

HSBC Canada Holdings (UK) Limited
Registered No: 04328242

Financial Statements for the year ended 31 December 2015

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HSBC Canada Holdings (UK) Limited

Registered No: 04328242

Financial Statements for the year ended 31 December 2015

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HSBC Canada Holdings (UK) Limited

Strategic Report for the year ended 31 December 2015

Principal activities

During the year ended 31 December 2015 HSBC Canada Holdings (UK) Limited (the 'Company') continued to be an investment holding company.

Review of the Company's business

The statement of comprehensive income and statement of financial position provide the key performance indicators.

The reserves available for distribution at 31 December 2015 were US\$2,658 million (2014: US\$2,671 million).

Key performance indicators

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

Financial performance

The performance and position of the Company for the year ended 31 December 2015 and the state of the Company's financial affairs at that date are set out on pages 8 to 25.

The results of the Company show a profit before tax of US\$266 million for the year (2014: US\$366 million).

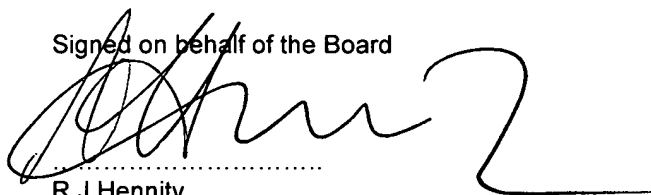
Dividend income of US\$270 million was received from HSBC Bank Canada (2014: US\$361 million).

Risk management

The principal risks and uncertainties facing the Company, together with its financial risk management objectives and policies, and an analysis of the exposure to such risks, are set out in Note 13 on the Financial Statements.

The Company's exposures to credit, 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 from the parent companies.

Signed on behalf of the Board



.....
R J Hennity
Director

28 September 2016

Registered Office
8 Canada Square
London
E14 5 HQ

HSBC Canada Holdings (UK) Limited

Directors' Report for the year ended 31 December 2015

Directors

The Directors who served during the year were as follows:

Names	Appointed	Resigned
G A Francis	1 September 2014	
R J Hennity	31 July 2012	
I MacKinnon	16 September 2011	
B J S Mathews	8 July 2013	
T Roland	3 October 2014	17 April 2015
A C G Stangroome (Alternate Director to T Roland)	16 October 2014	17 April 2015
I J Mackay	11 February 2011	
B Pascoe	17 July 2015	

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

Dividends of US\$265 million were declared and paid during the year (2014: US\$450 million).

Significant events since the end of the financial year

During 2016, dividend income of \$122 million was received from HSBC Bank Canada and the Company paid dividends of \$80 million to its parent company.

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.

Principal risks and uncertainties

The Company's accounting policy for impairment of investments in subsidiaries is set out in Note 2(g) on the Financial Statements.

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 2015 (2014: US\$nil).

Disclosure of information to auditors

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

HSBC Canada Holdings (UK) Limited

Directors' Report for the year ended 31 December 2015 (continued)

Independent auditors

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

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on page 7, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

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

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

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

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

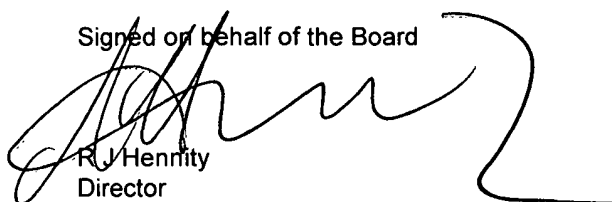
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.

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

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

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

Signed on behalf of the Board



R. J. Henrity
Director

28 September 2016

Registered Office
8 Canada Square
London
E14 5HQ
Registered number: 4328242

Report on the financial statements

Our opinion

In our opinion, HSBC Canada Holdings (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profits and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the statement of financial position as at 31 December 2015;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

HSBC Canada Holdings (UK) Limited

Independent Auditors' Report to the Members of HSBC Canada Holdings (UK) Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

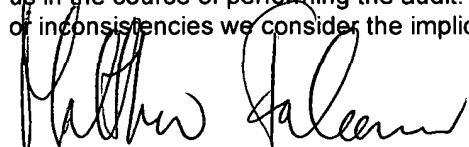
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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

Date: 22/9/16

HSBC Canada Holdings (UK) Limited

Financial Statements for the year ended 31 December 2015

Statement of comprehensive income for the year ended 31 December 2015

		2015	2014
	<i>Note</i>	US\$000	US\$000
Interest income.....		8,003	7,295
Interest expense.....		(7,965)	-
Dividend income.....		269,735	361,323
Foreign exchange loss.....		(3,765)	(2,624)
Total operating income		266,008	365,994
Operating profit		266,008	365,994
Profit before tax.....		266,008	365,994
Tax expense.....	5	(13,901)	(18,939)
Profit for the year attributable to the shareholder		252,107	347,055
Total comprehensive income for the year attributable to the shareholder		252,107	347,055

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

HSBC Canada Holdings (UK) Limited**Financial Statements for the year ended 31 December 2015 (continued)****Statement of financial position as at 31 December 2015**

	<i>Notes</i>	2015 US\$000	2014 US\$000
ASSETS			
Cash at bank and in hand		6,929	21,726
Loans and advances to HSBC undertakings.....	7	947,958	947,726
Current tax assets		-	-
Investments in subsidiaries	8	2,109,633	1,704,971
Total assets		3,064,520	2,674,423
LIABILITIES AND EQUITY			
Liabilities			
Amounts owed to HSBC undertakings.....	9	1,004	2,331
Loans from HSBC undertakings.....	7	404,749	-
Current tax liabilities		572	1,004
Total liabilities		406,325	3,335
Equity			
Retained earnings		2,658,195	2,671,088
Total equity		2,658,195	2,671,088
Total equity and liabilities		3,064,520	2,674,423

Called up share capital is US\$204 (2014: US\$204) (See Note 10) but has been rounded down to nil above, as all balances in US\$000s.

These financial statements were approved by the Board of Directors on 28 September 2016 and were signed on its behalf by:



R J Hennity
Director
Company Registration No: 04328242

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

HSBC Canada Holdings (UK) Limited

Financial Statements for the year ended 31 December 2015 (continued)

Statement of cash flows for the year ended 31 December 2015

		2015	2014
	Notes	US\$000	US\$000
Cash flows from operating activities			
Profit before tax		266,008	365,994
Adjustments for:			
– Income associated with investing activities	11	-	-
– Change in operating assets	11	(232)	49
– Change in operating liabilities	11	403,422	2,331
– Tax paid		(14,333)	(20,266)
Net cash generated from operating activities		654,865	348,108
Cash flows from investing activities			
Net cash outflow from addition to investments in subsidiaries	7	(404,662)	-
Net cash used in investing activities		(404,662)	-
Cash flows from financing activities			
Dividends paid		(265,000)	(450,000)
Net cash used in financing activities		(265,000)	(450,000)
Net decrease in cash and cash equivalents		(14,797)	(101,892)
Cash and cash equivalents at 1 January		21,726	123,618
Cash and cash equivalents at 31 December	11	6,929	21,726

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

HSBC Canada Holdings (UK) Limited**Financial Statements for the year ended 31 December 2015 (continued)****Statement of changes in equity for the year ended 31 December 2015**

	Share premium US\$000	Retained earnings US\$000	Total equity US\$000
At 1 January 2015.....	-	2,671,088	2,671,088
Profit for the year attributable to the shareholder.....	-	252,107	252,107
Total comprehensive income for the year attributable to the shareholder.....	-	252,107	252,107
Ordinary dividends to shareholder.....	-	(265,000)	(265,000)
At 31 December 2015.....	-	2,658,195	2,658,195

	Share premium US\$000	Retained earnings US\$000	Total equity US\$000
At 1 January 2014.....	2,654,838	119,195	2,774,033
Profit for the year attributable to the shareholder.....	-	347,055	347,055
Total comprehensive income for the year attributable to the shareholder.....	-	347,055	347,055
Conversion of share premium to retained earnings.....	(2,654,838)	2,654,838	-
Ordinary dividends to shareholder.....	-	(450,000)	(450,000)
At 31 December 2014.....	-	2,671,088	2,671,088

Called up share capital is US\$204 (2014: US\$204) (See Note 10) but has been rounded down to nil in above, as all balances are in US\$000s.

On 12 December 2014, the Company's share premium account was reduced by US\$2,655 million to retained earnings". In accordance with section 642-644 of the Companies Act 2006, the reduction was approved by the Company's sole shareholder, HSBC Overseas Holdings (UK) Limited, by way of a special resolution, supported by a solvency statement, statement of capital and statement of confirmation signed by the Company's board of directors. The special resolution, together with the signed statements was filed at Companies House on 12 December 2014.

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

HSBC Canada Holdings (UK) Limited

Notes on the Financial Statements

1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

HSBC Canada Holdings (UK) Limited (the 'Company') has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the European Union ('EU').

IFRSs comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee ('IFRIC') and its predecessor body.

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

There were no new standards adopted during the year ended 31 December 2015.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for financial assets and financial liabilities which are measured in accordance with notes 2(f) and 2(h).

(c) Functional and presentation currency

The financial statements have been presented in US Dollars, which is the Company's functional currency.

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

(d) Use of estimates and assumptions

The preparation of financial information requires the use of estimates and assumptions about future conditions. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from estimates upon which financial information is prepared. Management believes that the Company's critical accounting policy where judgement is necessarily applied is the impairment of investments in subsidiaries (Note 2(g)).

(e) General information

HSBC Canada Holdings (UK) Limited is a company domiciled and incorporated in England and Wales. Details of its principal activities are included in the Strategic Report.

(f) Future accounting developments

Standards and amendments issued by the IASB but not endorsed by the EU but effective after 31 December 2016.

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The standard is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The company is not impacted by this standard.

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 the entity's business model for their management and their contractual cash flow characteristics and result in financial assets being at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss. In many instances, the classification and measurement outcomes will be similar to IAS 39, although differences will arise, for example, IFRS 9 does not apply embedded derivative accounting to financial assets and equity securities will be measured at fair value through profit or loss or, in limited circumstances, at fair value through other comprehensive income ('OCI'). The

combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in population of financial assets measured at amortised cost or fair value compared with IAS 39. The classification of financial liabilities is essentially unchanged, except that, for certain liabilities measured at fair value, gains or losses relating to changes in the entity's own credit risk are to be included in OCI

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, 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, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the probability of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL. The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and 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. It 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 between it and risk management strategy and permitting the former to be applied to a greater variety of hedging instruments and risks. The standard does not explicitly address macro hedge accounting strategies, which are being considered in a separate project. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting.

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the 1 January 2018 with no requirement to restate comparative periods. Hedge accounting is generally applied prospectively from that date.

The mandatory application date for the standard as a whole is 1 January 2018, but it is possible to apply the revised presentation for certain liabilities measured at fair value from an earlier date. It is not expected that IFRS 9 will have a material impact on this Company.

2 Summary of significant accounting policies

(a) Interest income and expense

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amounts paid or received by

HSBC Canada Holdings (UK) Limited
Notes on the Financial Statements (continued)

the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

(b) Dividend income

Dividend income is recognised in the statement of comprehensive income when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.

(c) Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it 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, calculated using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years. 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. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

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

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting period. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the Company has a legal right to offset.

Deferred tax relating to fair value re-measurements of available-for-sale investments and cash flow hedging instruments which are charged or credited directly to other comprehensive income, is also charged or credited to other comprehensive income and is subsequently recognised in the income statement when the deferred fair value gain or loss is recognised in the income statement.

(d) Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the statement of comprehensive income.

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

(e) Subsidiaries

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

The Company's investments in subsidiaries are stated at cost less any impairment losses, as detailed in (g) below.

(f) Financial assets and liabilities

Loans and advances to HSBC undertakings

Loans and advances to HSBC undertakings are those that have not been classified either as held-for-trading or designated at fair value. These loans are recognised when cash is advanced and are

HSBC Canada Holdings (UK) Limited

Notes on the Financial Statements (continued)

derecognised when the undertakings repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

Amounts owed to and loans from HSBC undertakings

Amounts owed to HSBC undertakings are recognised when cash is advanced or contractual arrangements are entered into. These liabilities are initially measured at fair value less directly attributable transaction costs. 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.

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

The carrying amounts of the Company's investments in subsidiaries are reviewed at each balance sheet 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 statement of comprehensive income.

Any impairment loss recognised in prior periods shall be reversed through the statement of comprehensive income if, and only if, there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

(h) Determination of fair value

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

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

Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities, and prepayment and default rates. Additional factors such as bid-offer spread, credit profile and model uncertainty are taken into account, as appropriate, when fair values are calculated using valuation techniques. Where a financial instrument has a quoted price in an active market and is part of a portfolio, the fair value of the portfolio is calculated as the product of the number of units and quoted price and no block discounts are made.

(i) Share capital

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

HSBC Canada Holdings (UK) Limited

Notes on the Financial Statements (continued)

3 Employee compensation and benefits

None of the Directors received any remuneration for their services to the Company during the year (2014: US\$nil) as they are deemed to be provided as part of their services to HSBC Bank plc.

The Company has no employees and hence no staff costs (2014: US\$nil).

4 General and administrative expenses

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 US\$9,742 (2014: US\$9,742). There were no non-audit fees.

5 Tax expense

	2015 US\$000	2014 US\$000
Current tax		
UK Corporation tax		
– on current year profit	572	1,004
Overseas tax		
– on current year profit	13,329	17,935
Total tax charged to the statement of comprehensive income	13,901	18,939

The UK corporation tax rate applying to the Company was 20.25 per cent (2014: 21.50 per cent).

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

	2015 US\$000	Percentage of profit before tax %	2014 US\$00	Percentage of profit before tax %
Profit before tax	266,008		365,994	
Tax at 20.25% (2014: 21.50%)	53,867	20.25	78,689	21.50
Adjustments in respect of prior period liabilities	564	0.21	-	-
Permanent disallowables	762	0.29	-	-
Non-taxable income and gains	(54,621)	(20.53)	(77,685)	(21.23)
Additional provision for tax on overseas dividend	-	-	17,935	4.90
Local taxes and overseas withholding tax	13,329	5.01	-	-
Total tax charged to the statement of comprehensive income	13,901	5.23	18,939	5.17

The main rate of corporation tax in the UK reduced from 21% to 20% on 1 April 2015. The UK Government announced that the corporation tax rate will reduce from 20% to 19% for the year

HSBC Canada Holdings (UK) Limited

Notes on the Financial Statements (continued)

beginning 1 April 2017 and a further reduction to 18% for the year beginning 1 April 2020. These reductions in the corporation tax rate were enacted in the Finance (No.2) Act 2015.

The UK Government then announced in the 2016 Budget that the main rate of corporation tax will reduce to 17% for the year beginning 1 April 2020. As this change has not been substantively enacted at the reporting date its effect has not been included in these financial statements. It is not expected that the future rate reduction will have a significant effect to the Company.

6 Analysis of financial assets and liabilities by measurement basis

The following tables analyse the carrying amount of financial assets and liabilities by category as defined in IAS 39 and by balance sheet heading.

As at 31 December 2015	Loans and receivables	Other financial assets and liabilities at amortised cost	Total
	US\$000	US\$000	US\$000
Assets			
Cash at bank and in hand	-	6,929	6,929
Loans and advances to HSBC undertakings	947,958	-	947,958
Total financial assets	947,958	6,929	954,887
Total non-financial assets			2,109,633
Total assets			3,064,520
Liabilities			
Amounts owed to HSBC undertakings	-	1,004	1,004
Loans from HSBC undertakings	404,749	-	404,749
Total financial liabilities	404,749	1,004	405,753
Total non-financial liabilities			572
Total liabilities			406,325
 As at 31 December 2014			
Assets			
Cash at bank and in hand	-	21,726	21,726
Loans and advances to HSBC undertakings	947,726	-	947,726
Total financial assets	947,726	21,726	969,452
Total non-financial assets			1,704,971
Total assets			2,674,423
Liabilities			
Amounts owed to HSBC undertakings	-	2,331	2,331
Total financial liabilities	-	2,331	2,331
Total non-financial liabilities			1,004
Total liabilities			3,335

HSBC Canada Holdings (UK) Limited
Notes on the Financial Statements (continued)

7 HSBC undertakings loans and advances

Loans and advances to HSBC undertakings:

	Nominal interest rate	Maturity date	At 31 December 2015		At 31 December 2014	
			Carrying amount	Fair value	Carrying amount	Fair value
			US\$000	US\$000	US\$000	US\$000
HSBC Overseas Holdings (UK) Limited ...	LIBOR + 0.56%	30/04/16	946,500	948,177	946,500	952,264
Accrued interest receivable.....			1,458	1,458	1,226	1,226
			947,958	949,635	947,726	953,490

LIBOR is measured using 3 month US Dollar LIBOR.

The loans are denominated in US Dollars and the effective interest based on US Dollar LIBOR rates is accrued. The loans are carried at amortised cost. The nominal rate is equal to the effective rate of interest as there have been no fees charged on these loans.

Fair values were determined using valuation techniques with observable inputs (Level 2). The fair value of loans and advances to from HSBC undertakings are estimated using a modelled security as a proxy for the loan as well as various pricing inputs. Pricing inputs include nominal yield curve, credit spread, and coupon information.

Loans and advances from HSBC undertakings:

	Nominal interest rate	Maturity date	At 31 December 2015		At 31 December 2014	
			Carrying amount	Fair value	Carrying amount	Fair value
			US\$000	US\$000	US\$000	US\$000
HSBC Overseas Holdings (UK) Limited ...	Fixed 3.83%	30/06/25	404,662	388,706	-	-
Accrued interest payable.....			87	87	-	-
			404,749	388,793	-	-

During 2015, a loan was received from the company's parent, HSBC Overseas Holdings (UK) Limited for \$405m at a fixed rate of 3.83% maturing on 30 June 2025. This amount was then used to subscribe to preference shares in the company's subsidiary, HSBC Bank Canada. This amount is shown as additions to investment in subsidiaries in Note 8 of these financial statements.

HSBC Canada Holdings (UK) Limited
Notes on the Financial Statements (continued)

8 Investments in subsidiaries

	2015 US\$000	2014 US\$000
Cost		
At 1 January	1,704,971	1,704,971
Additions.....	404,662	-
At 31 December	2,109,633	1,704,971
Net carrying amount at 31 December.....	2,109,633	1,704,971

No impairment charge was recognised during 2015 (2014: US\$nil).

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 2015 is disclosed below.

Name of undertaking	Security	Country	Direct %	Total %
HSBC Bank Canada	Ordinary shares	Canada	100.00%	100.00%
HSBC Bank Canada	Preference shares	Canada	100.00%	100.00%
Bear Mountain Land Holdings Ltd.	Ordinary shares	Canada		100.00%
Bear Mountain Resorts Ltd.	Ordinary shares	Canada		100.00%
HSBC Capital (Canada) Inc.	Ordinary shares	Canada		100.00%
0866101 B.C. Ltd.	Ordinary shares	Canada		100.00%
HSBC Capital Services Inc.	Ordinary shares	Canada		100.00%
HSBC Finance Mortgages Inc.	Ordinary shares	Canada		100.00%
HSBC Global Asset Management (Canada) Limited	Ordinary shares	Canada		100.00%
HSBC Investment Funds (Canada) Inc.	Ordinary shares	Canada		100.00%
HSBC Mortgage Corporation (Canada)	Ordinary shares	Canada		100.00%
HSBC Private Wealth Services (Canada) Inc.	Ordinary shares	Canada		100.00%
HSBC Securities (Canada) Inc.	Ordinary, Class A and B shares	Canada		100.00%
HSBC Bridgetown Investments (Barbados) LLC	Ordinary shares	United States		100.00%
HSBC Carlisle II (Barbados), LP	Parts shares	Barbados		100.00%
HSBC Carlisle (Barbados) LP	Parts shares	Barbados		100.00%
HSBC Trident Capital (Barbados) Corporation	Ordinary shares	Barbados		100.00%
HSBC Trust Company (Canada)	Ordinary shares	Canada		100.00%

9 Amounts owed to HSBC undertakings

At 31 December 2015, US\$1.0 million (2014: US\$2.3 million) was outstanding to HSBC undertakings. These are non-interest bearing amounts and are repayable on demand.

The fair value of the amounts owed to HSBC undertakings is not significantly different to the carrying value in the balance sheet.

HSBC Canada Holdings (UK) Limited
Notes on the Financial Statements (continued)

10 Share capital

	2015	2014
	US\$	US\$
Allotted, called up and fully paid		
Ordinary shares of \$1 each	204	204

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

11 Notes on the statement of cash flows

	2015	2014
	US\$000	US\$000
Change in operating assets:		
Change in loans and advances to HSBC undertakings	(232)	49
	<u>(232)</u>	<u>49</u>
Change in operating liabilities:		
Change in amounts owed to HSBC undertakings	(1,327)	2,331
Change in loans from HSBC undertakings	404,749	-
	<u>403,422</u>	<u>2,331</u>
Cash and cash equivalents comprise:		
Cash at bank with HSBC undertakings	6,929	21,726
	<u>6,929</u>	<u>21,726</u>
Interest and dividends:		
Interest paid	(7,879)	-
Interest received	7,771	7,344
Dividends received	269,735	361,323

HSBC Canada Holdings (UK) Limited
Notes on the Financial Statements (continued)

12 Maturity analysis of assets and liabilities

The following is an analysis, by remaining contractual maturities at the reporting date, of asset and liability line items that represent amounts expected to be recovered or settled within one year, and after more than one year.

	Due within one year US\$000	Due after more than one year US\$000	Total US\$000
As at 31 December 2015			
Assets			
Cash at bank and in hand	6,929	-	6,929
Loans and advances to HSBC undertakings.....	947,958	-	947,958
Total financial assets	954,887	-	954,887
Total non- financial assets	-	2,109,633	2,109,633
Total assets	954,887	2,109,633	3,064,520
Liabilities			
Loans from HSBC undertakings.....	87	404,662	404,749
Amounts owed to HSBC undertakings.....	-	1,004	1,004
Total financial liabilities	87	405,666	405,753
Total non- financial liabilities	572	-	572
Total liabilities	659	405,666	406,325
As at 31 December 2014			
Assets			
Cash at bank and in hand	21,726	-	21,726
Loans and advances to HSBC undertakings	947,726	-	947,726
Total financial assets	969,452	-	969,452
Total non- financial assets	-	1,704,971	1,704,971
Total assets	969,452	1,704,971	2,674,423
Liabilities			
Loans from HSBC undertakings	-	-	-
Amounts owed to HSBC undertakings.....	2,331	-	2,331
Total financial liabilities	2,331	-	2,331
Total non- financial liabilities	-	1,004	1,004
Total liabilities	2,331	1,004	3,335

HSBC Canada Holdings (UK) Limited
Notes on the Financial Statements (continued)

13 Risk management

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 Canada Holdings (UK) Limited. Exposure to these risks is monitored by HSBC Holdings plc's Asset and Liability Committee.

Credit Risk

Credit risk is the risk of financial loss if a counterparty fails to meet an obligation under a contract.

Maximum exposure to credit risk

	2015 US\$000	2014 US\$000
Cash at bank and in hand	6,929	21,726
Loans and advances to HSBC undertakings	947,958	947,726
	<u>954,887</u>	<u>969,452</u>

Liquidity Risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows.

Cash flows payable by the Company under financial liabilities by remaining contractual maturities

At 31 December 2015

US\$000	On demand	Due within 3 months	Due between 3 and 12 months
Amounts owed to HSBC undertakings	-	-	1,004
Total	-	-	<u>1,004</u>

At 31 December 2014

US\$000	On demand	Due within 3 months	Due between 3 and 12 months
Amounts owed to HSBC undertakings	-	2,331	-
Total	-	<u>2,331</u>	-

Market Risk

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

The objective of the Company's risk management strategy is to reduce exposure to these risks and minimise volatility in economic income, cash flows and distributable reserves. The principal tool for managing this is sensitivity analysis of changes in profit before tax to future changes in the exchange rates or interest rate.

HSBC Canada Holdings (UK) Limited
Notes on the Financial Statements (continued)

13 Risk management (continued)

Foreign currency risk

The Company has no significant exposure to foreign currency risk on assets and liabilities that are denominated in a currency other than the US Dollar.

Interest rate sensitivity analysis

The Company held net assets of US\$953 million (2014: US\$968 million) that are sensitive to interest rate movements. If all other variables are held constant the effect of a 100 basis points increase/(decrease) in LIBOR on these net assets would be an increase/(decrease) of profit before tax of US\$9.5 million (2014: US\$9.7 million) and after tax of US\$7.6 million (2014: US\$7.6 million).

14 Related party transactions

Balances with related parties

	Notes	2015 US\$000	2014 US\$000
Assets			
Cash at bank and in hand ¹		6,929	21,726
Loans and advances to HSBC undertakings ²	7	947,958	947,726
Investment in subsidiaries ³	8	2,109,633	1,704,971
Total related party assets		3,064,520	2,674,423
Liabilities			
Loans from HSBC undertakings ²		404,749	-
Amounts owed to HSBC undertakings ⁴	9	1,004	2,331
Total related party liabilities		405,753	2,331

¹ These balances are with other related parties comprising of other HSBC Group Companies which are neither a parent nor subsidiary of the Company.

² These balances are with HSBC Overseas Holdings (UK) Ltd, the parent of the Company.

³ These balances are with subsidiaries of the Company.

⁴ These balances are with HSBC Holdings plc, the ultimate parent of the Company.

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. Further explanations of material related party balances are included elsewhere in the Notes as referred to in above table.

Other related party transactions

Dividends received - During 2015, the Company received dividend income from HSBC Bank Canada of US\$270 million (2014: US\$362 million).

Dividends paid - Dividends of US\$265 million were paid during the year (2014: US\$450 million).

Investments in subsidiaries - Details of changes in investments in subsidiaries are set out in Note 8.

HSBC Canada Holdings (UK) Limited
Notes on the Financial Statements (continued)

15 Contingent liabilities

There were no contingent liabilities at 31 December 2015 (2014: US\$nil).

16 Events after the balance sheet date

During 2016, dividend income of \$122 million was received from HSBC Bank Canada and the Company paid dividends of \$80 million to its parent company.

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

17 Capital management

In line with HSBC Group policy, the Company maintains a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. The Company recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity. The Company is not subject to externally imposed capital requirements.

An annual Group capital plan is prepared and approved by the Board of HSBC Holdings plc. The Company manages its own capital within the context of the plan, which determines an appropriate amount and mix of capital required to support planned business growth. As part of HSBC's capital management policy, capital generated in excess of planned requirements is returned to shareholders, normally by way of dividends.

The Company defines capital as total equity, the components of which are set out in the balance sheet.

18 Parent undertaking

The Company's immediate parent company is HSBC Overseas Holdings (UK) Limited. The Company's ultimate parent company and controlling party is HSBC Holdings plc which is incorporated in England with limited liability under the UK Companies Act.

The accounts of the Company are consolidated within the HSBC Holdings plc financial statements, which are prepared in accordance with International Financial Reporting Standards. Copies of the financial statements of HSBC Holdings plc may be obtained from its registered office as stated below, or from the Group's web site, www.hsbc.com.

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