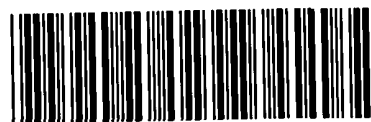


**HSBC (BGF) Investments Limited**  
Registered No: 5229587

**Financial Statements for the year ended 31 December 2016**

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**HSBC** 

# HSBC (BGF) Investments Limited

## Financial Statements for the year ended 31 December 2016

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## **HSBC (BGF) Investments Limited**

### **Strategic Report for the year ended 31 December 2016**

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#### **Principal activities**

The principal activity of HSBC (BGF) Investments Limited (the 'Company') is to hold the HSBC Group's investment in Business Growth Fund Plc (the 'Fund').

The business is funded principally by borrowings. The Company has no employees. Services required are provided by fellow HSBC Group companies. The Company has no stakeholders other than its parent Company.

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

The Company continues to exercise significant influence over the Fund, as a consequence of representation on the Funds Board and in conjunction with the significant voting rights on key decisions.

#### **Performance**

The Company's results for the year under review are as detailed in the income statement shown in these financial statements. The increase in the loss before tax is attributable to higher funding costs, attributable to an increase in the investment in the Fund. No income has yet been earned from the Fund.

#### **Key performance indicators**

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

#### **Principal risks and uncertainties**

The 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 10 of the financial statements.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('Brexit') with the process of leaving the EU commencing on 29 March 2017. The ultimate economic impact of Brexit is currently uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime, this uncertainty is expected to result in market risk volatility in the short to medium term. However this is not expected to have a material impact on the results or net assets of the Company given the nature of the Company's transactions, counterparties and available security.

Signed on behalf of the Board



J. L. Chew  
Director

Dated: 8 September 2017

Registered Office  
8 Canada Square  
London  
E14 5HQ

## **HSBC (BGF) Investments Limited**

### **Directors' Report for the year ended 31 December 2016**

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#### **Directors**

The Directors who served during the year and subsequently were as follows:

<b>Name</b>	<b>Resigned</b>
J L Chew	
D M Howlett	
J D Moore	27 July 2017
A J Coates	3 August 2017
A R Murphy	1 June 2017

On 12 June 2017, T Wood was appointed as a Director of the Company.

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

#### **Dividends**

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016 (2015: £nil).

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

The Company agreed a commitment to the Business Growth Fund Plc of £125,000k in 2017, of which £33,500k had been subscribed by July 2017. As a result, the Company also increased its money market facility from HSBC Bank plc from £275,000k to £385,000k.

In May 2017, the Company's shareholding in the Business Growth Fund Plc was transferred to a new holding company for that group, BGF Group Limited and all future commitments are now related to the new holding company.

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

#### **Future Developments**

No change in the Company's activities is expected.

#### **Going concern basis**

As set out in Note 1A(f), the financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

#### **Capital management**

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

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

#### **Financial risk management**

The principal financial risks and uncertainties facing the Company are set out in the Strategic Report.

## HSBC (BGF) Investments Limited

### Directors' Report for the year ended 31 December 2016 (Continued)

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#### **Disclosure of information to auditor**

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

#### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore PricewaterhouseCoopers LLP will continue in office.

#### **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 6, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

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

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

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

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

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

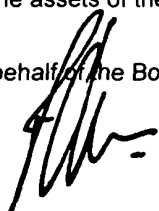
The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going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

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

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

Signed on behalf of the Board

J L Chew  
Director



Dated: 8 September 2017

Registered Office  
8 Canada Square  
London  
E14 5HQ

**HSBC (BGF) Investments Limited**  
**Independent Auditors' Report to the Members of HSBC (BGF) Investments Limited**

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**Report on the financial statements**

*Our opinion*

In our opinion, HSBC (BGF) Investments Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

*What we have audited*

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

- the statement of financial position as at 31 December 2016;
- the income statement and 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

**Other matters on which we are required to report by exception**

*Adequacy of accounting records and information and explanations received*

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

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

We have no exceptions to report arising from this responsibility.

*Directors' remuneration*

Under the 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 (BGF) Investments Limited**  
**Independent Auditors' Report to the Members of HSBC (BGF) Investments Limited**  
**(continued)**

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**Responsibilities for the financial statements and the audit**

*Our responsibilities and those of the directors*

As explained more fully in the Statement of Directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

*What an audit of financial statements involves*

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

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

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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



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

Date: 8 September 2017

**HSBC (BGF) Investments Limited**  
**Financial Statements**

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**Income statement for the year ended 31 December 2016**

		2016	2015
	Notes	£	£
Interest expense .....		(914,519)	(771,104)
General and administrative expense .....		(671)	(44)
<b>Loss before tax</b> .....		<b>(915,190)</b>	<b>(771,148)</b>
Tax credit .....	5	183,038	156,131
<b>Loss for the year</b> .....		<b>(732,152)</b>	<b>(615,017)</b>

The notes on pages 11 to 18 form an integral part of these financial statements.

**Statement of comprehensive income for the year ended 31 December 2016**

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

The notes on pages 11 to 18 form an integral part of these financial statements.



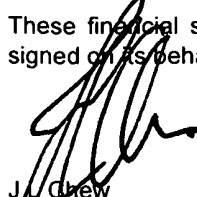
**HSBC (BGF) Investments Limited**  
**Financial Statements (continued)**

**Statement of financial position as at 31 December 2016**

		2016	2015	2014
	Notes	£	£	£
<b>Assets</b>				
Cash and cash equivalents .....		100,514	527	1,619
Current tax asset .....		183,038	156,131	101,070
Interest in associate .....	6	263,282,250	176,282,250	117,782,250
<b>Total assets .....</b>		<b>263,565,802</b>	<b>176,438,908</b>	<b>117,884,939</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Trade and other payables .....	7	265,492,853	177,633,807	118,464,821
<b>Total liabilities .....</b>		<b>265,492,853</b>	<b>177,633,807</b>	<b>118,464,821</b>
<b>Equity</b>				
Called up share capital .....	8	100	100	100
Accumulated losses .....		(1,927,151)	(1,194,999)	(579,982)
<b>Total equity .....</b>		<b>(1,927,051)</b>	<b>(1,194,899)</b>	<b>(579,882)</b>
<b>Total equity and liabilities .....</b>		<b>263,565,802</b>	<b>176,438,908</b>	<b>117,884,939</b>

The accounting policies and notes on pages 11 to 18 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 8 September 2017 and were signed on its behalf by:

  
J. Drew  
Director  
Registration Number: 5229587

**HSBC (BGF) Investments Limited**  
**Financial Statements (continued)**

**Statement of cash flows for the year ended 31 December 2016**

		2016	2015
	Notes	£	£
<b>Cash flows from operating activities</b>			
Loss before tax.....		(915,190)	(771,148)
Adjustments for:			
– interest expense .....		914,519	771,104
– tax received .....		156,131	101,070
Net cash generated from operating activities .....		155,460	101,026
<b>Cash flows from investing activities</b>			
Purchase of interest in associates .....	6	(87,000,000)	(58,500,000)
Net cash used in investing activities .....		(87,000,000)	(58,500,000)
<b>Cash flows from financing activities</b>			
Received from parent undertakings in respect of other financing activities .....		86,944,527	58,397,882
Net cash generated from financing activities .....		86,944,527	58,397,882
Net increase/(decrease) in cash and cash equivalents .....		99,987	(1,092)
Cash and cash equivalents brought forward .....		527	1,619
Cash and cash equivalents carried forward .....		100,514	527

The notes on pages 11 to 18 form an integral part of these financial statements.

**HSBC (BGF) Investments Limited**  
**Financial Statements (continued)**

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

	Called up share capital £	Accumulated losses £	Total £
<b>2016</b>			
At 1 January 2016 .....	100	(1,194,999)	(1,194,899)
Loss and total comprehensive expense for the year .....	-	(732,152)	(732,152)
At 31 December 2016 .....	100	(1,927,151)	(1,927,051)
<b>2015</b>			
At 1 January 2015 .....	100	(579,982)	(579,882)
Loss and total comprehensive expense for the year .....	-	(615,017)	(615,017)
At 31 December 2015 .....	100	(1,194,999)	(1,194,899)

The notes on pages 11 to 18 form an integral part of these financial statements.

Equity is wholly attributable to equity shareholders of HSBC (BGF) Investments Limited.

**HSBC (BGF) Investments Limited**  
**Notes on the Financial Statements**

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**1 Basis of preparation and significant accounting policies**

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**A Basis of preparation**

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

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU').

At 31 December 2016, there were no unendorsed standards effective for the year ended 31 December 2016 affecting these financial statements and the Company's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

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

**(b) Future accounting developments**

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

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

**(c) Changes to the presentation of the Financial Statements.**

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

**(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 are presented in sterling and have been prepared on the historical cost basis.

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

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

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

**(f) Going concern basis**

The accumulated losses being greater than the called up share capital gives rise to there being an excess of liabilities over assets. The financial statements have been prepared under the going concern basis because a parent undertaking has agreed to provide adequate funding for the Company to meet its liabilities as they fall due.

**(g) General information**

HSBC (BGF) Investments Limited is a company domiciled and incorporated in England and Wales.

**HSBC (BGF) Investments Limited**  
**Notes on the Financial Statements (continued)**

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**B Summary of significant accounting policies**

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**(a) Operating income**

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

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

**(b) Associates**

The Company classifies investments in entities it has significant influence as associates. The Company's interests in associates are stated at cost less impairment.

Any impairment loss recognised in prior periods shall be reversed through the income statements if, and only if, there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

Dividend income from investments is recognised when the right to receive payment is established.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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 is calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

**(d) Financial assets and liabilities**

**(i) Financial liabilities**

Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. The Company derecognises the financial liability when the Company's obligations specified in the contract expire, are discharged or cancelled. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

A parent undertaking acts as a treasury function, providing funding for the Company through an inter-company current account.

**(ii) 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.

**(e) Impairment of financial assets**

Financial assets including interest in Associates, other than those at fair value through the profit and loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the asset the estimated future cash flows of the asset have been impacted.

The Company considers evidence of impairment at both a specific and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or receivable by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter into bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as economic conditions that correlate with defaults in the group.

**(f) Statement of cash flows**

The statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under 'Operating activities', movements in inter-company transactions are shown under the heading of 'Financing activities'. Such movements arise ultimately from the Company's financing activities, through which the Company will acquire resources intended to generate future income and cash flows.

**(g) Share capital**

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

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

**(h) Determination of fair value**

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).

Subsequently, fair values are calculated by discounting future cash flows on financial instruments, using effective current interest rates.

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

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**2 Employee compensation and benefits**

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

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**3 Remuneration of Directors**

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

**HSBC (BGF) Investments Limited**  
**Notes on the Financial Statements (continued)**

**4 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 taxation. The auditors' remuneration borne on behalf of the Company amounted to £1,000 (2015: £1,000).

There were no non-audit fees incurred during the year (2015: £nil).

**5 Tax credit**

	2016	2015
	£	£
<b>Current taxation</b>		
Current tax on losses for the year .....	(183,038)	(156,131)
Total current tax .....	(183,038)	(156,131)
Total tax credited to the income statement .....	(183,038)	(156,131)

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

The following table reconciles the tax credit which would apply if all of the loss had been taxed at the UK corporation tax rate:

	2016	Percentage of overall loss before tax	2015	Percentage of overall loss before tax
	£	%	£	%
Loss before tax .....	(915,190)		(771,148)	
Taxation at UK corporation tax rate of 20.00% (2015: 20.25%) .....	(183,038)	20.00%	(156,131)	20.25%
Total tax credited to the income statement .....	(183,038)	20.00%	(156,131)	20.25%

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 and to 18% with effect from 1 April 2020. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020, instead of the reduction to 18% as originally planned.

**6 Interest in associate**

	2016	2015
	£	£
At 1 January .....	176,282,250	117,782,250
Additions .....	87,000,000	58,500,000
At 31 December .....	263,282,250	176,282,250

**Principal associate of the Company**

Business Growth Fund Plc (BGF) is a principal associate of the Company. BGF's principal place of business and country of incorporation is in the UK and its principal activity is that of an investment business that provides growth capital to ambitious entrepreneurs running growing UK companies.

**HSBC (BGF) Investments Limited**  
**Notes on the Financial Statements (continued)**

At 31 December 2016, the Company had a 24.308% interest in the £1,083,129,000 issued equity capital of BGF (2015: 23.98% interest in £735,129,000). The carrying amount of the Company's interest was £263,282,250 as at 31 December 2016 (2015: £176,282,250).

*Summarised financial information on associates*

*The Company's share of:*

	2016	2015
	£'000	£'000
Assets .....	258,514	170,839
Liabilities.....	3,513	(2,848)
Revenue .....	12,249	9,504
Profit after tax .....	118	2,481

**7 Trade and other payables**

	2016	2015
	£	£
Amounts owed to parent undertakings .....	265,458,512	177,589,363
Accrued interest on amounts due to parent undertakings .....	34,341	44,444
	<b>265,492,853</b>	<b>177,633,807</b>

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

**8 Called up share capital**

	2016	2015
	£	£
<b>Allotted, called up and fully paid</b>		
100 (2015: 100) Ordinary shares of £1 each .....	100	100
	<b>100</b>	<b>100</b>

**9 Fair value of financial assets**

Except where disclosed elsewhere, there are no material differences between the carrying value and the fair value of financial assets as at 31 December 2016 and 31 December 2015.

**10 Management of financial risk**

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

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



**HSBC (BGF) Investments Limited**  
**Notes on the Financial Statements (continued)**

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

There were no changes in the Company's approach to risk management during the year.

**(a) Liquidity risk management**

Liquidity risk is the risk that the Company will not be able to meet its financial obligation when they fall due. The Company's assets are funded by borrowing from the parent undertaking. This funding has no fixed date for repayment and is therefore technically repayable on demand, although the parent undertaking provides funds as required.

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

<b>31 December 2016</b>	<b>On demand</b>	<b>Undated</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Assets</b>			
Cash and cash equivalents .....	100,514	-	100,514
Non-financial assets .....	-	263,465,288	263,465,288
<b>Total as at 31 December 2016</b> .....	<b>100,514</b>	<b>263,465,288</b>	<b>263,565,802</b>
<b>Liabilities</b>			
Trade and other payables .....	265,492,853	-	265,492,853
<b>Total as at 31 December 2016</b> .....	<b>265,492,853</b>	<b>-</b>	<b>265,492,853</b>

<b>31 December 2015</b>	<b>On demand</b>	<b>Undated</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Assets</b>			
Cash and cash equivalents .....	527	-	527
Non-financial assets .....	-	176,438,381	176,438,381
<b>Total as at 31 December 2015</b> .....	<b>527</b>	<b>176,438,381</b>	<b>176,438,908</b>
<b>Liabilities</b>			
Trade and other payables .....	177,633,807	-	177,633,807
<b>Total as at 31 December 2015</b> .....	<b>177,633,807</b>	<b>-</b>	<b>177,633,807</b>

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

	<b>Carrying value</b>	<b>Contractual cash flows</b>	<b>On demand</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>31 December 2016</b>			
Amounts owed to parent undertakings .....	265,492,853	265,492,853	265,492,853
	<b>265,492,853</b>	<b>265,492,853</b>	<b>265,492,853</b>
<b>31 December 2015</b>			
Amounts owed to parent undertakings .....	177,633,807	177,633,807	177,633,807
	<b>177,633,807</b>	<b>177,633,807</b>	<b>177,633,807</b>

**HSBC (BGF) Investments Limited**  
**Notes on the Financial Statements (continued)**

**(b) Market risk management**

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will affect the Company's income.

Interest payable on amounts owed to parent undertakings is at a floating interest rate.

**Interest rate risk**

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

	Profit or loss	Profit or loss
	100 bps increase £	100 bps decrease £
<b>At 31 December 2016</b>		
Financial liabilities at amortised cost.....	(2,654,929)	695,591
<b>Total (decrease)/increase.....</b>	<b>(2,654,929)</b>	<b>695,591</b>
<b>At 31 December 2015</b>		
Financial liabilities at amortised cost.....	(1,776,338)	900,603
<b>Total (decrease)/increase.....</b>	<b>(1,776,338)</b>	<b>900,603</b>

**11 Related party transactions**

Balances with related parties.

	2016		2015	
	Highest balance during the year <sup>2</sup> £	Balance at 31 December <sup>2</sup> £	Highest balance during the year <sup>2</sup> £	Balance at 31 December <sup>2</sup> £
<b>Assets</b>				
Cash and cash equivalents <sup>1</sup>	100,519	100,514	1,619	527
<b>Liabilities</b>				
Trade and other payables <sup>1</sup>	265,779,742	265,492,853	177,754,462	177,633,807

<sup>1</sup>All balances are held with HSBC Bank plc.

<sup>2</sup>The disclosure of the year-end balance and the highest balance during the year is considered the most meaningful information to represent transactions during the year.

	2016	2015
	£	£
<b>Income statement</b>		
Interest expense .....	(914,519)	(771,104)

**HSBC (BGF) Investments Limited**  
**Notes on the Financial Statements (continued)**

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**12 Contingent liabilities and contractual commitments and guarantees**

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There were no contingent liabilities at 31 December 2016 (2015: £nil). The Company is committed to investing a further £36,717,750 in the Business Growth Fund Plc as at 31 December 2016 (2015: £123,717,750).

**13 Events after the balance sheet date**

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The Company agreed a commitment to the Business Growth Fund Plc of £125,000k in 2017, of which £33,500k had been subscribed by July 2017. As a result, the Company also increased its money market facility from HSBC Bank plc from £275,000k to £385,000k.

In May 2017, the Company's shareholding in Business Growth Fund Plc was transferred to a new holding company for that group, BGF Group Limited and all future commitments are now related to the new holding company.

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

**14 Parent undertakings**

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The ultimate parent undertaking (which is the ultimate controlling party) and the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is HSBC Holdings plc, and the parent undertaking of the smallest such group is HSBC Bank plc. The immediate holding Company is HSBC Bank plc. The result of the Company is included in the group financial statements of HSBC Holdings plc and HSBC Bank plc.

Copies of the group financial statements may be obtained from the following addresses:

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

HSBC Holdings plc  
8 Canada Square  
London  
E14 5HQ  
[www.hsbc.com](http://www.hsbc.com)