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In accordance with Regulation 32 of the Overseas Companies Regulations 2009

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT fo**
You cannot use this form t
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with accounting requireme

TUESDAY

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LD3 22/08/2017 #22
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ❶	HSBC Asia Holdings B.V.
UK establishment number	B R 0 0 1 6 6 8 0

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited.

Legislation ❷ The Netherlands Civil Code

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ❸ International Financial Reporting Standards

❸ Please insert the name of the appropriate accounting organisation or body.

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5.**

☑ **Yes.** Go to **Section A4.**

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ❶	Dutch Law including Dutch Standards on Auditing	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. ☐ **No.** ☐ **Yes.**

Part 3 Signature

I am signing this form on behalf of the overseas company.

Signature	Signature X [signature] X

This form may be signed by:
Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name: Mausami Parekh

Company name: HSBC Bank plc

Address: 8 Canada Square

Post town: London

County/Region:

Postcode: E 1 4 5 H Q

Country:

DX:

Telephone: 02079921853

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

HSBC Asia Holdings B.V.
Registered No: 33296181

Financial Statements for the year ended 31 December 2016

HSBC

HSBC Asia Holdings B.V.
Registered No: 33296181

Financial Statements for the year ended 31 December 2016

Contents

Principal activities

HSBC Asia Holdings B.V. (the 'Company') incorporated in the Netherlands with limited liability, is registered and domiciled in England as an overseas company (with a statutory seat in Amsterdam) and wholly owned by HSBC Asia Holdings (UK) Limited, incorporated in England and Wales. Its ultimate parent company is HSBC Holdings Plc, also incorporated in England and Wales.

During the year ended 31 December 2016 the Company continued to be an investment holding company.

Review of the Company's business

The business is funded principally by its parent, HSBC Asia Holdings (UK) Limited.

The reserves available for distribution at 31 December 2016 were US$14,968 million (2015: US$14,846 million).

Performance

The performance and position of the Company for the year ended 31 December 2016 and the state of the Company's financial affairs at that date are set out on pages 5 to 43.

The net asset value of the Company as at 31 December 2016 amounts to US$60,760 million (2015: US$59,501 million).

The results of the Company show a profit before tax US$5,831 million (2015: US$5,032 million) The Company received the following dividends from HSBC undertakings:

	2016	2015
Ordinary shares	**US$000**	US$000
The Hongkong and Shanghai Banking Corporation Limited	**5,484,342**	4,739,553
HSBC Bank Bermuda Limited	**280,165**	152,801
HSBC Software Development (India) Private Limited	**16,954**	17,067
	5,781,461	4,909,421
Preference shares		
The Hongkong and Shanghai Banking Corporation Limited	**96,265**	114,795
Associate		
HSBC Saudi Arabia Limited	**32,803**	17,160

In April 2016 the Company issued 1 ordinary share for consideration of US$1,112 million.

During 2016 the Company's principal subsidiary, The Hongkong and Shanghai Banking Corporation Limited, redeemed preference shares at a total nominal value of US$ 1,250 million at par.

During 2016 the Company invested US$2,362 million in The Hongkong and Shanghai Banking Corporation Limited's ordinary shares for cash consideration. The ownership proportion remained unchanged as a result of this.

The Company's subsidiary Credival Latinsul S.A. has been liquidated and the interest-free loan has been repaid as consideration.

Key performance indicators

As the Company is managed as part of a global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of HSBC Bank Plc. Ongoing review of the performance of the Company is carried out by monitoring the subsidiary performance, including cash flows from and to each subsidiary.

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 20 of 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.

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 20 on the financial statements.

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

Directors

The Directors who served during the year were as follows:

Name	**Resigned**
R J Hennity	
I J Mackay	
I F MacKinnon	
B J S Mathews	
A C G Stangroome	19 May 2017
G A Francis	

Dividends

The Company paid dividends to HSBC Asia Holdings (UK) Limited of US$5,940 million (2015: $5,080 million).

Significant events since the end of the financial year

The Company received dividends amounting to US$3,277 million from The Hongkong and Shanghai Banking Corporation Limited in March 2017 and US$20 million from HSBC Bank Bermuda Limited in February 2017. The Company also paid dividends amounting to US$3,325 million to HSBC Asia Holdings (UK) Limited in April 2017.

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

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.

The liquidity risk management analysis is set out in Note 20 on the financial statements.

Capital management

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

The Company defines capital as total shareholders' equity. It is HSBC'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.

Future developments

No change in the Company's activities is expected.

Auditor

Pursuant to Part 9 of Book 2 of the Dutch Civil Code, the auditor will be deemed to be reappointed and PricewaterhouseCoopers Accountants N.V. will therefore continue in office.

This report and the financial statements were approved by the Board of Directors on 30 May 2017.

London, 30 May 2017

Board of Directors

R J Hennity

L J MacKay

I F MacKinnon

B J S Mathews

G A Francis

Registered Office
8 Canada Square
London
E14 5HQ

Income statement for the year ended 31 December 2016

	Notes	**2016 US$'000**	2015 US$'000
Interest income		**70,745**	1,653
Interest expense		**(61,475)**	(563)
Net interest income		**9,270**	1,090
Gains less losses from financial investments		**1,180**	-
Dividend income	2	**5,910,529**	5,041,376
Other operating expense	3	**(67,864)**	(12,916)
Net operating income before loan impairment charges and other credit risk provision		**5,853,115**	5,029,550
Net operating income		**5,853,115**	5,029,550
General & administrative (expenses) / income	4	**(22,292)**	2,443
Total operating (expenses)/income		**(22,292)**	2,443
Operating profit		**5,830,823**	5,031,993
Profit before tax		**5,830,823**	5,031,993
Tax expense	7	**(10,009)**	(225)
Profit for the year		**5,820,814**	5,031,768

The accompanying notes on pages 11 to 43 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2016

	2016 US$'000	2015 US$'000
Profit for the year	**5,820,814**	5,031,768
Other comprehensive income		
Items that will be reclassified subsequently to profit and loss when specific conditions are met		
Available-for-sale investments		
- fair value gains	**27,311**	15,315
- income taxes	**231**	(1,170)
- fair value (gains) transferred to the income statement	**(5,952)**	-
Items that will not be reclassified subsequently to profit and loss		
Actuarial gains on defined benefit plans		
- before income taxes	**241,780**	26,705
Other comprehensive income for the year, net of tax	**263,370**	40,850
Total comprehensive income for the year	**6,084,184**	5,072,618

The accompanying notes on pages 11 to 43 form an integral part of these financial statements.

Statement of financial position as at 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Assets			
Cash and cash equivalents	8	**21,870**	15,492
Loans and advances	9	**8,275,454**	-
Trade and other receivables	10	**37,421**	71,553
Financial investments	11	**2,837,770**	4,060,459
Current tax asset		**1,823**	969
Investments in subsidiary undertakings	12	**57,574,879**	55,406,312
Interest in associates	13	**65,185**	65,185
Other assets		**413,803**	258,466
Total assets		**69,228,205**	59,878,436
Liabilities and equity			
Liabilities			
Trade and other payables	14	**11,955**	195,833
Loans from HSBC undertakings	15	**8,455,787**	180,563
Deferred tax liabilities		**939**	1,170
Total liabilities		**8,468,681**	377,566
Equity			
Called up share capital	16	**21**	28
Preference share capital	*16*	***23,754,876***	*24,531,409*
Share premium account		**23,884,779**	22,772,679
Other reserve		**(1,848,483)**	(2,648,983)
Retained earnings		**14,968,331**	14,845,737
Total equity		**60,759,524**	59,500,870
Total equity and liabilities		**69,228,205**	59,878,436

The accompanying notes on pages 11 to 43 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Cash flows from operating activities			
Profit before tax		**5,830,823**	5,031,993
Adjustments for:			
- non cash items included in profit before tax	19	**86,444**	11,800
- change in operating assets	19	**34,132**	(3,873)
- change in operating liabilities	19	**(183,878)**	(402)
- interest expenses		**-**	563
- tax paid		**(8,493)**	(1,497)
Net cash generated from operating activities		**5,759,028**	5,038,584
Cash flows from investing activities			
Net cash outflow from investment in subsidiaries		**(2,168,567)**	-
Net loans and advances to HSBC undertakings		**(8,275,454)**	(180,000)
Net cash used in investing activities		**(10,444,021)**	(180,000)
Cash flows from financing activities			
Repayments of borrowings		**1,244,047**	-
Issue of ordinary share capital		**1,112,100**	-
Loans from HSBC undertakings		**8,275,224**	180,000
Dividends paid		**(5,940,000)**	(5,080,000)
Net cash generated from/(used in) financing activities		**4,691,371**	(4,900,000)
Net decrease in cash and cash equivalents		**6,378**	(41,416)
Cash and cash equivalents brought forward		**15,492**	56,908
Cash and cash equivalents carried forward		**21,870**	15,492

The accompanying notes on pages 11 to 43 form an integral part of these financial statements

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

					Other reserves			
	Called up share capital US$'000	Preference shares capital US$'000	Share premium US$'000	Retained earnings US$'000	Available-for-sale fair value reserve US$'000	Capital contribution reserve US$'000	Capital exchange reserve US$'000	Total US$'000
2016								
At 1 January 2016	28	24,531,409	22,772,679	14,845,737	(802,343)	1,996	(1,848,637)	59,500,869
Profit for the year	-	-	-	5,820,814	-	-	-	5,820,814
Available-for-sale investments	-	-	-	-	21,359	-	-	21,359
Other comprehensive income (net of tax)	-	-	-	241,780	231	-	-	242,011
Total comprehensive income for the year	-	-	-	6,062,594	21,590	-	-	6,084,184
Proceeds from shares issued		-	1,112,100	-	-	-	-	1,112,100
Dividends to shareholders	-	-	-	(5,940,000)	-	-	-	(5,940,000)
Exchange movement	(7)	(776,533)	-	-	-	-	776,540	-
Net impact of equity-settled share-based payments	-	-	-	-	-	2,371	-	2,371
At 31 December 2016	21	23,754,876	23,884,779	14,968,331	(780,753)	4,367	(1,072,097)	60,759,524

Capital exchange reserve

The capital exchange reserve represents other reserve which is distributable and relates to movements on translation of share capital.

Available for sale fair value reserve

Based on legal requirements, the AFS reserve is not distributable until realised.

Capital contribution reserve

The capital contribution reserve represents the net of contribution by HSBC Holdings Plc to the Company in respect of share options.

Dividend per share

Dividend per share for the year was US$14.6 million (2015: US$12.5 million).

Financial Statements (continued)

	Called up share capital US$'000	Preference shares capital US$'000	Share premium US$'000	Retained earnings US$'000	Other reserves: Available-for-sale fair value reserve US$'000	Other reserves: Capital contribution reserve US$'000	Other reserves: Capital exchange reserve US$'000	Total US$'000
2015								
At 1 January 2015	25	27,381,718	22,772,679	14,867,264	(816,488)	-	(4,698,943)	59,506,255
Profit for the year	-	-	-	5,031,768	-			5,031,768
Available-for-sale investments	-	-	-	-	14,145	-	-	14,145
Other comprehensive income (net of tax)	-	-	-	26,705	-	-	-	26,705
Total comprehensive income for the year	-	-	-	5,058,473	14,145	-	-	5,072,618
Dividends to shareholders	-	-	-	(5,080,000)	-	-	-	(5,080,000)
Exchange movement	3	(2,850,309)	-	-	-	-	2,850,306	-
Net impact of equity-settled share-based payments	-	-	-	-	-	1,996	-	1,996
At 31 December 2015	28	24,531,409	22,772,679	14,845,737	(802,343)	1,996	(1,848,637)	59,500,869

The accounting policies and notes on pages 11 to 43 form an integral part of these financial statements.

1 Basis of preparation and significant accounting policies

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') and in accordance with Book 2, Title 9 of the Dutch Civil code.

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.

The Company is exempt from the requirement to prepare group consolidated financial statements. All subsidiaries held by the Company are taken up within the consolidated financial statements of the ultimate parent company. Under the exemption provided by paragraph 4(a) of IFRS 10, the Company does not prepare consolidated financial statements and, in lieu thereof, files with the Trade Register of the Chamber of Commerce in Amsterdam the audited annual group financial statements of HSBC Holdings Plc.

The Company is exempt from the requirements to prepare consolidated financial statements by virtue of IFRS 10 paragraph 4. The financial statements present information about the Company as an individual undertaking. There were no new standards applied during the year ended 31 December 2016.

(b) Future accounting developments

Major new IFRSs

The IASB has published IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'. IFRS 9 and IFRS 15 have been endorsed for use in the EU and IFRS 16 has not yet been endorsed.

IFRS 9 'Financial Instruments'
In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

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

For financial liabilities designated to be measured at fair value, gains or losses relating to changes in the entity's own credit risk are to be included in other comprehensive income.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

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

Transition

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Company does not intend to restate comparatives. 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. The Company is assessing the impact that the impairment requirements will have on the financial statements.

The joint Global Risk and Global Finance IFRS 9 Implementation Programme for HSBC Group continues to progress with the documentation of Group accounting policy, the development of operating and system target operating models and the development, build and testing of risk modelling methodologies for the calculation of impairment nearing completion. HSBC Group intends to perform a parallel run during the second half of 2017 to gain a better understanding of the potential effect of the new standard and for the governance framework to gain experience. The Company intends to quantify the potential impact of IFRS 9 once it is practicable to provide reliable estimates, which will be no later than in the Financial Statements 2017. Until reliable estimates of the impact are available, further information on the expected impact on the financial position cannot be provided.

IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The original effective date of IFRS 15 has been delayed by one year and the standard is now effective for annual periods beginning on or after 1 January 2018 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for performance obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The Company is not expected to be materially impacted by the standard.

(c) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost that are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

The share capital of the Company has been restated into US Dollars using the relating EUR/USD year-end closing rate. The movements in exchange of the share capital remain within equity and are captured in the capital exchange reserve, which is a distributable reserve.

(d) Presentation of information

The financial statements have been presented in US Dollars, which is the Company's functional currency as this is the currency of the primary economic environment in which the Company operates.

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

(e) Changes to the presentation of the Notes on the Financial Statements

In order to make the financial statements and notes thereon easier to understand, the Company has changed the location and the wording used to describe certain accounting policies within the notes, removed certain immaterial disclosures and changed the order of certain sections.

Note 1B Summary of significant accounting policies : accounting policies have been placed, wherever possible, within the relevant Notes on the financial statements and the changes in the wording are intended to more clearly set out the accounting policies. These changes in the wording do not represent changes in accounting policies..

(f) 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 below as the critical accounting estimates and judgements, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of these Financial Statements. Management's selection of the Company's accounting policies which contain critical estimates and judgements is listed below. It reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

- Impairment of investment in subsidiary (Note 1B(d))
- Determination of fair value (Note 1B(f))
- Determination of defined employee benefits (Note 1B(e))

(g) Basis of measurement

The financial statements are prepared on the historical cost basis except for financial assets and liabilities which are measured in accordance with Note 1B(c), 1B(e) and 1B(g).

B 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 income statement 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 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 income statement on the date the entity's right to receive payments 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) 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 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.

Available-for-sale financial assets

Available-for-sale financial assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently re-measured at fair value and changes therein are recognised in other comprehensive income.

The Company classifies debt and equity securities intended to be held on a continuing basis as available for sale. They are recognised on trade date when the Company enters into contractual arrangements to purchase those instruments, and normally derecognised, cumulative gains or losses in other comprehensive income are recognised in the income statement.

Fair values are determined using valuation techniques with observable inputs (level 2). The fair values are estimated using a modelled security as a proxy for the various pricing inputs. Pricing inputs include nominal value yield curve, credit spread and coupon information.

Amounts owed to HSBC undertakings

Amounts owed to HSBC undertakings are recognised when cash is advanced or contractual arrangements are entered into, which is generally on trade date. 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.

(d) 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 income statement.

Any impairment loss recognised in prior periods shall be reversed through the income statement 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. 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.

(e) Employee benefits

Defined benefit plans

The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculations are performed by a qualified actuary.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses, in calculating the Company's obligation in respect of the plan, are recognised immediately in equity via other comprehensive income.

Defined contribution plans

Whilst the Company is the official sponsor of certain defined contribution plans, the obligations for contributions to defined contribution plans are not recognised as an expense in the income statement as these are recognised in the income statement of the ultimate employing entity of the individuals concerned.

(f) 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.

Derivatives are recognised at fair value when the Company enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when sold.

(g) Share based payments

The cost of share-based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they are granted, and recognised as an expense on a straight-line basis over the vesting period, with a corresponding credit to the 'Capital contribution reserve' for share option awards and a credit to the intercompany account with HSBC Holdings Plc for share awards. The fair value of equity instruments that are made available immediately, with no vesting period attached to the award, are expensed immediately.

Fair value is determined by using appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted. Vesting conditions include service conditions and performance conditions; any other features of a share-based payment arrangement are non-vesting conditions.

Market performance conditions and non-vesting conditions are taken into account when estimating the fair value of equity instruments at the date of grant, so that an award is treated as vesting irrespective of whether the market performance condition is satisfied, provided all other conditions are satisfied.

Vesting conditions, other than market performance conditions, are not taken into account in the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On a cumulative basis, no expense is recognised for equity instruments that do not vest because of a failure to satisfy non-market performance or service conditions.

(h) General information

The Company is incorporated in the Netherlands and is registered in England as on overseas company.

2 Dividend income

	2016	2015
	US$'000	US$'000
Dividend income from associates	**32,803**	17,160
Dividend income from other group undertakings	**5,781,461**	4,909,421
Dividend income on preference shares	**96,265**	114,795
	5,910,529	5,041,376

3 Other operating (expense)

	2016	2015
	US$'000	US$'000
Foreign exchange loss	(65,913)	(12,903)
Profit /(loss) on disposal of investments in subsidiaries[1]	2,097	-
Expenses relating to investment in subsidiaries[2]	(10,000)	(13)
Realised gain on redemption of preference shares	5,952	-
	(67,864)	(12,916)

[1]Profit on disposal on the liquidation of Credival Latinsul S.A.
[2]Advisory and brokerage expenses on the partial disposal of shares in Dar Es Salaam investment Bank.

4 General and administrative (income)/expense

	2016	2015
	US$'000	US$'000
International Staff (ISRBS) – pension expense	24,509	4,573
ISRBS reimbursements from group and associated companies	(4,120)	(7,688)
Total staff related expenses / (income)	20,389	(3,115)
Other administrative and office expenses	1,903	672
Total other administrative expenses	1,903	672
General and administrative expense / (income)	22,292	(2,443)

The Company is the official employer and sponsor of the ("ISRBS") International Staff Retirement Benefits Scheme, and it is Group policy that all payments made to the ISRBS and any other charges incurred by the Company in respect of the members will be reimbursed to the Company by the Group and associated entities where the members of the ISRBS have been seconded to.

The pension expense is different from the recharges received from group and associated companies and these intra-year variations are not unusual and are caused by timing differences. Ultimately, there will have been no effective cost to the company in respect of the International Staff Retirement Benefits Scheme.

Whilst the Company is the official sponsor of certain defined contribution plans, the obligations for contributions to these defined contribution plans are not recognised as an expense in the income statement and are recognised in the income statement of the employing Company of the individuals concerned.

5 Remuneration of Directors

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

6 Auditor's remuneration

Certain expenses including independent auditor's remuneration have been borne by HSBC Holdings Plc and are therefore not charged in arriving at profit before tax. The amount incurred in respect of the audit of these financial statements was US$40,022 (2015: US$45,825). There were no non-audit fees incurred during the year (2015: US$ nil).

7 Tax

Accounting policy

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement in which the related item appears.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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.

Tax charged to the income statement

	2016 US$'000	2015 US$'000
Current tax		
UK Corporation tax		
- for this year	**1,534**	225
- adjustments in respect of prior years	**(18)**	-
- withholding tax suffered	**8,493**	-
Total current tax	**10,009**	225
Total tax charged to income statement	**10,009**	225

The UK corporation tax rate applying to the Company was 20.00% (2016: 20.25%).

The company migrated it's tax residence from the Netherlands to the United Kingdom on 1 October 2013.

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.

The rate reduction to 17% was enacted during the period and has therefore been taken into account in the calculation of the UK related deferred tax balances (as these balances will materially reverse after 1 April 2020). These reductions in the corporation tax rate were enacted in the Finance (No2) Act 2016.

Tax reconciliation

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

	2016	**Percentage of overall profit before tax**	2015	Percentage of overall profit before tax
	US$'000	**%**	US$'000	%
Profit before tax	**5,830,823**		5,031,993	
Tax at 20 00% (2015. 20.25%)	**1,166,165**	**20.00%**	1,018,978	20.25%
Adjustments in respect of prior period liabilities	**(18)**	-	-	-
Permanent disallowables	**18,130**	**0.31%**	3,682	0.1%
Non taxable income and gains	**(1,182,761)**	**(20.28)%**	(1,022,435)	(20.32)%
Withholding tax suffered	**8,493**	-	-	-
Total tax charged to income statement	**10,009**	**0.03%**	225	0.10%

Deferred tax liabilities

	2016 US$000	2015 US$000
At 1 January	(1,170)	-
Other comprehensive income:		
- Available-for-sale investments	231	(1,170)
At 31 December	(939)	(1,170)

8 Cash and cash equivalents

Accounting policy

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.

	2016	2015
	US$'000	US$'000
Short term deposits	19,942	13,867
Bank balances	1,928	1,625
	21,870	15,492

Cash and cash equivalents comprise cash and short time deposits which are immediately available at no additional break costs should the need arise.

The short term deposits are due within three months from the date of acquisition and carry interest at 0.06%.

9 Loans and advances

	Interest receivable	Maturity date	2016 US$'000	2015 US$'000
Hongkong and Shanghai Banking Corporation Limited	USD LIBOR + 2.18%	08/09/2036	2,000,000	-
Hongkong and Shanghai Banking Corporation Limited	USD LIBOR + 2.48%	02/03/2027	725,000	-
Hongkong and Shanghai Banking Corporation Limited	USD LIBOR + 2.46%	25/09/2026	630,000	-
Hongkong and Shanghai Banking Corporation Limited	USD LIBOR + 2.31%	26/09/2023	575,000	-
Hongkong and Shanghai Banking Corporation Limited	USD LIBOR + 1.97%	24/09/2021	570,000	-
Hongkong and Shanghai Banking Corporation Limited	USD LIBOR + 1.73%	05/01/2022	3,750,000	-
Accrued interest payable			25,454	-
Loans and advances			8,275,454	-

During the year the Company issued a number of loans to its subsidiary, Hongkong and Shanghai Banking Corporation Limited. The loans are denominated in US Dollars and the effective interest based on LIBOR rates is accrued. The nominal rate is equal to the effective rate of interest as there have been no fees charged on these loans.

10 Trade and other receivables

Accounting policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision or impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is uncollectable, it is written off against trade receivables and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited to the income statements.

	2016	2015
	US$'000	US$'000
Dividend receivable on intra-group preference shares	**37,408**	71,540
Amounts due from group companies	**13**	13
Trade and other receivables	**37,421**	71,553

Amounts due from HSBC undertakings are non-interest bearing and the fair value is not significantly different to the carrying value on the balance sheet due to their short term nature.

11 Financial investments

Accounting policy

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

The Company holds the following preference shares of the Hongkong and Shanghai Banking Corporation Limited ("HBAP"), as follows:

	Nominal value	Dividend basis	2016	2015
			US$'000	US$'000
Non-cumulative shares[1]	978,000	LIBOR + 1 85%	**831,238**	813,861
Non-cumulative shares[1]	375,000	LIBOR + 1.35%	**284,265**	278,687
Non-cumulative shares[1]	500,000	LIBOR + 1 25%	**369,830**	362,682
Non-cumulative shares[1]	1,000,000	LIBOR + 1 25%	**739,660**	725,363
Non-cumulative shares[1]	250,000	LIBOR + 1.15%	**180,320**	176,891
Non-cumulative shares[1]	150,000	LIBOR + 1.15%	**108,192**	106,134
Cumulative shares[1]	200,000	LIBOR + 1 00%	**138,743**	136,172
Cumulative shares	-	LIBOR + 1 20%	-	143,293
Cumulative shares	-	LIBOR + 3.23%	-	1,130,879
At 31 December	**3,453,000**		**2,652,248**	3,873,962
Available for sale loans:				
Sub-loan[2]	180,000	LIBOR + 2 54%	**185,522**	186,497
Total	3,633,000		**2,837,770**	4,060,459

[1]Irredeemable preference shares: Redemption is at the issuer's option, subject to 30 days' notice in writing to shareholders and with prior consent of the Hong Kong Monetary Authority.

[2]Sub-ordinated loan: HSBC Asia Holdings B.V. has provided a Tier2 Subordinated loan to HBAP. The instrument is classified as available-for-sale by the holder.

During the year, the Company's principal subsidiary, HBAP redeemed preference shares at a total nominal value of US$ 1,250 million at par.

The preference share dividend is paid annually as long as the retained profits of the issuer allows payment. As this has been the case in the past and anticipated in the future, the preference dividend is being accrued.

Trade and other receivables (Note 10) includes accrued preference share interest receivable on financial investments of US$37 million (2015: US$72 million).

The movements in financial investments during the year were as follows:

	2016 US$'000	2015 US$'000
At 1 January	**4,060,459**	3,865,144
Additions	**-**	180,000
Disposals	**(1,250,000)**	-
Revaluation	**27,311**	15,315
At 31 December	**2,837,770**	4,060,459

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

12 Investments in subsidiary undertakings

Accounting policy

The Company classifies investments in entities which it controls as subsidiaries. Where an entity is governed by voting rights, the Company consolidates when it holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities and whether power is held as agent or principal.

The Company's investments in subsidiaries are stated at cost less impairment losses.

Critical accounting estimates and judgements

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired. Impairment testing involves significant judgement in determining the value in use, and in particular estimating the present values of cash flows expected to arise from continuing to hold the investment and the rates used to discount these cash flows.

	2016 US$'000	2015 US$'000
Cost		
At 1 January	**55,458,847**	55,458,847
Additions	**2,362,100**	-
Disposals	**(194,713)**	-
At 31 December	**57,626,234**	55,458,847

	2016 US$'000	2015 US$'000
Provision for impairment		
At 1 January	**(52,535)**	(52,535)
Disposals	**1,180**	-
At 31 December	**(51,355)**	(52,535)
Net carrying amount at 31 December	**57,574,879**	55,406,312

Explanation of additions

During the year, the Company invested $2.4 billion in The Hongkong Shanghai Banking Corporation Limited (2015: US$nil).

Impairment of investments

The process of identifying and evaluating impairment is inherently uncertain because it requires significant management judgement in making a series of estimations, the results of which are highly sensitive to the assumptions used. The impairment review represents management's best estimate of the factors below:

Nominal long-term growth rate: The long-term growth rate is used to extrapolate the cash flows in perpetuity because of the long-term perspective within the Group of business units making up the subsidiaries. These growth rates reflect GDP and inflation for the countries within which the subsidiary operates or derives revenue from; and

Discount rate: The rate used to discount the cash flows is based on the cost of capital assigned to each subsidiary, which is derived using a Capital Asset Pricing Model ('CAPM'). The CAPM depends on a number of inputs reflecting financial and economic variables including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. The discount rates for each subsidiary are refined to reflect the rates of inflation for the countries within which the subsidiaries operate. In addition, for the purposes of testing subsidiaries for impairment, management supplements this process by comparing the discount rates derived using the internally generated CAPM with cost of capital rates produced by external sources for businesses operating in similar markets; and

Management's judgement in estimating the cash flows: The cash flow projections for each subsidiary are sensitive to the cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data in future years; however, the cash flow forecasts necessarily and appropriately reflect management's view of future business prospects at the time of the assessment.

When this exercise demonstrates that the expected cash flows of a subsidiary have declined and/or that its cost of capital has increased, the effect is to reduce the subsidiary's estimated recoverable amount. If this is lower than the carrying value of the subsidiary, a charge for impairment will be recognised in the Company's income statement for the year. The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. In the event of a significant deterioration in economic and credit conditions compared with those reflected by management in the cash flow forecasts for the subsidiaries, a material adjustment to a subsidiary's recoverable amount may occur which may result in the recognition of an impairment charge in the income statement.

HSBC Bank Bermuda Limited

HSBC Bank Bermuda Limited provides banking services in Bermuda. A comparison of carrying amount to value in use, calculated using a discount rate of 10% (2015: 9.6%) and a growth rate of 3.99% (2015: 3.6%), did not result in an impairment charge.

Sensitivity to key assumptions for investment in HSBC Bank Bermuda Limited

Based on management's value in use calculation for its investment in HSBC Bank Bermuda Limited the Company has not recognised an impairment charge. Changes to the key assumptions used in the value in use calculation would have the following impact on the value in use:

Key Assumptions	Change in assumption	Impact on value in use - (loss)/gain
Discount rate	+/-100 basis points	(US$205m)/US$287m
Nominal growth rate	+/-162 basis points	US$435m/(US$251m)

The principal subsidiary undertakings of the Company at 31 December 2016 were:

	Country of incorporation	Interest in Equity Capital	Share class
HSBC Bank Bermuda Limited	Bermuda	100%	Ordinary shares
HSBC IM Pension Trust Limited	United Kingdom	100%	Ordinary shares
HSBC Property (UK) Limited	United Kingdom	100%	Ordinary shares
HSBC Software Development (India) Private Limited	India	100%	Ordinary shares
HSBC Software Development (Malaysia) Sdn Bhd	Malaysia	100%	Ordinary shares
HSBC Latam Holdings (Netherlands) BV	The Netherlands	100%	Ordinary shares
The Hongkong and Shanghai Banking Corporation Limited	Hong Kong SAR	100%	Ordinary shares

The principal countries of operation are the same as the countries of incorporation.

13 Interest in associates

The Company classifies investments in entities over which it has significant influence, and that are neither subsidiaries (Note 12) nor joint ventures, as associates.

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

	2016 US$'000	2015 US$'000
Cost	**65,185**	65,185
	65,185	65,185

The Company has the following investments in associates:

	Country of incorporation	Interest in Equity Capital	Share class
HSBC Saudi Arabia Limited	Saudi Arabia	49%	Ordinary shares
SABB Takaful Company [1]	Saudi Arabia	31%	Ordinary shares

[1]A further 1.5% is owned indirectly

14 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company by other group companies prior to the end of the financial year, which are unpaid. The amounts are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

	2016 US$'000	2015 US$'000
Amounts due to other group undertaking	**11,955**	202
Loan from Credival Latinsul S A [1]	**-**	195,631
Trade and other payables	**11,955**	195,833

[1]The Company's subsidiary Credival Latinsul S.A. has been liquidated and the interest-free loan has been repaid.

15 Loans from HSBC undertakings

	Nominal interest rate	**Maturity date**	**2016 US$'000**	2015 US$'000
HSBC Asia Holdings (UK) Limited	**USD LIBOR + 2.65%**	**25/11/2025**	**180,000**	180,000
HSBC Asia Holdings (UK) Limited	**USD LIBOR + 2.18%**	**08/09/2036**	**2,000,000**	-
HSBC Asia Holdings (UK) Limited	**USD LIBOR + 2.48%**	**02/03/2027**	**725,000**	-
HSBC Asia Holdings (UK) Limited	**USD LIBOR + 2.46%**	**25/09/2026**	**630,000**	-
HSBC Asia Holdings (UK) Limited	**USD LIBOR + 2.31%**	**26/09/2023**	**575,000**	-
HSBC Asia Holdings (UK) Limited	**USD LIBOR + 1.97%**	**24/09/2021**	**570,000**	-
HSBC Asia Holdings (UK) Limited	**USD LIBOR + 1.73%**	**05/01/2022**	**3,750,000**	-
Accrued interest payable			**25,787**	563
At 31 December			**8,455,787**	180,563

During the year the Company received a number of loans from HSBC Asia Holdings (UK) Limited.

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

16 Called up Share Capital

Accounting policy

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.

The preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or when it is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

As at 31 December 2016, the share capital of the Company is made up as follows (the issued share capital has been stated net of capital exchange reserve):

Class of shares	Nominal value per share (EUR)	Number of issued and fully paid shares	Issued share capital (EUR'000)	Issued share capital (USD'000)
Ordinary shares	50	406	20	22
Preference A	1,000	17,180,000	17,180,000	15,681,046
Preference B	1,000	886,041	886,041	793,715
Preference C	1,000	175,000	175,000	199,972
Preference D	1,000	1,000,000	1,000,000	1,280,800
Preference E	1,000	1,000,000	1,000,000	1,284,100
Preference F	1,000	250,000	250,000	327,375
Preference G	1,000	1,400,000	1,400,000	2,199,400
Preference H	1,000	650,000	650,000	916,370
Balance as at 31 December 2016		**22,541,447**	**22,541,061**	**22,682,800**

The EURO share capital of the Company has been restated into USD Dollars using the relating EUR/USD year-end closing rate of 1.05385 (2015: 1.08830). The movements in exchange of the share capital remain within equity and are captured in the capital exchange reserve, which is a distributable reserve.

In April 2016 the Company issued one ordinary share to HSBC Asia Holdings (UK) Limited for $1,112 million.

Preference shares classes A through H carry the following rights:

- At liquidation or redemption, the shareholders are entitled to receive a preferential distribution equal to the GBP equivalent of the nominal value converted into GBP at the exchange rate prevailing on the date of issue of the relevant shares ("liquidation value").
- Preference shares carry a share premium. At liquidation or redemption the shareholders of these preference shares are entitled to receive the balance of the share premium reserve attached to such preference shares converted into GBP at the exchange rate prevailing on the date of issue of the relevant shares.
- The liquidation value of these preference shares as at year-end is GBP14,575million (2015:GBP14,575million), with a USD equivalent of US$17,963 million (2015: US$21,602 million).
- In case dividends are declared on the ordinary shares, the preference shares carry a preferential non-cumulative dividend based on the liquidation value at a rate of LIBOR+2%, where LIBOR is the rate quoted for a 6-month GBP deposit on the first business day of the year.

The holders of preference shares are entitled to a dividend on the preference shares with the maximum dividend calculated above. The holders of ordinary shares are entitled to receive dividends only when the preference dividend has been paid in full. All ordinary and preference shares rank equally with regard to voting rights.

Repurchase of Preference Shares

No preference share repurchases have been conducted during the year.

17 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost.

The following table analyses the carrying amount of financial assets and liability by category as defined in IAS 39 and by balance sheet heading:

At 31 December 2016	Loans and receivables US$'000	Available-for-sale securities US$'000	Financial assets and liabilities at amortised cost US$'000	Total US$'000
Assets				
Cash and cash equivalents	-	-	21,870	21,870
Loans and advances	8,275,454	-	-	8,275,454
Trade and other receivables	-	-	37,421	37,421
Financial investments	-	2,837,770	-	2,837,770
Total financial assets	8,275,454	2,837,770	59,291	11,172,515
Total non-financial assets				58,055,690
Total assets				69,228,205
Liabilities				
Trade and other payables	-	-	11,955	11,955
Loans from HSBC undertakings	-	-	8,455,787	8,455,787
Total financial liabilities	-	-	8,467,742	8,467,742
Total non-financial liabilities				939
Total liabilities				8,468,681

At 31 December 2015	Loans and receivables	Available-for-sale securities	Financial assets and liabilities at amortised cost	Total
	US$'000	US$'000	US$'000	US$'000
Assets				
Cash and cash equivalents	-	-	15,492	15,492
Trade and other receivables	-	-	71,553	71,553
Financial investments	-	4,060,459	-	4,060,459
Total financial assets	-	4,060,459	87,045	4,147,504
Total non-financial assets				55,730,932
Total assets				59,878,436
Liabilities				
Loans from HSBC undertakings	-	-	180,563	180,563
Trade and other payables	-	-	195,833	195,833
Total financial liabilities	-	-	376,396	376,396
Total non-financial liabilities				1,170
Total liabilities				377,566

18 Retirement benefits

(Asset)/liability relating to defined benefit obligations

The Company makes contributions to one closed defined benefit plan, resident in Jersey, that provides pension benefits for employees upon retirement - the International Staff Retirement Benefits Scheme ("ISRBS").

In 2009, the Company became the official sponsor of the International Retirement Benefits Plan ("IRBP"), a defined contribution plan. The obligations for contributions are recognised by the employing Company of the individuals concerned.

Movements in retirement benefits

	2016	2015	2014	2013	2012
	US$000	US$000	US$000	US$000	US$000
Present value of defined benefits obligations	**1,098,434**	1,264,546	1,399,741	1,367,424	1,229,854
Present value of plan assets	**1,512,237**	1,523,012	1,641,307	1,445,489	1,444,552
Net retirement benefits asset	**(413,803)**	(258,466)	(241,566)	(78,065)	(214,698)

Movements in the liability for defined benefit obligations recognised in the balance sheet

	2016	2015	2014	2013	2012
	US$000	US$000	US$000	US$000	US$000
Liability for defined benefit obligations at 1 January	**1,264,546**	1,399,741	1,367,424	1,229,854	1,063,544
Movements in exchange	**(214,146)**	(66,641)	(84,565)	37,502	48,393
Employee contributions	**398**	821	988	1,129	1,247
Actual benefits payments made	**(71,985)**	(58,104)	(72,840)	(58,854)	(55,864)
Expense recognised in the income statement (*see below*)	**75,568**	59,950	71,682	64,658	69,239
Other comprehensive income	**44,054**	(71,221)	117,052	93,135	103,295
Liability for defined benefit obligations at 31 December	**1,098,435**	1,264,546	1,399,741	1,367,424	1,229,854

Movements in the plan assets

	2016	2015	2014	2013	2012
	US$000	US$000	US$000	US$000	US$000
Fair value of plan assets at 1 January	**1,523,012**	1,641,307	1,445,489	1,444,552	1,303,812
Movements in exchange	**(280,203)**	(79,562)	(98,632)	33,732	57,197
Employee contributions	**398**	821	988	1,129	1,247
ISRBS employer contributions	**4,120**	7,688	9,384	10,383	47,069
Actual benefits payments made	**(71,985)**	(58,104)	(72,840)	(58,854)	(55,864)
Return on plan assets (*see below*)	**51,059**	55,377	60,940	60,757	52,534
Other comprehensive income	**285,835**	(44,516)	295,978	(46,210)	38,557
Fair value of plan assets at 31 December	**1,512,236**	1,523,012	1,641,307	1,445,489	1,444,552

Remeasurement effects recognised in other comprehensive income

	2016	**2015**
	US$000	US$000
Actuarial (gain)/ loss due to experience on DBO	**(29,683)**	(36,023)
Actuarial loss/(gain) due to demographic assumption changes in DBO	**(73,579)**	30,356
Actuarial (gain)/ loss due to financial assumption changes in DBO	**147,316**	(65,554)
Actuarial (gain)/ loss on DBO arising during period	**44,054**	(71,221)
Return on plan assets less/(greater) than discount rate	**(285,835)**	44,516
Remeasurement effects recognised in OCI	**(241,781)**	(26,705)

Cost recognised in comprehensive income

	2016	2015
	US$000	US$000
Cost recognised in income statement	24,509	4,573
Remeasurement effects recognised in OCI	(241,781)	(26,705)
Total cost recognised in comprehensive income	(217,272)	(22,132)

Expense recognised in the income statement

	2016	2015
	US$000	US$000
Past service cost	26,123	-
Current service costs	4,039	9,807
Interest on obligation	41,838	46,998
Administration costs and taxes	3,568	3,145
	75,568	59,950
Return on plan assets	(51,059)	(55,377)
	24,509	4,573

Categories of plan assets

	2016	2015
	US$000	US$000
Equities	84,665	72,938
Bonds	1,485,348	1,485,850
Property	40,151	37,934
Other	(97,928)	(73,710)
Total plan assets	1,512,236	1,523,013

Pension assumptions

Assumptions as at 31 December	2016	2015
Inflation	3.50%	3.30%
Salary increases	0.00%	1.75%
Pension increases	2.50%	3 30%
Discount rate	2.70%	3.80%
*Mortality table – males	91.5% S2NMA	70%S1PMA_L
*Mortality table – females	93.6% S2PFA_L	80%S1PFA_L

* with core CMI 2015 improvements and a 1.25% long term rate

Estimated contributions and benefit payments in next financial year

In 2017, the estimated company contributions is nil. The estimated benefits payments are expected to be US$40,984 thousand.

The effect of changes in key assumptions on the ISRBS pension scheme

	2016	2015
	US$000	US$000
Change in defined benefit obligation at year-end from a 25bps increase in discount rate	43,071	48,856
Increase in defined benefit obligation from each additional year of longevity assumed	38,871	21,497

19 Reconciliation of profit before tax to net cash flow from operating activities

Accounting policy

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.

	2016 US$'000	2015 US$'000
a) Non-cash items included in profit before tax		
Share-based payment expense	-	1,996
Charge for defined benefits plans	86,444	9,804
	86,444	11,800

	2016 US$'000	2015 US$'000
b) Change in operating assets		
Change in trade and other receivables	34,132	(3,873)
Change in loans and advances from HSBC undertakings	-	-
	34,132	(3,873)

	2016 US$'000	2015 US$'000
c) Change in operating liabilities		
Change in accruals and deferred income	-	(351)
Trade and other payables	(183,878)	(51)
Change in loans from HSBC undertakings	-	-
	(183,878)	(402)

	2016 US$'000	2015 US$'000
d) Cash and cash equivalents comprise		
Cash at bank with HSBC undertakings	**21,870**	15,492
	21,870	15,492

	2016 US$'000	2015 US$'000
e) Interest and dividends		
Interest received	**70,745**	1,653
Dividends received	**5,814,264**	4,926,581

20 Management of financial risk

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

(a) Credit risk management

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

The maximum exposure to credit risk:

	2016 US$'000	2015 US$'000
Cash and cash equivalents	**21,870**	15,492
Trade and other receivables	**37,421**	71,553
Loans and advances to banks	**8,275,454**	-
Financial investments	**2,837,770**	4,060,459
Other assets	**413,803**	258,466
	11,586,318	4,405,970

These balances are neither past due nor impaired and are considered to have a satisfactory credit grading.

There is no significant concentration of risk in the Company.

b) Liquidity risk management

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.

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

31 December 2016	On demand US$'000	Due within 3 months US$'000	Due between 3-12 months US$'000	Due between 1-5 years US$'000	Due after 5 years US$'000	Undated US$'000	Total US$'000
Assets							
Cash and cash equivalents	21,870	-	-	-	-	-	21,870
Loans and advances	-	25,454	-	570,000	7,680,000	-	8,275,454
Trade and other receivables	-	37,421	-	-	-	-	37,421
Financial investments	27,311	-	-	-	2,810,459	-	2,837,770
Non-financial assets	-	-	-	-	-	58,055,690	58,055,690
Total as at 31 December 2016	49,181	62,875	-	570,000	10,490,459	58,055,690	69,228,205

31 December 2016	On demand US$'000	Due within 3 months US$'000	Due between 3-12 months US$'000	Due between 1-5 years US$'000	Due after 5 years US$'000	Undated US$'000	Total US$'000
Liabilities and Equity							
Trade and other payables	11,955	-	-	-	-	-	11,955
Loans from HSBC undertakings	-	-	25,787	570,000	7,860,000	-	8,455,787
Non-financial liabilities	-	-	-	-	-	939	939
Equity	-	-	-	-	-	60,759,524	60,759,524
Total as at 31 December 2016	11,955	-	25,787	570,000	7,860,000	60,760,463	69,228,205

31 December 2015	On demand US$'000	Due within 3 months US$'000	Due between 3-12 months US$'000	Due between 1-5 years US$'000	Due after 5 years US$'000	Undated US$'000	Total US$'000
Assets							
Cash and cash equivalents	15,492	-	-	-	-	-	15,492
Trade and other receivables	-	71,553	-	-	-	-	71,553
Financial investments	195,315	-	-	-	3,865,144	-	4,060,459
Non financial assets	-	-	-	-	-	55,730,932	55,730,932
Total as at 31 December 2015	210,807	71,553	-	-	3,865,144	55,730,932	59,878,436

31 December 2015	On demand US$'000	Due within 3 months US$'000	Due between 3-12 months US$'000	Due between 1-5 years US$'000	Due after 5 years US$'000	Undated US$'000	Total US$'000
Liabilities and Equity							
Trade and other payables	195,833	-	-	-	-	-	195,833
Loans from HSBC undertakings	-	-	563	-	180,000	-	180,563
Non financial liabilities	-	-	-	-	-	1,170	1,170
Equity						59,500,870	59,500,870
Total as at 31 December 2015	195,833	-	563	-	180,000	59,502,040	59,878,436

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

	On demand US$'000	Due within 3 months US$'000	Due between 3-12 months US$'000	Due between 1-5 years US$'000	Due after 5 years US$'000	Total US$'000
At 31 December 2016						
Trade and other payables	**11,955**	-	-	-	-	**11,955**
Loans from HSBC undertakings	-	**88,128**	**161,237**	**1,562,874**	**9,067,866**	**10,880,105**
	11,955	**88,128**	**161,237**	**1,562,874**	**9,067,866**	**10,892,060**

	On demand US$'000	Due within 3 months US$'000	Due between 3-12 months US$'000	Due between 1-5 years US$'000	Due after 5 years US$'000	Total US$'000
At 31 December 2015						
Trade and other payables	195,833	-	-	-	-	195,833
Loans from HSBC undertakings	-	-	563	-	180,000	180,563
	195,833	-	563	-	180,000	376,396

(c) Market Risk management

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.

Foreign exchange risk

The Company is exposed to foreign currency risk on assets and liabilities that are denominated in a currency other than the US Dollar. The currency giving rise to this risk is Sterling which amounted to a US$392million asset (2015: US$258 million asset).

The Company's profit before tax would decrease by US$20.6 million, profit after tax by US$16.4million (2015:US$13.6 million decrease, profit after tax US$11 million decrease) if the Sterling foreign exchange rate weakened by 5per cent relative to the US dollar.

Foreign currency rate sensitivity analysis has been performed on the net assets foreign exchange risk exposure as at the reporting date. An upward/downward movement in the USD: GBP rate of 5 per cent has been assumed. If all other variables are held constant, the information above presents the likely impact on the Company's profit.

Interest rate risk

The Company held net assets with a nominal value of US$3,469 million (2015: US$4,718 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$34.7 million (2015: US$47.2 million) and after tax of US$27.7 million (2015: US$37.6 million).

21 Related party transactions

Balances with other related parties

	2016		2015	
	Highest balance during the year[5]	**Balance at 31 December[5]**	Highest balance during the year[5]	Balance at 31 December[5]
	US$'000	**US$'000**	US$'000	US$'000
Assets				
Cash and cash equivalents[1]	**3,488,086**	**21,870**	2,984,355	15,492
Trade and other receivables[2]	**37,421**	**37,421**	88,196	71,553
Loans and advances[2]	**8,275,454**	**8,275,454**	-	-
Financial investments[2]	**3,912,744**	**2,837,770**	3,959,068	4,060,459
Other assets[3]	**413,803**	**413,803**	283,225	258,466
Liabilities				
Trade and other payables[2]	**196,134**	**11,955**	196,375	195,833
Loans from HSBC undertakings[4]	**8,472,095**	**8,455,787**	-	180,563

[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 subsidiaries of the Company.

[3] The International Staff Retirement Benefit Scheme entered into swap transactions with HSBC to manage the inflation and interest rate sensitivity of the liabilities and selected assets. At 31 December 2016, the gross notional value of the swaps was US$1.7 billion (2015: US$1.7 billion) and the swaps had a net negative fair value of US$96 million to the scheme (2015: negative US$96 million).

[4] These balances are with HSBC Holdings Plc, the ultimate parent of the Company.

[5] 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.

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.

Income statement	2016 US$'000	2015 US$'000
Interest income	**70,745**	1,653
Interest expense	**61,475**	563
Dividend income	**5,910,529**	5,041,376
Dividend expense	**5,940,000**	5,080,000
Gain less losses from financial investments	**1,180**	-

22 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.

23 Contingent liabilities

There were no contingent liabilities at 31 December 2016 (2015: nil).

24 Parent undertakings

The Company's immediate and ultimate holding companies are HSBC Asia Holdings (UK) Limited and HSBC Holdings Plc respectively.

HSBC Holdings Plc is incorporated in England with limited liability under the UK Companies Act.

The financial statements 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.

HSBC Holdings Plc
8 Canada Square
London
E14 5HQ

25 *Events after the balance sheet date*

The Company received dividends amounting to US$3,277 million from The Hongkong and Shanghai Banking Corporation Limited in March 2017 and US$20 million from HSBC Bank Bermuda Limited in February 2017. The Company also paid dividends amounting to US$3,325 million to HSBC Asia Holdings (UK) Limited in April 2017.

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

26 Proposed appropriation of result

Management proposes to carry forward within retained earnings the result for the year 2016.

London, 30 May 2017

Board of Directors:

R J Hennity

I J Mackay

I F MacKinnon

B J S Mathews

G A Francis

Other information

Statutory rules as to appropriate profits

According to Article 12 of the Company's Articles of Association, profits are at the disposition of the General Meeting of Shareholders.

Report of the independent auditor

The report of the independent auditor is set forth on the following page.

pwc

Independent auditor's report

To: the general meeting of HSBC Asia Holdings B.V.

Report on the financial statements 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of HSBC Asia Holdings B.V. as at 31 December 2016, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of HSBC Asia Holdings B.V., Amsterdam ('the company').

The financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the following statements for 2016: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

Independence

We are independent of HSBC Asia Holdings B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ref.: e0402562

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of HSBC Asia Holdings B.V. following the passing of a resolution by the shareholders at the annual meeting held on 1 July 2015 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of two years.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 30 May 2017
PricewaterhouseCoopers Accountants N.V.

L.H.J. Oosterloo RA

Appendix to our auditor's report on the financial statements 2016 of HSBC Asia Holdings B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. 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. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.