

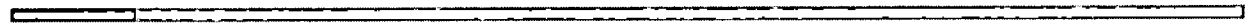
HSBC (BGF) Investments Limited
Registered No: 5229587

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



HSBC (BGF) Investments Limited
Registered No: 5229587

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



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HSBC (BGF) Investments Limited

Strategic Report

Principal activities

The principal activity of HSBC (BGF) Investments Limited (the 'Company') is to hold the HSBC Group's investment in BGF Group plc ('BGF plc'). HSBC (BGF) Investments Limited ('the Company') is a limited company, domiciled and incorporated in England and Wales. Its trading address is 8 Canada Square, London E14 5HQ, United Kingdom.

The 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.

The Company is limited by shares.

Review of the Company's business

The Company continues to exercise significant influence over BGF plc, as a consequence of representation on BGF's plc 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 on page 7 of these financial statements.

No income has yet been earned from BGF plc.

Key performance indicators

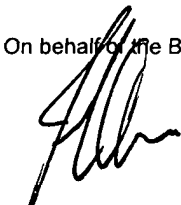
As the Company is managed as part of a global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of HSBC Bank plc. Ongoing review of the Company is carried out by comparing actual performance against annually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

Principal risks and uncertainties

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 11 of the financial statements.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('EU') with the process of leaving the EU commencing on 29 March 2017. The ultimate economic impact of the UK leaving the EU is currently uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime, this uncertainty is expected to result in market risk volatility in the short to medium term. 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.

On behalf of the Board



J L Chew
Director

Dated: 16 September 2019

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

HSBC (BGF) Investments Limited

Report of the Directors

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
J L Chew		
T Wood		
D M Howlett		11 July 2018
L Curtis	22 May 2018	
J Cundy	04 September 2018	

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 director's and officers' liability insurance

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018 (2017: nil).

Significant events since the end of the financial year

The Company increased its commitment to BGF Group plc ('BGF plc') to £105,000k in 2019 and in May 2019 reduced the commitment by £15,000k to £90,000k, of which £32,000k had been subscribed by August 2019.

As a result, the Company also increased its money market facility from HSBC Bank plc from £420,000k to £480,000k.

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

The Company had net current liabilities of £359,980,110 as at 31 December 2018. HSBC Bank Plc, the parent undertaking, has committed to ensuring the provision of sufficient funds to enable the Company to meet its liabilities as they fall due. As a result, the Directors have prepared these financial statements on a going concern basis.

Financial risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 11 of the Notes to the Financial Statements.

Capital management

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

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

Independent auditor

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

HSBC (BGF) Investments Limited

Report of the Directors

Directors' responsibility statement

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

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

Company law requires the Directors to prepare a Strategic Report, a Report of the Directors and financial statements for each financial year. The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU').

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on a going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

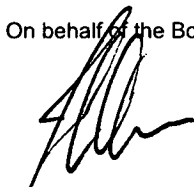
The Directors have responsibility for ensuring that sufficient accounting records are kept that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditors

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

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

On behalf of the Board



J.L. Chew
Director

Dated: 16 September 2019

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

HSBC (BGF) Investments Limited

Report of the independent auditors to the members of HSBC (BGF) Investments Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its 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.

We have audited the financial statements, included within the Annual Report and Financial Statements for the year ended 31 December 2018 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of

HSBC (BGF) Investments Limited

Report of the independent auditors to the members of HSBC (BGF) Investments Limited

this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibility statement set out on page 3, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

HSBC (BGF) Investments Limited

Report of the independent auditors to the members of HSBC (BGF) Investments Limited

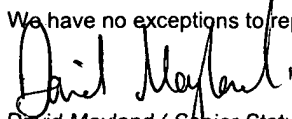
Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



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

Dated: 16/09/19.

HSBC (BGF) Investments Limited
Financial statements

Income statement for the year ended 31 December 2018

		2018	2017
	Notes	£	£
Interest expense		(1,961,433)	(844,575)
General and administrative expenses		(22)	(4)
Loss before tax		(1,961,455)	(844,579)
Tax credit	5	372,672	162,553
Loss for the year		(1,588,783)	(682,026)

Statement of comprehensive income for the year ended 31 December 2018

All operations are continuing. There has been no comprehensive income or expense other than the loss for the year as shown above (2017: nil).

HSBC (BGF) Investments Limited
Financial statements

Balance sheet as at 31 December 2018

		2018	2017
	Notes	£	£
Assets			
Cash and cash equivalents		100,488	100,510
Current tax asset		372,672	162,553
Interest in associate	6	355,782,250	304,032,250
Trade and other receivables	7	666,721	-
Total assets		<u>356,922,131</u>	<u>304,295,313</u>
Liabilities and equity			
Liabilities			
Trade and other payables	8	361,119,991	306,904,390
Total liabilities		<u>361,119,991</u>	<u>306,904,390</u>
Equity			
Called up share capital	9	100	100
Accumulated losses		(4,197,960)	(2,609,177)
Total equity		<u>(4,197,860)</u>	<u>(2,609,077)</u>
Total liabilities and equity		<u>356,922,131</u>	<u>304,295,313</u>

The accompanying notes on pages 11 to 19 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 16 September 2019 and signed on its behalf by:



J. Chew
Director
Registration Number: 5229587

HSBC (BGF) Investments Limited
Financial statements

Statement of cash flows for the year ended 31 December 2018

		2018	2017
	Notes	£	£
Cash flows from operating activities			
Loss before tax		(1,961,455)	(844,579)
Adjustments for:			
Interest expense		1,961,433	844,575
Tax received		162,553	183,038
Net cash generated from operating activities		162,531	183,034
Cash flows from investing activities			
Purchase of interest in associates	6	(51,750,000)	(40,750,000)
Net cash used in investing activities		(51,750,000)	(40,750,000)
Cash flows from financing activities			
Received from other group undertakings in respect of other financing activities		51,587,447	40,566,962
Net cash generated from financing activities		51,587,447	40,566,962
Net decrease in cash and cash equivalents		(22)	(4)
Cash and cash equivalents brought forward		100,510	100,514
Cash and cash equivalents carried forward		100,488	100,510

HSBC (BGF) Investments Limited
Financial statements

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

	Called up share capital	Accumulated losses	Total equity
	£	£	£
2018			
At 1 January 2018	100	(2,609,177)	(2,609,077)
Loss and total comprehensive expense for the year	-	(1,588,783)	(1,588,783)
At 31 December 2018	100	(4,197,960)	(4,197,860)
2017			
At 1 January 2017	100	(1,927,151)	(1,927,051)
Loss and total comprehensive expense for the year	-	(682,026)	(682,026)
At 31 December 2017	100	(2,609,177)	(2,609,077)

Equity is wholly attributable to ordinary shareholders.

HSBC (BGF) Investments Limited

Notes on the financial statements

1 Basis of preparation and significant accounting policies

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

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

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

At 31 December 2018, there were no unendorsed standards effective for the year ended 31 December 2018 affecting these financial statements and the Company's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

Standards adopted during the year ended 31 December 2018

The Company has adopted the requirements of IFRS 9 'Financial Instruments' from 1 January 2018. In addition, the Company has adopted the requirements of IFRS 15 'Revenue from contracts with customers'.

Adoption has had no material impact on the results or net assets of the Company.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB has published a number of minor amendments to IFRSs which are effective from 2019, some of which have been endorsed for use in the EU. The Company expects they will have an insignificant effect, when adopted on the financial statements of the Company.

Major new IFRSs

There are no new IFRSs published by the IASB which are effective from 1 January 2019 that are expected to have an impact on the financial statements of the Company.

(c) Presentation of information

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

The financial statements have been prepared on the historical cost basis.

(d) Critical accounting estimates and judgements

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

Management's selection of the Company's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

- Valuation of financial instruments : refer to Note 1.2 (b)
- Valuation of interest in associates: refer to Note 1.2 (d)

HSBC (BGF) Investments Limited

Notes on the financial statements

(e) Going concern

The Company had net current liabilities of £359,980,110 as at 31 December 2018. HSBC Bank Plc, the parent undertaking, has committed to ensuring the provision of sufficient funds to enable the Company to meet its liabilities as they fall due. As a result, the Directors have prepared these financial statements on a going concern basis.

1.2 Summary of significant accounting policies

(a) Income and expense

Non-Interest income and expense

Fee income is accounted for as follows:

- Income earned from the provision of services is recognised as revenue as the services are provided.

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

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

(b) Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received).

However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Company recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire 'day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction either until the transaction matures or is closed out, the valuation inputs become observable or the Company enters into an offsetting transaction.

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

Critical accounting estimates and judgements

The majority of valuation techniques employ only observable market data. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them the measurement of fair value is more judgemental. An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, a significant proportion of the instrument's inception profit or greater than 5% of the instrument's valuation is driven by unobservable inputs.

'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used).

(c) Financial instruments measured at amortised cost

Trade and other receivables

These include trade and other receivables originated by the Company, not classified as held for trading or designated at fair value. They are recognised when cash is advanced to a borrower and are derecognised when either the borrower repays its obligations, or the receivables are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment allowances.

HSBC (BGF) Investments Limited

Notes on the financial statements

Trade and other payables

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

(d) Interests in associates

The Company classifies investments in entities over which it has significant influence, and that are neither subsidiaries nor joint ventures, as associates.

Investments in an associate are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired. Goodwill on acquisition of interests in associates is not tested separately for impairment but is assessed as part of the carrying amount of the investment.

The Company carries its investments in associates at historical cost less provisions for any impairment.

(e) 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.

(f) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition.

(g) 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.

(h) Called up share capital

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

(i) Contingent liabilities and contractual commitments

Contingent liabilities and contractual commitments are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

HSBC (BGF) Investments Limited
Notes on the financial statements

2 Employee compensation and benefits

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

3 Remuneration of Directors

No director received any fees or emoluments from the Company during the year (2017: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

4 Auditors' remuneration

The auditors' remuneration borne on behalf of the Company amounted to £1,000 (2017: £1,000).

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

5 Tax

Tax credited to the income statement

	2018	2017
	£	£
Current tax		
UK Corporation tax for this year	(372,672)	(162,553)
Total current tax	(372,672)	(162,553)
Total tax credited to the income statement	(372,672)	(162,553)

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

In the UK Budget on 8 July 2015, the UK Government proposed to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020 and this was enacted in the Finance (No2) Act 2016 on 6 September 2016.

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

	2018	Percentage of overall loss before tax	2017	Percentage of overall loss before tax
	£	%	£	%
Loss before tax	(1,961,455)		(844,579)	
Tax at 19% (2017: 19.25%)	(372,676)	19%	(162,553)	19.25%
Effects of group relief/other reliefs	4	-	-	-
Total tax credited to income statement	(372,672)	19%	(162,553)	19.25%

HSBC (BGF) Investments Limited

Notes on the financial statements

6 Interest in associate

	2018	2017
	£	£
At 1 January.....	304,032,250	263,282,250
Additions	51,750,000	40,750,000
At 31 December.....	355,782,250	304,032,250

Principal associate of the Company

Prior to May 2017, Business Growth Fund Plc (the 'Fund') was the principal associate of the Company. In May 2017, there was a reorganisation of the Fund and its subsidiaries, which included the transfer of the entire issued share capital of the Company to a newly incorporated company, BGF Group plc ('BGF plc'), in consideration for the allotment and issue of shares in BGF plc. The purpose of the reorganisation was to implement the structural changes necessary for the Fund to extend the scope of its, and its subsidiaries activities to the Republic of Ireland and for the business to start managing the assets of third parties.

BGF plc'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 companies in the UK and wider entrepreneurial population.

At 31 December 2018, the Company had a 24.484% interest in the £1,453,129,000 issued equity share capital of BGF plc (2017: 24.398% interest in the £1,246,129,000 issued equity capital of the Fund). The carrying amount of the Company's interest in BGF plc was £355,782,250 as at 31 December 2018 (2017: £304,032,250 carrying amount in the Fund).

No impairment indicators have been noted in the investment in associates mentioned above as the Net Asset Value is higher than the carrying value.

Summarised financial information on associate

The Company's share of:

	2018	2017
	£'000	£'000
Assets	367,403	326,876
Liabilities	4,980	4,950
Revenue.....	18,059	15,057
Loss after tax.....	(11,321)	26,210

7 Trade and other receivables

	2018	2017
	£	£
Amounts due from other group undertakings	666,721	-
	666,721	-

HSBC (BGF) Investments Limited

Notes on the financial statements

8 Trade and other payables

	2018	2017
	£	£
Amounts owed to other group undertakings	360,989,858	306,829,519
Accrued interest on amounts due to other group undertakings	130,133	74,871
	361,119,991	306,904,390

Amounts owed to other group 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.

9 Called up share capital

	2018	2017
	£	£
Allotted, called up and fully paid		
100 (2017: 100) Ordinary shares of £1 each	100	100

10 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 2018 and 31 December 2017.

11 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.

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 obligations when they fall due. The Company's assets are funded by borrowing from another group undertaking. This funding has no fixed date for repayment and is therefore technically repayable on demand, although the other group undertaking provides funds as required.

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

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31 December 2018	On demand £	Undated £	Total £
Assets			
Cash and cash equivalents	100,488	-	100,488
Non-financial assets	-	356,154,922	356,154,922
Trade and other receivables	666,721	-	666,721
Total as at 31 December 2018	767,209	356,154,922	356,922,131
Liabilities			
Trade and other payables	361,119,991	-	361,119,991
Total as at 31 December 2018	361,119,991	-	361,119,991

31 December 2017	On demand £	Undated £	Total £
Assets			
Cash and cash equivalents	100,510	-	100,510
Non-financial assets	-	304,194,803	304,194,803
Total as at 31 December 2017	100,510	304,194,803	304,295,313
Liabilities			
Trade and other payables	306,904,390	-	306,904,390
Total as at 31 December 2017	306,904,390	-	306,904,390

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

	Carrying value £	Contractual cash flows £	On demand £
31 December 2018			
Amounts owed to other group undertakings	361,119,991	361,119,991	361,119,991
	361,119,991	361,119,991	361,119,991
31 December 2017			
Amounts owed to other group undertakings	306,904,390	306,904,390	306,904,390
	306,904,390	306,904,390	306,904,390

HSBC (BGF) Investments Limited

Notes on the financial statements

(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 other group 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 100 bps increase £	Profit or loss 100 bps decrease £
31 December 2018		
Financial liabilities at amortised cost	(3,611,200)	2,634,913
Total (decrease)/increase	(3,611,200)	2,634,913
31 December 2017		
Financial liabilities at amortised cost	(3,069,044)	1,516,108
Total (decrease)/increase	(3,069,044)	1,516,108

12 Related party transactions

Balances with related parties

	2018		2017	
	Highest balance during the year £	Balance at 31 December £	Highest balance during the year £	Balance at 31 December £
Assets				
Cash and cash equivalents ¹	100,510	100,488	100,513	100,510
Trade and other receivables ²	666,721	666,721	-	-
Liabilities				
Trade and other payables ¹	361,119,991	361,119,991	360,904,390	306,904,390

¹These balances are held with HSBC Bank plc.

²These balances are held with HSBC Asset Finance (UK) Ltd

	2018 £	2017 £
Income statement		
Interest expense	1,961,433	844,575

13 Parent undertakings

The ultimate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest group to consolidate these financial statements. The immediate parent undertaking is HSBC Bank plc. All companies are registered in England and Wales.

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

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

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

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

14 Contingent liabilities and contractual commitments and guarantees

There were no contingent liabilities at 31 December 2018 (2017: nil). The Company is committed to investing a further £27,750,000 in BGF Group plc as at 31 December 2018 (2017: £84,250,000). This will take the form of periodic subscriptions for shares in BGF Group Limited as notified by BGF subject to agreed facility limits.

15 Events after the balance sheet date

The Company increased its commitment to BGF Group plc ('BGF plc') to £105,000k in 2019 and in May 2019 reduced the commitment by £15,000k to £90,000k, of which £32,000k had been subscribed by August 2019.

As a result, the Company also increased its money market facility from HSBC Bank plc from £420,000k to £480,000k.

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