# HSBC Insurance Holdings Limited

**Registration No: 956325**

**Annual Report and Financial Statements for the year ended 31 December 2019**

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**HSBC Insurance Holdings Limited**

# Annual Report and Financial Statements for the year ended 31 December 2019

## Contents

# Strategic Report

## Principal activities

HSBC Insurance Holdings Limited ('the Company') is domiciled and incorporated in England and Wales as a private company, limited by shares. Its trading address is 8 Canada Square, London E14 5HQ, United Kingdom.

The principal activity of HSBC Insurance Holdings Limited is to recharge costs incurred by the HSBC Insurance Head Office to the appropriate legal entities within the HSBC Group.

During 2020, management commenced winding down activities of the Company with a view to eventually cease all activities and dissolve the Company.

## Review of the Company's business

The business is funded principally by its parent, HSBC Holdings plc.

The Company's business is based on its ability to recover costs for services provided to insurance entities in the HSBC Group.

The reserves available for distribution as at 31 December 2019 were £10,035k (2018: £10,392k).

## Performance

The performance and position of the Company for the year ended 31 December 2019 and the state of the Company's financial affairs at that date are set out on pages 7 to 20.

The net asset value of the Company as at 31 December 2019 amounts to £49m (2018: £50m).

The results of the Company show a loss before tax of £(609)k for the year (2018: loss before tax £973k).

## Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its member as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with the member of the company.

As a Group, HSBC considers its stakeholders to be the people who work for us, bank with us, own us, regulate us and live in the societies we serve. The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values, and operate the business in a sustainable way.

As a non-trading, intermediate holding company, the principal stakeholder of the Company is the Company's parent entity. No decisions were taken by the Board during the year other than those of a routine nature.

## Stakeholder engagement

The Board understands the importance of effective engagement with all of its stakeholders to the success of the Company. For further information on the Company's key stakeholders and the manner in which the Board takes their interests into consideration when making decisions, see the section 172 statement, above.

## 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 Holding 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 financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 12 on the financial statements.

The Company's exposures to credit, liquidity and market risks (including foreign currency risks and interest rate risk) are limited due to the nature of its business, which predominantly is to facilitate the settling of global creditor payments across HSBC Group, insurance related costs. These transactions are generally funded by way of equity obtained from the parent Company.

COVID-19 event has been covered separately under "Significant events since the end of the financial year" section within the Report of the Directors.

On behalf of the Board

I W Macalester
Director

10 December 2020

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

# Report of the Directors

## Directors

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

| Name | Appointed | Resigned |
|---|---|---|
| A C Macaire | 10 July 2015 | 21 September 2020 |
| I W Macalester | 08 September 2015 | |
| A J Chamberlain | 21 September 2020 | |

The Articles of Association of the Company contain a qualifying third-party indemnity provision, which entitles Directors and other officers 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 and up to the date of approval of the financial statements but have not been utilised by the Directors. Additionally, all Directors have the benefit of Directors' and officers' liability insurance.

## Dividends

No dividends were declared or paid during the year (2018: nil).

## Significant events since the end of the financial year

During 2020, management commenced winding down activities of the Company with a view to eventually cease all activities and dissolve the Company.

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect the economy.

An assessment of the potential financial impact of COVID-19 on the Company has been carried out. It was concluded that the Company had sufficient cash resources to meet all its obligations by 31 December 2020. The period of assessment has not covered the next 12 months given that the basis of preparation of these financial statements is other than going concern. This will not be impacted by COVID-19 situation. There is no material adverse effect on the Company's financial condition or liquidity, presently, or within future projections based on currently available information. Management will continue to monitor the situation closely, including the potential impact on the Company's financial performance.

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

## Future developments

During 2020, management commenced winding down activities of the Company with a view to eventually cease all activities and dissolve the Company.

## Going concern basis

During 2020, management commenced winding down activities of the Company with a view to eventually cease all activities and dissolve the Company. As a result, the accounts have been prepared on a basis other than going concern as it is intended the Company will cease trading and begin the process of liquidation by 31 December 2020.

As accounts have been prepared on a basis other than going concern, the assets have been valued at the lower of cost and net realisable value. Any cost of early settlement of the liabilities has been recognised in the valuation of the liabilities. There are no significant costs expected in winding up the company. There has been no impact on comparative balances as a result of this decision.

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect the economy.

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

## Independent auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP ('PwC') will therefore continue in office.

## Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

## Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- 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 that 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

I W Macalester
Director
10 December 2020

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

# Independent auditors' report to the member of HSBC Insurance Holdings Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, HSBC Insurance Holdings Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes on the financial statements, which include a description of the significant accounting policies.

### Basis of 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.

### Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1.1(f) to the financial statements which describes the Directors' reasons why the financial statements have been prepared on a basis other than going concern.

### Reporting on other information

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

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

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

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

#### Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 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 Statement of directors' responsibilities in respect of the financial statements set out on page 4, 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 member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## 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.

Harry Armour

Harry Armour (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 December 2020

# Financial statements

## Income statement for the year ended 31 December 2019

| | Notes | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| Revenue | | **75,463** | 49,148 |
| Cost of Service purchased | | **(76,990)** | (48,541) |
| **Gross (loss)/profit** | | **(1,527)** | 607 |
| Other operating expense | | **(461)** | (713) |
| **Net operating expense before loan impairment charges and other credit risk provision** | | **(1,988)** | (106) |
| Impairment recoveries/(charges) | 8 | **1,146** | (1,113) |
| **Operating loss** | | **(842)** | (1,219) |
| Finance income | | **233** | 246 |
| **Loss before tax** | | **(609)** | (973) |
| Tax credit/(expense) | 4 | **249** | (91) |
| **Loss for the year** | | **(360)** | (1,064) |

## Statement of comprehensive income for the year ended 31 December 2019

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above (2018: nil).

## Balance sheet at 31 December 2019
## Registration No: 956325

| | Notes | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| **Assets** | | | |
| *Cash and cash equivalents* | *6* | **31,161** | 58,240 |
| Trade and other receivables | *8* | **47,997** | 21,664 |
| Current tax assets | | **357** | 3 |
| Deferred tax assets | *5* | **13** | 14 |
| **Total assets** | | **79,528** | 79,921 |
| **Liabilities and equity** | | | |
| **Liabilities** | | | |
| Trade and other payables | *9* | **23,904** | 20,867 |
| Accruals, deferred income and other liabilities | | **6,449** | 9,522 |
| **Total liabilities** | | **30,353** | 30,389 |
| **Equity** | | | |
| Called up share capital | *11* | **14,687** | 14,687 |
| Share premium account | | **24,453** | 24,453 |
| Retained earnings | | **10,035** | 10,392 |
| **Total equity** | | **49,175** | 49,532 |
| ***Total liabilities and equity*** | | **79,528** | 79,921 |

The financial statements and its accompanying notes on pages 11 to 20 were approved by the Board of Directors on 10 December 2020 and signed on its behalf by:

I W Macalester
Director

## Statement of cash flows for the year ended 31 December 2019

| | Notes | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Loss before tax** | | **(609)** | (973) |
| **Adjustments for:** | | | |
| Non-cash items included in loss before tax | 6 | **830** | (2,072) |
| Change in operating assets | 6 | **(27,857)** | 4,574 |
| Change in operating liabilities | 6 | **425** | 18,625 |
| Tax paid | | **(101)** | (701) |
| **Net cash (used in)/generated from operating activities** | | **(27,312)** | 19,453 |
| **Cash flows from financing activities** | | | |
| Interest received | | **233** | 246 |
| **Net cash generated from financing activities** | | **233** | 246 |
| Net (decrease)/increase in cash and cash equivalents | | **(27,079)** | 19,699 |
| Cash and cash equivalents brought forward | | **58,240** | 38,541 |
| **Cash and cash equivalents carried forward** | 6 | **31,161** | 58,240 |

## Statement of changes in equity for the year ended 31 December 2019

| | Called up share capital | Share Premium | Retained earnings | Total equity |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **At 1 Jan 2019** | **14,687** | **24,453** | **10,392** | **49,532** |
| Loss for the year | **–** | **–** | **(360)** | **(360)** |
| **Total comprehensive loss for the year** | **–** | **–** | **(360)** | **(360)** |
| Cost of share based payment arrangements | **–** | **–** | **3** | **3** |
| **At 31 Dec 2019** | **14,687** | **24,453** | **10,035** | **49,175** |

| | Called up share capital | Share Premium | Retained earnings | Total equity |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **At 1 Jan 2018** | 14,687 | 24,453 | 11,462 | 50,602 |
| Loss for the year | – | – | (1,064) | (1,064) |
| **Total comprehensive loss for the year** | – | – | (1,064) | (1,064) |
| Cost of share based payment arrangements | – | – | (6) | (6) |
| **At 31 Dec 2018** | 14,687 | 24,453 | 10,392 | 49,532 |

# Notes on the financial statements

## 1 Basis of preparation and significant accounting policies

### Basis of preparation IFRSs

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 2019, there were no unendorsed standards effective for the year ended 31 December 2019 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 2019

*IFRS 16 'Leases'*

On 1 January 2019, HSBC adopted the requirements of IFRS 16 retrospectively. The Company does not hold any leases and therefore, there was no impact on the Company financial statements from the adoption of this standard.

Interest Rate Benchmark Reform: Amendments to IFRS 9 and IAS 39 'Financial Instruments'

Amendments to IFRS 9 and IAS 39 issued in September 2019 modify specific hedge accounting requirements so that entities apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of interest rate benchmark reform.

These amendments apply from 1 January 2020 with early adoption permitted. HSBC Holdings plc (ultimate parent company) has adopted the amendments that apply to IAS 39 from 1 January 2019 and has made the additional disclosures as required by the amendments.

The Company does not carry out hedge accounting and there was no impact on the financial statements from the adoption of this standard.

#### (b) Future accounting developments

Minor amendments to IFRSs

The IASB published a number of minor amendments to IFRSs which are effective from 1 January 2020, 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

*IFRS 17 'Insurance Contracts'*

The IASB has published IFRS 17 'Insurance Contracts'. IFRS 17 has not yet been endorsed but as the Company holds no insurance contracts, there will be no impact on the Company financial statements from the adoption of this standard.

There are no other new IFRSs published by the IASB effective from 1 January 2020 that will have an impact on the financial statements of the Company when adopted.

#### (c) Foreign currencies

The functional currency of the Company is sterling, which is also the presentational currency of the financial statements of the Company. Unless otherwise specified, all £ symbols represent sterling.

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

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

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

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

#### (e) Presentation of information

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

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

The financial statements present information about the Company as an individual undertaking and not about its group. The Company is not required to prepare consolidated financial statements by virtue of the exemption conferred by section 400 of the Companies Act 2006.

### (f) Going concern

During 2020, management commenced winding down activities of the Company with a view to eventually cease all activities and dissolve the Company. As a result, the accounts have been prepared on a basis other than going concern as it is intended the Company will cease trading and begin the process of liquidation by 31 December 2020.

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## 1.2 Summary of significant accounting policies

### (a) Income and expense

Interest income and expense

**Interest income and expense** for all financial instruments are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method.

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

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

**Non-interest income**
Costs charged to the Company by HSBC Group insurance entities are recognised as 'Cost of Service purchased' in the income statement. These costs are recovered by the Company by recharging onwards to the cost centres benefiting from the products/services offered by the Group's insurance entities and are recognised as 'Revenue' in the income statement. These transactions are all intercompany and within HSBC Group entities. Costs are recharged as pass-through costs; no mark-up is added. No element of financing deemed present as the revenue are made with credit term of 30 days.

### (b) Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Company recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction either until the transaction matures or is closed out and the valuation inputs become observable or the Company enters into an offsetting transaction.

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

### (c) Financial instruments

Classification

The Company classifies its financial instruments at amortised cost.

Recognition and derecognition

A financial asset or liability is recognised in the statement of financial position when, and only when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished; i.e. when the obligation is discharged, cancelled, or expires.

Measurement

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. In addition, financial liabilities are measured at amortised cost.

Impairment

Expected credit losses ("ECL") are recognised for receivables due from related parties and other financial assets held at amortised cost. The Company applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all receivables due from related companies and other receivables.

Financial assets (and the related impairment allowance) are normally written-off in full when there is no realistic prospect of recovery.

**(d) Tax**

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

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

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

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

**(e) Provisions, contingent liabilities and guarantees**

Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Contingent liabilities, contractual commitments and guarantees

*Contingent liabilities*

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

**(f) 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.

**(g) 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.

## 2 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2018: 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.

## 3 Auditors' remuneration

| | **2019** | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| Audit fees for statutory audit | | |
| - Fees relating to current year | **26** | 25 |

There were no other audit procedures, tax and non-audit services provided where fees were incurred during the year (2018: nil).

## 4 Tax

### Tax (credit)/expense

| | **2019** | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| **Current tax** | | |
| - For this year | **(357)** | 3 |
| - Adjustments in respect of prior years | **(3)** | 1 |
| **Overseas tax** | | |
| - For this year | **108** | 78 |
| **Total current tax** | **(252)** | 82 |
| **Deferred tax** | | |
| - Origination and reversals of temporary differences | **4** | 9 |
| - Effects of changes in tax rates | **(1)** | — |
| **Total deferred tax** | **3** | 9 |
| **Year ended 31 Dec** | **(249)** | 91 |

The UK corporation tax rate applying to the Company was 19.00% (2018: 19.00%).

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 December 2019 continue to reflect the planned rate reduction. If the deferred tax asset as at 31 December 2019 were re-measured at 19% it would increase by £965.

## Tax reconciliation

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | £'000 | (%) | £'000 | (%) |
| Loss before tax | **(609)** | | (973) | |
| Tax at 19.00% (2018: 19.00%) | **(116)** | **19.00** | (185) | 19.00 |
| Adjustments in respect of prior period liabilities | **(3)** | **0.45** | 1 | (0.08) |
| Non-taxable income and gains | **(217)** | **35.73** | 212 | (21.75) |
| Local taxes and overseas withholding taxes | **87** | **(14.37)** | 63 | (6.49) |
| Other | **–** | **(0.02)** | – | (0.02) |
| **Year ended 31 Dec** | **(249)** | **40.79** | 91 | (9.34) |

In addition to the amount charged to the income statement, the aggregate amount of current and deferred tax relating to items that are credited directly to equity is £3k (2018:£(12)k).

## 5 Deferred tax

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

| | Property, Plant and equipment | Share based payments | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 1 Jan 2019 | **9** | **5** | **14** |
| Other comprehensive income credit | **–** | **2** | **2** |
| Origination and reversal of temporary differences | **–** | **(3)** | **(3)** |
| **At 31 Dec 2019** | **9** | **4** | **13** |

| | Property, Plant and equipment | Share based payments | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 1 Jan 2018 | 9 | 26 | 35 |
| Other comprehensive income charge | – | (12) | (12) |
| Origination and reversal of temporary differences | – | (9) | (9) |
| At 31 Dec 2018 | 9 | 5 | 14 |

A deferred tax asset of £14k (2018: £14k) is recognised in respect of accelerated capital allowances and share based payments. The related tax benefit is to be realised through the creation of future taxable profits within the company.

## 6 Reconciliation of loss before tax to net cash flow from operating activities

| | 2019 | 2018 |
|---|---|---|
| | £'000 | £'000 |
| **Non-cash item included in profit and loss** | | |
| Provision release/(increase) | **1,524** | (1,113) |
| Foreign exchange | **(461)** | (713) |
| Interest income | **(233)** | (246) |
| | **830** | (2,072) |
| **Change in operating assets** | | |
| Change in prepayments and accrued income | **(11,595)** | (4,540) |
| Change in amounts due from other group undertakings | **(14,705)** | 7,797 |
| Change in other assets | **(1,557)** | 1,317 |
| | **(27,857)** | 4,574 |
| **Change in operating liabilities** | | |
| Change in accruals and deferred income | **(5,081)** | 6,401 |
| Change in other liabilities | **2,008** | (1,638) |
| Change in amounts due to other group undertakings | **3,498** | 13,862 |
| | **425** | 18,625 |
| **Cash and cash equivalents comprise** | | |
| Cash and balances with other group undertakings | **31,161** | 58,240 |
| **Interest** | | |
| Interest received | **233** | 246 |

## 7 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.

| At 31 Dec 2019 | Amortised cost £'000 | Total £'000 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **31,161** | **31,161** |
| Trade and other receivables | **47,997** | **47,997** |
| **Total financial assets** | **79,158** | **79,158** |
| **Total non-financial assets** | | **370** |
| **Total assets** | | **79,528** |
| **Liabilities** | | |
| Trade and other payables | **23,904** | **23,904** |
| Accruals, deferred income and other liabilities | **6,449** | **6,449** |
| **Total financial liabilities** | **30,353** | **30,353** |
| Total non-financial liabilities | | **–** |
| **Total liabilities** | | **30,353** |

| At 31 Dec 2018 | Amortised cost £'000 | Total £'000 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | 58,240 | 58,240 |
| Trade and other receivables | 21,664 | 21,664 |
| Total financial assets | 79,904 | 79,904 |
| Total non-financial assets | | 17 |
| Total assets | | 79,921 |
| Liabilities | | |
| Trade and other payables | 20,867 | 20,867 |
| Accruals, deferred income and other liabilities | 9,522 | 9,522 |
| Total financial liabilities | 30,389 | 30,389 |
| Total non-financial liabilities | | – |
| Total liabilities | | 30,389 |

## 8 Trade and other receivables

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Amounts due from other group undertakings | **17,787** | 4,606 |
| Prepayments and accrued income | **27,517** | 15,922 |
| Other receivables | **2,693** | 1,136 |
| **At 31 Dec** | **47,997** | 21,664 |

Prepayments and accrued income relate to accrued income with parent (£18.9m) and other group undertakings (£8.6m).

Amounts due from other group undertakings for 2018 include a £1,524k ECL provision for expected credit losses. There are no expected credit loss provisions included in 2019 balances.

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| At 1 Jan | **1,524** | 411 |
| Amounts written off in the year | **(378)** | (3) |
| Recoveries of amounts provided for in previous years | **(1,146)** | (277) |
| Charge to the income statement | **–** | 1,393 |
| **At 31 Dec** | **–** | 1,524 |

The above 'Recoveries of amounts provided for in previous years' represent provisions recognised in prior periods that have been reversed in the current reporting period. There were no increase in provisions charged to the income statement during the year (2018: £1,393k).

## 9 Trade and other payables

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Amounts owed to other group undertakings | **23,865** | 19,721 |
| Amount owed to parent undertakings | **39** | 1,146 |
| **At 31 Dec** | **23,904** | 20,867 |

## 10 Maturity analysis of assets and liabilities

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

| | On demand | Due within 3 months | Due between 3 - 12 months | Due between 1 - 5 years | Undated | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Assets** | | | | | | |
| Cash and cash equivalents | **31,161** | **–** | **–** | **–** | **–** | **31,161** |
| Trade and other receivables | **–** | **45,304** | **2,693** | **–** | **–** | **47,997** |
| Non-financial assets | **–** | **–** | **357** | **–** | **13** | **370** |
| **At 31 Dec 2019** | **31,161** | **45,304** | **3,050** | **–** | **13** | **79,528** |
| **Liabilities and Equity** | | | | | | |
| Trade and other payables | **–** | **23,904** | **–** | **–** | **–** | **23,904** |
| Accruals, deferred income and other liabilities | **–** | **2,857** | **3,574** | **18** | **–** | **6,449** |
| Non-financial liabilities | **–** | **–** | **–** | **–** | **–** | **–** |
| Equity | **–** | **–** | **–** | **–** | **49,175** | **49,175** |
| **At 31 Dec 2019** | **–** | **26,761** | **3,574** | **18** | **49,175** | **79,528** |

*Management commenced winding down Company activities during 2020, as it is intended the Company will cease trading and begin the process of liquidation by 31 December 2020. This does not impact contractual obligations and maturities as presented above.*

| | On demand | Due within 3 months | Due between 3 - 12 months | Due between 1 - 5 years | Undated | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Assets | | | | | | |
| Cash and cash equivalents | 14,507 | 43,733 | – | – | – | 58,240 |
| Trade and other receivables | – | 20,528 | 1,136 | – | – | 21,664 |
| Non-financial assets | – | – | 3 | – | 14 | 17 |
| At 31 Dec 2018 | 14,507 | 64,261 | 1,139 | – | 14 | 79,921 |
| Liabilities and Equity | | | | | | |
| Trade and other payables | – | – | 20,867 | – | – | 20,867 |
| Accruals, deferred income and other liabilities | – | 7,956 | 1,566 | – | – | 9,522 |
| Non-financial liabilities | – | – | – | – | – | – |
| Equity | – | – | – | – | 49,532 | 49,532 |
| At 31 Dec 2018 | – | 7,956 | 22,433 | – | 49,532 | 79,921 |

For the undiscounted cash flows payable under various financial liabilities, the amounts are the same as disclosed in the tables for the analysis of liabilities above.

## 11 Called up share capital

| | | | **2019** | 2018 |
|---|---|---|---|---|
| | Nominal value per share £ | Number of Issued and fully paid shares | **Issued share capital** | Issued share capital |
| **Class of shares** | | | **£'000** | £'000 |
| Ordinary shares of £1 each | 1 | 14,687,416 | **14,687** | 14,687 |

## 12 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 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. Exposure to these risks is monitored by HSBC Holdings plc's Asset and Liability Committee.

### Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty of the Company fails to meet a payment obligation under a contract.

Credit risk is managed within the overall framework of HSBC policy, with an established risk management process encompassing credit approvals, the control of exposures (including those to borrowers in financial difficulty), credit policy direction to business units and the monitoring and reporting of exposures both on an individual and portfolio basis. The Directors are responsible for the quality of credit portfolios and follow a credit process involving delegated approval authorities and credit procedures, the objective of which is to build and maintain risk assets of high quality.

Regular reviews are undertaken to assess and evaluate levels of risk concentration, including those to individual industry sectors and products. Credit risk is managed at a group level by business sector, rather than in respect of individual undertakings and it is therefore not considered appropriate to disclose quantitative data about exposure to that risk.

#### Summary of credit risk

The disclosure below presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL. Due to the forward-looking nature of IFRS 9, the scope of financial instruments on which ECL are recognised is greater than the scope of IAS 39.

The following tables analyse loans by industry sector and represent the concentration of exposures on which credit risk are managed.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Gross carrying/ nominal amount** | **Allowance/ Provision for ECL[1,2]** | Gross carrying/ nominal amount | Allowance/ Provision for ECL[1,2] |
| | **£'000** | **£'000** | £'000 | £'000 |
| Trade and other receivables | **47,997** | **—** | 23,188 | (1,524) |
| **At 31 Dec** | **47,997** | **—** | 23,188 | (1,524) |

1 *The total ECL is recognised in the loss allowance for the financial asset unless the total CL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.*
2 *Represents the maximum amount at risk should the client default.*

The following table provides an overview of the Company's credit risk by stage and industry, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

- Stage 1: Unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.
- Stage 2: A significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised.
- Stage 3: Objective evidence of impairment, and are therefore considered to be in default or otherwise credit-impaired on which a lifetime ECL is recognised.

Summary of credit risk by stage distribution and ECL coverage

No ECL impairments were recognised during 2019.

| | **Gross carrying/nominal amount** | | | **Allowance for ECL** | | | **ECL Coverage %** | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Stage 1** | **Stage 2** | **Stage 3** | **Stage 1** | **Stage 2** | **Stage 3** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **%** | **%** | **%** |
| Trade and other receivables | **47,997** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **100** |
| **At 31 Dec 2019** | **47,997** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **100** |

| | Gross carrying/nominal amount | | | Allowance for ECL | | | ECL Coverage % | | |
|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | % | % | % |
| Trade and other receivables | 21,664 | — | 1,524 | — | — | (1,524) | — | — | 100 |
| **At 31 Dec 2018** | 21,664 | — | 1,524 | — | — | (1,524) | — | — | 100 |

Reconciliation of gross exposure allowances/provisions for trade receivables with HSBC group undertakings

| | **2019** | 2018 |
|---|---|---|
| | **ECL allowance** | ECL allowance |
| | £'000 | £'000 |
| At 1 Jan | 1,524 | 411 |
| ECL income statement (credit)/charge for the period | (1,524) | 1,113 |
| **At 31 Dec** | — | 1,524 |
| ECL income statement (credit)/charge for the period | (1,524) | 1,113 |
| **Total ECL income statement (credit)/charge for the period** | (1,524) | 1,113 |

## Credit quality

Credit quality of financial instruments

The Company assesses the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point in time assessment of the probability of default of financial instruments, whereas IFRS 9 stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit impaired financial instruments there is no direct relationship between the credit quality assessment and IFRS 9 stages 1 and 2, though typically the lower credit quality bands exhibit a higher proportion in stage 2.

The five credit quality classifications defined below each encompass a range of more granular, internal credit rating grades, as well as external rating:

| | **Debt Securities and other bills** | **Lending and derivatives** |
|---|---|---|
| **Quality classification** | **External credit rating** | **Internal credit rating** |
| Strong | **A- and above** | **CRR1 to CRR2** |
| Good | **BBB+ to BBB-** | **CRR3** |
| Satisfactory | **BB+ to B and unrated** | **CRR4 to CRR5** |
| Sub-standard | **B- to C** | **CRR6 to CRR8** |
| Credit-impaired | **Default** | **CRR9 to CRR10** |

The five classifications below describe the credit quality of the Company's lending and derivatives. These categories each encompass a range of more granular, internal credit rating grades assigned to corporate and personal lending business.

Quality classification definitions

'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default.

'Good' exposures demonstrate a good capacity to meet financial commitments, with low default risk.

'Satisfactory' exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.

'Sub-standard' exposures require varying degrees of special attention and default risk is of greater concern.

'Credit-impaired' exposures have been assessed as impaired.

Distribution of financial instruments by credit quality

| | Gross carrying/notional amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Strong** | **Good** | **Satisfactory** | **Substandard** | **Credit impaired** | **Total** | **Allowance provision for ECL** | **Net** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Cash and cash equivalents | **31,161** | **–** | **–** | **–** | **–** | **31,161** | **–** | **31,161** |
| Trade and other receivables | **47,997** | **–** | **–** | **–** | **–** | **47,997** | **–** | **47,997** |
| **At 31 Dec 2019** | **79,158** | **–** | **–** | **–** | **–** | **79,158** | **–** | **79,158** |

| | Gross carrying/notional amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Strong | Good | Satisfactory | Substandard | Credit impaired | Total | Allowance provision for ECL | Net |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 58,240 | – | – | – | – | 58,240 | – | 58,240 |
| Trade and other receivables | 21,664 | – | – | – | 1,524 | 23,188 | (1,524) | 21,664 |
| At 31 Dec 2018 | 79,904 | – | – | – | 1,524 | 81,428 | (1,524) | 79,904 |

Distribution of financial instruments to which the impairment requirements of IFRS 9 are applied by credit quality stage allocation

| | Gross carrying/notional amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Strong** | **Good** | **Satisfactory** | **Substandard** | **Credit impaired** | **Total** | **Allowance provision for ECL** | **Net** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Trade and other receivables | 47,997 | – | – | – | – | 47,997 | – | 47,997 |
| - stage 1 | 47,997 | – | – | – | – | 47,997 | – | 47,997 |
| - stage 3 | – | – | – | – | – | – | – | – |
| At 31 Dec 2019 | 47,997 | – | – | – | – | 47,997 | – | 47,997 |

| | Gross carrying/notional amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Strong | Good | Satisfactory | Substandard | Credit impaired | Total | Allowance provision for ECL | Net |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Trade and other receivables | **21,664** | **–** | **–** | **–** | **1,524** | **23,188** | **(1,524)** | **21,664** |
| - stage 1 | **21,664** | **–** | **–** | **–** | **–** | **21,664** | **–** | **21,664** |
| - stage 3 | **–** | **–** | **–** | **–** | **1,524** | **1,524** | **(1,524)** | **–** |
| At 31 Dec 2018 | **21,664** | **–** | **–** | **–** | **1,524** | **23,188** | **(1,524)** | **21,664** |

## Liquidity risk management

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet obligations as they fall due or will have access to such resources only at an excessive cost. The risk arises from mismatches in the timing of cash flows.

The Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from group undertakings. The Company also has a line of credit with HSBC Bank plc which can be used for liquidity purposes.

The Business manages liquidity risk for this Company as described above for risks generally.

## 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 other group undertakings. The objective of the Company 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.

### Interest rate risk

The Company held net assets of £31.2m (2018: £58.2m) that are sensitive to interest rate movements. If all other variables are held constant the effect of a 50 basis points increase/(decrease) in LIBOR on these net assets would be an increase/(decrease) of loss before tax of £156k (2018: £291k) and after tax of £126k (2018: £236k).

### Foreign exchange risk

The Company is exposed to foreign currency risk on assets and liabilities that are denominated in a currency other than Sterling. The currency giving rise to this risk is primarily Hong Kong Dollars which amounted to a £14,728k liability (2018: £8,840k liability).

The Company's loss before tax would increase by £2,209k (2018: £1,326k) and after tax by £1,789k (2018: £1,074k) if the Hong Kong Dollar foreign exchange weakened by 15 per cent relative to Sterling.

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 GBP: HKD rate of 15 per cent has been assumed. If all other variables are held constant, the information above presents the likely impact on the Company's profit.

## 13 Related party transactions

### Transaction with other related parties

Transactions detailed below include amounts due to/from group undertakings

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Highest balance during the year** | **Balance at 31 December** | Highest balance during the year 1 | Balance at 31 December |
| | **£'000** | **£'000** | £'000 | £'000 |
| **Assets** | | | | |
| Cash and cash equivalents[1] | **60,012** | **31,161** | 58,240 | 58,240 |
| Trade and other receivables[1,2] | **59,811** | **45,304** | 30,431 | 20,528 |
| **Liabilities** | | | | |
| Trade and other payables[1,2] | **38,418** | **23,904** | 21,173 | 20,867 |

| | 2019 | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| **Income statement** | | |
| Revenue[1,2] | **75,463** | 49,148 |
| Cost of services purchased[1,2] | **(76,990)** | (48,541) |
| Interest income[1,2] | **233** | 246 |

1 *These balances are with other related parties comprising of other HSBC Group Companies which are not a parent nor subsidiary of the Company.*
2 *These balances are with HSBC Holdings plc, the ultimate and immediate parent of the Company.*

The above outstanding balances arose in the ordinary course of business and are on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

The Company has a related party relationship with its parent, with other group undertakings and with its directors. In particular goods and services are provided to the company by other HSBC group undertakings. All banking arrangements are with other HSBC group undertakings. The Company recharges other group undertakings for the support services it provides. All other transactions are with other Group undertakings. These transactions are on standard terms and conditions and are settled in cash.

## 14 Parent undertakings

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

HSBC Holdings plc is incorporated in England and Wales.

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

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

## 15 Events after the balance sheet date

During 2020, management commenced winding down activities of the Company with a view to eventually cease all activities and dissolve the Company.

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect the economy.

An assessment of the potential financial impact of COVID-19 on the Company has been carried out. It was concluded that the Company had sufficient cash resources to meet all its obligations by 31 December 2020. The period of assessment has not covered the next 12 months given that the basis of preparation of these financial statements is other than going concern. This will not be impacted by COVID-19 situation. There is no material adverse effect on the Company's financial condition or liquidity, presently, or within future projections based on currently available information. Management will continue to monitor the situation closely, including the potential impact on the Company's financial performance.

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