</b>			
<b>Assets</b>			
Trade and other receivables	—	2	2
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	192	—	192
<b>Total financial assets</b>	<b>192</b>	<b>2</b>	<b>194</b>
<b>Total non-financial assets</b>			<b>3</b>
<b>Total assets</b>			<b>197</b>
<b>Liabilities</b>			
Bank loans and overdrafts	—	21,281	21,281
<b>Total financial liabilities</b>	<b>—</b>	<b>21,281</b>	<b>21,281</b>
<b>Total non-financial liabilities</b>			<b>14</b>
<b>Total liabilities</b>			<b>21,295</b>

	Loans and receivables	Available-for-sale securities	Financial assets and liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000
<b>At 31 Dec 2017</b>				
<b>Assets</b>				
Trade and other receivables	2	—	—	2
Financial investments	—	83	—	83
<b>Total financial assets</b>	<b>2</b>	<b>83</b>	<b>—</b>	<b>85</b>
<b>Total non-financial assets</b>				<b>14</b>
<b>Total assets</b>				<b>99</b>
<b>Liabilities</b>				
Bank loans and overdrafts	—	—	21,289	21,289
<b>Total financial liabilities</b>	<b>—</b>	<b>—</b>	<b>21,289</b>	<b>21,289</b>
<b>Total non-financial liabilities</b>				<b>—</b>
<b>Total liabilities</b>				<b>21,289</b>

## 10 Fair value of financial instruments carried at fair value

### Control framework

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk taker.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Company will source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable. The factors that are considered in this regard are, *inter alia*:

- the extent to which prices may be expected to represent genuine traded or tradable prices;
- the degree of similarity between financial instruments;
- the degree of consistency between different sources;
- the process followed by the pricing provider to derive the data;
- the elapsed time between the date to which the market data relates and the balance sheet date; and
- the manner in which the data was sourced.

For fair values determined using a valuation model, the control framework may include, as applicable, development or validation by independent support functions of: (i) the logic within valuation models; (ii) the inputs to these models; (iii) any adjustments required outside the valuation models; and (iv) where possible, model outputs. Valuation models are subject to a process of due diligence and calibration before becoming operational and are calibrated against external market data on an ongoing basis.

### Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.
- Level 2 - valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Financial instruments carried at fair value and bases of valuation

	2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Recurring fair value measurements at 31 Dec</b>				
<b>Assets</b>				
Financial assets designated and otherwise mandatorily measured at fair value	—	—	192	192
	2017			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Recurring fair value measurement at 31 Dec</b>				
<b>Assets</b>				
financial investments: Available for Sale	—	—	83	83

### Fair value adjustments

Fair value adjustments are adopted when the Company determines there are additional factors considered by market participants that are not incorporated within the valuation model. Movements in the level of fair value adjustments do not necessarily result in the recognition of profits or losses within the income statement, such as when models are enhanced and therefore fair value adjustments may no longer be required.

### Fair valuation bases

Financial instruments measured at fair value using a valuation technique with significant unobservable inputs - Level 3

	Financial investments	
	2018 £'000	2017 £'000
Private equity including strategic investment	192	83

### Private equity including strategic investments

The investment's fair value is estimated: on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors; by reference to market valuations for similar quoted in an active market, or the price at which similar companies have changed ownership.

### Reconciliation of fair value measurements in Level 3 financial instruments

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 financial instruments, measured at fair value based on unobservable inputs:

	Financial investments	
	2018	2017
	£'000	£'000
<b>At 1 Jan</b>	<b>83</b>	<b>87</b>
- changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	109	—
Total gains/(losses) recognised in other comprehensive income	—	13
- financial investments: fair value gains/(losses)	—	13
Disposals	—	(17)
<b>At 31 Dec 2018</b>	<b>192</b>	<b>83</b>

### Effects of change in significant unobservable assumptions to reasonably possible alternatives

The following table shows the sensitivity of Level 3 fair values of reasonably possible alternative assumptions:

	2018		2017	
	Reflected in OCI		Reflected in OCI	
	Favourable changes £'000	Unfavourable changes £'000	Favourable changes £'000	Unfavourable changes £'000
Financial investments	—	—	8	(8)

#### Sensitivity of Level 3 fair values to reasonably possible alternative assumptions by instrument type

Favourable and unfavourable changes are determined on the basis of sensitivity analysis. The sensitivity analysis aims to measure a range of fair values consistent with the application of a 95% confidence interval. Methodologies take account of the nature of the valuation technique employed, the availability and reliability of observable proxies and historical data. When the available data is not amenable to statistical analysis, the quantification of uncertainty is judgemental, but remains guided by the 95% confidence interval. When the fair value of a financial instrument is affected by more than one unobservable assumption, the above table reflects the most favourable or the most unfavourable change from varying the assumptions individually.

### Key unobservable inputs to Level 3 financial instruments

The table below lists key unobservable inputs to Level 3 financial instruments, and provides the range of those inputs at 31 December 2018. The core range of inputs is the estimated range within which 90% of the inputs fall.

Quantitative information about significant unobservable inputs in level 3 valuations

	Fair value		Key unobservable inputs
	Assets £'000	Valuation technique	
Private equity including strategic investments	192		Fund Valuation
<b>At 31 Dec 2018</b>	<b>192</b>		
Private equity including strategic investments	83		Fund Valuation
<b>At 31 Dec 2017</b>	<b>83</b>		

## 11 Fair value of financial instruments not carried at fair value

There are no material differences between the carrying value and the fair value of financial assets and liabilities at 31 December 2018 and 31 December 2017.

## 12 Financial assets designated and otherwise mandatorily measured at fair value through profit or loss

	2018 £'000	2017 £'000
<b>Equity instruments</b>		
At 1 January	—	—
Additions	—	—
Disposals	—	—
Transfer in from available-for-sale investments	83	—
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	109	—
<b>At 31 Dec</b>	<b>192</b>	<b>—</b>

## Financial assets designated and otherwise mandatorily measured at fair value through profit and loss account

	2018			2017		
	Designated at fair value £'000	Mandatorily measured at fair value £'000	Total £'000	Designated at fair value £'000	Mandatorily measured at fair value £'000	Total £'000
<b>Securities</b>						
- Equity instruments	—	192	192	—	—	—
<b>At 31 Dec</b>	<b>—</b>	<b>192</b>	<b>192</b>	<b>—</b>	<b>—</b>	<b>—</b>

The Company's principal investments as at 31 December 2018 are listed below:

	Country of incorporation	Interest in equity capital (%)	Share class
HSBC Private equity Portfolio (Investment) LP incorporated	Guernsey	100.00	Partnership equity
HSBC Private equity European (No.2) LP	UK	99.98	Partnership equity
HPE Limited Partnership	UK	9.90	Partnership equity
HSBC Private Equity European LP	UK	1.02	Partnership equity

A subsidiary is a company that is controlled by another company, where control is accepted as the power to govern the financial and operating policies so as to obtain benefits from its activities. As the Company has no control over the investments, they do not meet the criteria of a subsidiary and are therefore accounted for as financial investments.

## 13 Trade and other receivables

	2018 £'000	2017 £'000
Amounts due from other group undertakings	2	2

## 14 Financial investments

	2018 £'000	2017 £'000
At 1 Jan	83	87
Revaluation	—	13
Disposals	—	(17)
Transfer to financial assets designated at fair value	(83)	—
<b>At 31 Dec</b>	<b>—</b>	<b>83</b>

## 15 Bank loans and overdraft

	2018 £'000	2017 £'000
Amounts due to other group undertakings	21,281	21,289

Amounts owed to other group undertakings are non-interest bearing, have no fixed date for repayment and are therefore technically repayable on demand.

## 16 Maturity analysis of assets and liabilities

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

	On demand £'000	Undated £'000	Total £'000
<b>Assets</b>			
Trade and other receivables	2	—	2
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	192	192
Non-financial assets	—	3	3
<b>At 31 Dec 2018</b>	<b>2</b>	<b>195</b>	<b>197</b>
<b>Liabilities and Equity</b>			
Bank loans and overdrafts	21,281	—	21,281
Non-financial liabilities	—	14	14
Equity	—	(21,098)	(21,098)
<b>At 31 Dec 2018</b>	<b>21,281</b>	<b>(21,084)</b>	<b>197</b>

	On demand £'000	Undated £'000	Total £'000
<b>Assets</b>			
Trade and other receivables	2	—	2
Financial investments	—	83	83
Non-financial assets	—	14	14
<b>At 31 Dec 2017</b>	<b>2</b>	<b>97</b>	<b>99</b>
<b>Liabilities and Equity</b>			
Bank loans and overdrafts	21,289	—	21,289
Equity	—	(21,190)	(21,190)
<b>At 31 Dec 2017</b>	<b>21,289</b>	<b>(21,190)</b>	<b>99</b>

## 17 Called up share capital

	2018		2017	
	Number	£'000	Number	£'000
Issued, allotted and fully paid up				
Ordinary shares of £1 each	5,000,000	5,000	5,000,000	5,000
<b>As at 1 Jan and 31 Dec</b>	<b>5,000,000</b>	<b>5,000</b>	<b>5,000,000</b>	<b>5,000</b>

## 18 Management of financial risk

Exposure to liquidity risk and market risk arises in the normal course of the Company's business. The Company's risk management policies are consistent with the HSBC Group's risk management policies.

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.

### 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 risk arises from mismatches in the timing of cash flows.

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 parent undertakings.

The following is an analysis of undiscounted cash flows payable under various financial liabilities by remaining contractual maturities at the balance sheet date:

	On Demand £'000	Total £'000
Bank loans and overdrafts	21,281	21,281
<b>At 31 Dec 2018</b>	<b>21,281</b>	<b>21,281</b>
	On Demand £'000	Total £'000
Bank loans and overdrafts	21,289	21,289
<b>At 31 Dec 2017</b>	<b>21,289</b>	<b>21,289</b>

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### Market risk management

Market risk is the risk that movements in market factors including interest rates and investment values will impact the Company's income. The Company's exposure to market risk is not significant.

## 19 Related party transactions

### Transactions with other related parties

	2018		2017	
	Highest balance during the year <sup>1</sup>	Balance at 31 December	Highest balance during the year <sup>1</sup>	Balance at 31 December
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Trade and other receivables <sup>1</sup>	2	2	2	2
<b>Liabilities</b>				
Bank loans and overdrafts <sup>2</sup>	21,294	21,281	21,309	21,289

<sup>1</sup> These balances are held with other group undertakings.

<sup>2</sup> These balances are held with HSBC Bank plc and are non-interest bearing.

## 20 Effects of reclassification on adoption of IFRS 9

### Reclassification of balance sheet as at 31 December 2017 and 1 January 2018

IFRS 9 reclassification to								
	IAS 39 carrying amount at 31 Dec 2017	Other changes in classification	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount post reclassification	IFRS 9 re-measurement including expected credit losses	IFRS 9 carrying amount at 1 Jan 2018
IAS 39 measurement category	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Assets</b>								
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	<b>FVPL</b>	—	—	83	—	—	83	—
Trade and other receivables	<b>Amortised cost</b>	2	—	—	—	—	2	—
Financial investments	<b>FVOCI (Available for sale equity instruments)</b>	83	—	(83)	—	—	—	—
Current tax assets	<b>N/A</b>	6	—	—	—	—	6	—
Deferred tax assets	<b>N/A</b>	8	—	—	—	—	8	—
<b>Total assets</b>		99	—	—	—	—	99	—

IFRS 9 reclassification to								
	IAS 39 carrying amount at 31 Dec 2017	Other changes in classification	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount post reclassification	IFRS 9 re-measurement including expected credit losses	IFRS 9 carrying amount at 1 Jan 2018
IAS 39 measurement category	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Liabilities</b>								
Bank loans and overdrafts	<b>Amortised cost</b>	21,289	—	—	—	—	21,289	—
<b>Total liabilities</b>		21,289	—	—	—	—	21,289	—

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	IAS 39 carrying amount as at 31 Dec 2017 £'000	IFRS 9 reclassification £'000	Carrying amount post reclassification £'000	IFRS 9 remeasurement including expected credit losses £'000	Carrying amount at 1 Jan 2018 £'000
<b>Equity</b>					
Called up share capital	5,000	—	5,000	—	5,000
Other reserves	24	(24)	—	—	—
Accumulated losses	(26,214)	24	(26,190)	—	(26,190)
<b>Total equity</b>	<b>(21,190)</b>	<b>—</b>	<b>(21,190)</b>	<b>—</b>	<b>(21,190)</b>

## 21 Parent undertakings

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

The immediate parent undertaking is HSBC Equity (UK) Limited. All companies are registered in England and Wales

The results of the Company is included in the group financial statements of HSBC Holdings plc and HSBC Bank plc.

Copies of HSBC Holdings plc's and HSBC Bank plc's consolidated financial statements can be obtained from:

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

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

## 22 Events after the balance sheet date

There are no significant events after the balance sheet date.