HSBC Global Asset Management Limited

Registration No: 1615598

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

HSBC

HSBC Global Asset Management Limited

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Contents

Strategic Report

HSBC Global Asset Management Limited ('the Entity') is a private company incorporated in England and Wales. Its trading address is 8 Canada Square, London E14 5HQ.

Principal activities

The principal activity HSBC Global Asset Management Limited ('the Entity') is to act as an investment holding entity and as such not carry out any investment management business on its own behalf. It is a provider of seed capital and it also oversees the Group's Asset Management global operations. There have been no changes in the Entity's nature of business during the year and no change is anticipated.

Review of the Entity's business

Profit before tax increased from £0.9 million to £59.8 million, reflecting a 67.67% increase in Net operating income to £171.9 million (2018: £102.5 million) offset by a 10.35% increase in operating expenses to £112.1 million (2018: £101.6 million).

The Entity holds Financial investments of £331.1 million at 31 December 2019, down 26.32% from £449.4 million at 31 December 2018. The Financial investments mostly relate to seed capital for funds managed by the HSBC group. New investments in 2019 amounted to £229.1 million (2018: £321.8 million) and disposals amounted to £354.6 million (2018: £234.5 million). The revaluation of Financial investments amounted to £8.1 million of gains (2018: £4.5 million of losses), including revaluation due to market and foreign exchange movements. The Entity holds loans of £310.4 million at 31 December 2019 (2018: £457.7 million) which are used to finance seed capital investment.

Performance

The Entity's results for the year under review are as detailed in the income statement shown on page 7 of these financial statements. Net assets increased 3.5% to £395.7 million (2018: £ 382.2 million).

Key performance indicators

The Directors use Key Performance Indicators ('KPIs') to monitor the business. As well as the income statement and the balance sheet, these indicators include measures to identify the returns on different categories of assets and the risks to which the Entity is exposed.

Financial KPIs

	2019	2018
Profit before tax (£'000)	**59,791**	920
Net assets (£'000)	**395,667**	382,163
Cost efficiency ratio (%)	**65.2**	99.1
Return on equity (%) (excluding dividend income)	**(2.1)**	(10.7)
Return on equity (%)	**15.1**	0.2

Cost efficiency is measured as total operating expenses divided by operating income before loan impairment and other credit risk provisions.

Principal risks and uncertainties

The COVID-19 outbreak has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. There are a number of factors associated with the outbreak and its impact on global economies that could have a material adverse effect on (among other things) the profitability, capital and liquidity of financial institutions such as the Entity. Should the COVID-19 outbreak continue to cause disruption to economic activity globally through 2020, there could further impacts on our income due to equity markets volatility and weakness.

Any and all such events mentioned above could have a material adverse effect on our business, financial condition, results of operations, prospects, liquidity and capital position, as well as on our customers, employees and suppliers.

HSBC has been mobilizing and taking steps to minimize COVID-19's effects on day-to-day operations. To date in 2020, we have invoked business continuity plans which include alternate workplace arrangements to ensure the safety and health of our employees and customers. So far we have been able to maintain an acceptable level of service with minimal disruption to our customers.

The most important non-financial types of risk are operational risk, conduct and regulatory risk. The Directors have put in place procedures to monitor and manage these risks.

Operational risk is relevant to every aspect of the Entity's business and covers a wide spectrum of issues. Losses arising from fraud, unauthorised activities, errors omission, inefficiency, systems failure or from external events all fall within the definition of operational risk.

All employees must safeguard the reputation of the Entity by maintaining the highest standards of conduct at all times and by being aware of the issues, activities or associations that pose a threat to the reputation of the Entity. The long term success of the Entity is closely linked to the confidence of its stakeholders. Safeguarding and building upon the Entity's reputation is the responsibility of every employee. Any lapse in standards of integrity, compliance, customer service or operating efficiency represents a potential reputational risk. The Entity always aspires to the highest standards of conduct and, as a matter of routine, takes account of reputational risk to its business.

In respect of regulatory risk, the UK regulators may take further actions that could result in changes in industry practices, sales and pricing. The Entity maintains a strong compliance culture and monitors the regulatory environment closely to react proactively to changes and reduce risk to the business.

The principal financial risk and uncertainties facing the Entity are changes to legislation resulting from ongoing reviews into certain industry issues, market volatility, cyber risk and IT resilience. Market volatility may affect fee income derived from funds under management. We continue to improve our governance and controls framework to protect our information and technical infrastructure against ever-increasing and sophisticated cyber threats. These risks are monitored by the board on an ongoing basis.

The Risk Committee is a non-executive committee responsible for reviewing and providing advice and guidance to Asset Management Group ('AMG') management on high level risk matters and risk governance in respect of AMG, including but not limited to (i) regulatory and financial crime compliance matters; (ii) risk appetite and tolerance in setting strategy (iii) AMG's values and standards to help ensure obligations to shareholders, stakeholders, customers and others are understood and met. The Risk Committee approves the appointment and removal of the Chief Risk Officer ('CRO').

The AMG Risk Management meeting is a management forum established to provide recommendations and advice to assist the AMG CRO in the discharge of his role and responsibilities. In this regard, the AMG Risk Management Meeting ('AMG RMM') is responsible for the oversight of the risk and internal control environment in each asset management location. The Entity's CRO chairs the AMG RMM and attends the Entity's Risk Committee meetings thereby providing a linkage and information flow between the two forums.

The financial services industry remains closely regulated and the UK regulators may take actions that could result in changes to industry practices, sales and pricing. The Entity maintains a strong compliance culture and monitors the regulatory environment closely to proactively adapt to changes and reduce risks to the Entity.

The Entity has processes in place to identify, evaluate and manage the operational risk inherent in its business activities. Operational losses are monitored and assessed to ensure that business improvements are identified and implemented as appropriate. All of the Entity's activities involve, to varying degrees, the analysis, evaluation, acceptance and management of risks or combinations of risks.

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a entity to act in the way he or she considers, in good faith, would be most likely to promote the success of the entity for the benefit of its members as a whole. As part of the Entity's deliberations and decision making process, the Board also takes into account the (i) likely consequences of any decision in the long term; (ii) the interests of the entity's employees; (iii) the need to foster the entity's business relationships with suppliers, customers and others; (iv) the impact of the entity's operations on the community and the environment; and (v) the desirability of the entity maintaining a reputation for high standards of business conduct.

The Board considers its stakeholders to be the people who work for us, invest with us, own us, regulate us and live in the societies we serve. During 2019, the directors gave careful consideration to the factors set out above in discharging their duties under section 172. The Board recognises that building strong relationships with our stakeholders will help deliver the HSBC Global Asset Management ('AMG')'s strategy in line with its long-term values, and operate the AMG business in a sustainable way.

The Board is committed to effective engagement with all of its stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of the Entity's engagement with stakeholders, the Board seeks to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision-making. The Board acknowledges however, that not every decision it makes will necessarily result in a positive outcome for all stakeholders. The Board also challenges management to ensure all stakeholder interests are considered in the day to day management and operations of the Entity.

As an unregulated investment holding Entity, the entity does not carry out any investment business on its own behalf. Its principal activity is to provide seed capital investment for AMG sponsored fund ranges. The Board also provides guidance and advice to the local AMG businesses. During the year, the Board has received management reports and presentations on issues concerning customers, the environment, communities, suppliers, employees, regulators, governments and investors. These are taken into account in the Board's discussions and decision-making process. In addition to this, the Board seeks to understand the interests and views of the Group's stakeholders by engaging with them directly as appropriate. The Board will sometime engage directly with certain stakeholder on specific issues, but the size and distribution of our stakeholders and of the HSBC Group means that stakeholder engagement often takes place at an operational level.

The majority of decisions made by the Board during the year are deemed to be routine in nature and are taken on a cyclical basis. The Board keeps the AMG strategy under regular review and being a material subsidiary of the HSBC Holdings plc takes into account the HSBC Group strategic priorities, as appropriate. The Board approved the payment of dividends to its shareholder during 2019, the timing of which required engagement with and consideration of shareholder interests and the longer term interests of the entity. The decisions on dividends were taken after careful consideration of the financial position of the entity, its obligations under Companies Act and the need to consider its longer term relationship with its ultimate shareholder, HSBC Holdings plc. The Board is also focused on enhancing customer experience and delivering both fair and right outcomes for all its stakeholders.

The Board has considered the ethical nature of the investment process and sustainability of AMG's investment policy. It has focussed on product innovation and digital capabilities. The Board has promoted the opportunities presented from strong linkages between AMG's business and product offerings and those of the HSBC Group global businesses, in particular, Retail Banking & Wealth Management and Global Private Banking. The product proposition for both internal and external customer groups has been debated by the Board.

As a result of these activities, the Board believes it has demonstrated compliance with their legal duty under s. 172 of the Companies Act 2006.

On behalf of the Board

Christophe R De Backer
Director

17 April 2020

8 Canada Square
London E14 5HQ

Report of the Directors

Directors

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

Name	Appointed	Resigned
J F Trueman (Chairman)	05 November 2012	
S Chandrasekharan	01 January 2012	23 September 2019
C S Cheetham	28 July 2003	23 September 2019
C R F De Backer	19 September 2016	
S C Moss	26 March 2015	06 February 2020
J R Paterson	01 September 2015	
G A Efthimiou	01 September 2003	10 February 2020
C Nunn	04 December 2018	
A Simoes	04 December 2018	
N B Shapiro	03 May 2019	
J M Munro	23 September 2019	
N Moreau	23 September 2019	

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

Dividends

Dividends of £46.5 million were paid (2018: nil) on the ordinary share capital during the year. The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2019 (2018: nil).

Significant events since the end of the financial year

No significant events affecting the Entity have occurred since the end of the financial year, other than disclosed on Note 30.

Future developments

The COVID-19 pandemic has caused uncertainty in global stock markets which could have an impact on the Entity's revenue, profitability and employees. At the present time, this impact cannot predicted or measured.

The HSBC group in general will continue to assess in due course the impact to the Entity's activities, arising from the consequences of Brexit. Subject to this no change in the Entity's activities is expected.

The UK left the European Union ('EU') on 31 January 2020 and entered a transitional period until 31 December 2020, during which negotiations will take place on the future relationship between the UK and EU. At this stage it remains unclear what that relationship will look like. Our priority is to ensure we continue to support our clients and people through this period of uncertainty, and help minimise any disruption.

Mitigating actions

- We have undertaken an impact assessment to understand the range of potential implications for our customers, our products and our business. Where necessary, we have identified actions, including evolving our business models, to ensure we can continue to serve our customers.
- We actively monitor our portfolio to identify areas of stress, supported by stress testing analyses. Vulnerable sectors are subject to additional management review to determine if any adjustments to risk policy or appetite are required.
- We continue to stay very close to our clients, via communications and dedicated channels to respond to customer queries.
- We will be supporting our EEA staff resident in the UK with their settlement applications.
- We will continue to work with regulators, governments and our clients in an effort to manage risks as they arise, particularly across the most impacted sectors.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Entity 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, including future projections of profitability, cash flows and capital resources.

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. These events have also increased the level of operational risk in our business due to the impact on our business operations, employees, customers and suppliers. Whist it cannot be predicted how long the disruption will continue or the full extent of the impact on the Entity and its clients, the Directors have considered the impact in carrying out their assessment of the principal risks the Entity faces.

Financial risk management

The financial risk management objectives and policies of the Entity, together with an analysis of the exposure to such risks, as required under Part 1 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, are set out in Note 26 of the Notes on the financial statements.

Employment of people with a disability

The Entity is committed to providing equal opportunities to employees. The employment of people with a disability is included in this commitment. The recruitment, training, career development and promotion of people with a disability are based on the aptitudes and abilities of the individual. Should employees become disabled during employment with us, efforts are made to continue their employment and, if necessary, appropriate training, reasonable equipment and facilities are provided.

Employment policy

The Entity continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Entity's performance through management channels, oral communication and by way of attendance at internal seminars and training programmes. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance. The involvement of employees in the performance of the Entity is further encouraged through a profit participation scheme.

Stakeholder engagement

The Board understands the importance of effective engagement with all of its stakeholders to the long-term success of the Entity. The size and distribution of our stakeholders, particularly customers, means that stakeholder engagement often takes place at an operational level rather. For further information on the Entity's key stakeholders and the manner in which the Board takes their interests into consideration when making decisions, see the section 172 statement on page 2.

Capital management

The Entity defines capital as total shareholders' equity. It is the Entity's objective to maintain a strong capital base to support the development of its business. There were no changes to the Entity's approach to capital management during the year.

The Entity recognises the impact on shareholder returns of the level of equity capital employed within the business and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with greater leverage. The Entity manages its own capital within the context of the approved annual HSBC Group capital plan, which determines the optimal amount of capital required to support planned business growth.

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

Christophe R De Backer
Director

17 April 2020

8 Canada Square
London E14 5HQ

Independent auditors' report to the members of HSBC Global Asset Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, HSBC Global Asset Management Limited's financial statements:

- give a true and fair view of the state of the Entity's affairs as at 31 December 2019 and of its profit 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 cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis of opinion

We conducted our audit in accordance with International Standards of 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 of our opinion.

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Entity's ability to continue as a 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 Entity and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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 Entity, 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.

Colleen Local (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 April 2020

Financial statements

Income statement for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Interest income		**599**	1,121
Interest expense		**(9,478)**	(11,010)
Net interest expense	2	**(8,879)**	(9,889)
Fee and commission income		**83,527**	83,072
Net fee income	3	**83,527**	83,072
Gains less losses from financial investments	4	**28,721**	(11,602)
Dividend income	5	**67,954**	42,123
Other operating income/(expense)		**614**	(1,160)
Net operating income before loan impairment charges and other credit risk provision		**171,937**	102,544
Net operating income		**171,937**	102,544
Employee compensation and benefits	6,7	**(39,186)**	(30,145)
General and administrative expenses	8,9	**(69,517)**	(70,418)
Amortisation and impairment of intangible assets	20	**(3,443)**	(1,061)
Total operating expenses		**(112,146)**	(101,624)
Profit before tax		**59,791**	920
Tax credit	10	**46**	5,079
Profit for the year		**59,837**	5,999

All amounts reported in the Income Statement relate to continuing operations.

Balance sheet at 31 December 2019

Registration No: 1615598

	Notes	2019 £'000	2018 £'000
Assets			
Cash and cash equivalents	12	**60,660**	104,255
Trade and other receivables	16	**35,469**	44,805
Financial investments	17	**331,087**	449,388
Prepayments and accrued income		**70**	91
Other assets		**4,182**	2,386
Current tax assets		**647**	5,773
Investments in subsidiaries	18	**309,763**	305,063
Intangible assets	20	**21,875**	12,614
Deferred tax assets	11	**614**	1,094
Total assets		**764,367**	925,469
Liabilities and equity			
Liabilities			
Trade and other payables	21	**347,938**	528,749
Accruals and other liabilities	22	**20,763**	14,557
Total liabilities		**368,701**	543,306
Equity			
Called up share capital	24	**166,275**	166,275
Share premium account		**142,453**	142,453
Retained earnings		**86,938**	73,435
Total equity		**395,666**	382,163
Total liabilities and equity		**764,367**	925,469

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

These financial statements on pages 9 to 30 were approved by the Board of Directors on 17 April 2020 and signed on its behalf by:

Christophe R De Backer
Director

John Trueman
Chairman

Statement of cash flows for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit before tax		**59,791**	920
Adjustments for:			
Non-cash items included in profit before tax	13	**4,612**	975
Change in operating assets	13	**7,561**	(16,245)
Change in operating liabilities	13	**(14,521)**	42,264
Elimination of exchange differences		**6,394**	1,366
Net gain on investing activities	13	**(118,950)**	(21,057)
Tax credit received		**5,653**	575
Net cash generated from operating activities		**(49,460)**	8,798
Cash flows from investing activities			
Purchase of financial investments		**(229,113)**	(321,805)
Purchase of intangible assets		**(12,704)**	(11,164)
Purchase of interest in subsidiaries		**(4,700)**	(50)
Proceeds from the sale and maturity of financial investments		**377,634**	236,066
Dividend received		**67,954**	42,122
Net cash generated from/(used in) investing activities		**199,071**	(54,831)
Cash flows from financing activities			
(Decreased)/increased borrowings		**(147,316)**	97,707
Dividends paid		**(46,500)**	–
Net cash (used in)/generated from financing activities		**(193,816)**	97,707
Net (decrease)/increase in cash and cash equivalents		**(44,205)**	51,674
Cash and cash equivalents brought forward		**104,255**	52,787
Effect of exchange rate changes on cash and cash equivalents		**610**	(206)
Cash and cash equivalents carried forward	13	**60,660**	104,255

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

	Called up share capital	Share Premium	Retained earnings	Other reserves Financial assets at FVOCI	Total equity
	£'000	£'000	£'000	£'000	£'000
At 01 Jan 2019	**166,275**	**142,453**	**73,435**	**–**	**382,163**
Profit for the year	–	–	**59,837**	–	**59,837**
Total comprehensive income for the year	–	–	**59,837**	–	**59,837**
Dividends to shareholders	–	–	**(46,500)**	–	**(46,500)**
Net impact of equity-settled share-based payments	–	–	**166**	–	**166**
At 31 Dec 2019	**166,275**	**142,453**	**86,938**	**–**	**395,666**

	Called up share capital	Share Premium	Retained earnings	Other reserves Financial assets at FVOCI	Total equity
	£'000	£'000	£'000	£'000	£'000
As at 31 Dec 2018	166,275	142,453	46,410	21,112	376,250
Impact on transition to IFRS 9	–	–	21,112	(21,112)	–
At 01 Jan 2019	166,275	142,453	67,522	–	376,250
Profit for the year	–	–	5,999	–	5,999
Total comprehensive income for the year	–	–	5,999	–	5,999
Net impact of equity-settled share-based payments	–	–	(86)	–	(86)
At 31 Dec 2018	166,275	142,453	73,435	–	382,163

Equity is wholly attributable to equity shareholders of HSBC Global Asset Management Limited.

Notes on the financial statements

1. Basis of preparation and significant accounting policies

The financial statements of the Entity 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 Entity 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 Entity 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'

IFRS 16 'Leases' became effective on 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases were previously accounted for under IAS 17 'Leases'. Lessees recognise a right of use ('ROU') asset and a corresponding financial liability on the balance sheet. The asset is amortised over the length of the lease, and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as it was under IAS 17. At 1 January 2019, the entity does not hold any leases and therefore no significant impact is expected from this standard.

Amendment to IAS 12 'Income Taxes'

An amendment to IAS 12 was issued in December 2017 as part of the annual improvement cycle. The amendment clarifies that an Entity should recognise the tax consequences of dividends where the transactions or events that generated the distributable profits are recognised. This amendment was applied on 1 January 2019 and had no material impact. Comparatives have not been restated. At January 2019, the Entity does not hold any perpetual subordinated contingent convertible capital securities and therefore no impact is expected from this amendment.

(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 Entity expects they will have an insignificant effect, when adopted, on the financial statements of the Entity.

Major new IFRSs

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' was issued in May 2017, and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. IFRS 17 is currently effective from 1 January 2021. However, the IASB is considering delaying the mandatory implementation date by one year and may make additional changes to the standard. At 1 January 2019, the Entity does not hold any insurance contracts and therefore no significant impact is expected from this standard.

(c) Foreign currencies

The functional currency of the Entity is Sterling, which is also the presentational currency of the financial statements of the Entity.

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) Presentation of information

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

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

(f) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Entity 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, including future projections of profitability, cash flows and capital resources.

(g) Use of estimates and assumption about future conditions

The preparation of financial information requires the use of estimates and assumptions about future conditions.

These estimates and assumptions required management to make judgements about the carrying value used in obtaining Net Asset Value ('NAV') which are not readily available from sources other than the underlying fund administrator, due to the time lag between the financial statements being prepared and the release of the final NAV. These estimates and assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Entity will continue to review whether these estimates that have been made represent an accurate representation of the financial information provided. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In the opinion of management, all normal and recurring adjustments considered necessary for a fair presentation of the Entity's income statement, balance sheet and statement of cash flows in these financial statements have been made.

1.2. Summary of significant accounting policies

(a) Income and expense

Interest income and expense

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

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 and expense

Fee income is earned from cost recharges to other HSBC Group entities. Fee income is recognised in the accounting period when the cost is incurred, at an amount that reflects the cost incurred plus any mark up, as per the contract with the Group entity. The principles applied to the fee income recognition criteria use the five step model in IFRS 15. Any cost recharges collected in advance are deferred and recognised as income over the period in which costs are incurred.

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

Other operating income is earned from a diverse range of services provided by the Entity to its customers.

(b) Investments in subsidiaries

The Entity classifies investments in entities which it controls as subsidiaries. As the Entity does not prepare consolidated financial statements, subsidiaries are unconsolidated. The Entity'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.

(c) Company sponsored structured entities

The Entity is considered to sponsor another entity if, in addition to ongoing involvement with the entity, it had a key role in establishing that entity or in bringing together relevant counterparties so the transaction that is the purpose of the entity could occur. The Entity is generally not considered a sponsor if the only involvement to a structured transaction with the entity is merely administrative in nature.

(d) Financial instruments measured at fair value through profit and loss ('FVTPL')

Financial investments

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 Entity 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 Entity enters into an offsetting transaction.

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

Critical accounting estimates and judgements

The majority of valuation techniques employ only observable market data. However, certain financial instruments are classified on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them, the measurement of fair value is more judgemental:

Judgements	Estimates
• An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, a significant proportion of the instrument's inception profit or greater than 5% of the instrument's valuation is driven by unobservable inputs. • Unobservable' in this context means that there is little of no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used).	• Details on the Group's level 3 financial instruments and the sensitivity of their valuation to the effect of applying reasonable possible alternative assumptions in determining their fair value are set out in Note 15.

(e) Financial instruments measured at amortised cost

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Entity 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 statement.

Trade and other payables, Accruals and other liabilities

Trade and other payables represent liabilities for goods and services provided to theEntity 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.

(f) Employee compensation and benefits

Share-based payments

The Entity enters into both equity-settled and cash-settled share-based payment arrangements with its employees as compensation for the provision of their services. The vesting period for these schemes may commence before the grant date if the employees have started to render services in respect of the award before the grant date. Expenses are recognised when the employee starts to render service to which the award relates.

Cancellations result from the failure to meet a non-vesting condition during the vesting period, and are treated as an acceleration of vesting recognised immediately in the income statement. Failure to meet a vesting condition by the employee is not treated as a cancellation, and the amount of expense recognised for the award is adjusted to reflect the number of awards expected to vest.

Post-employment benefit plans

The HSBC group operates a number of pension schemes including defined benefit, defined contribution, and post-employment benefit schemes. Payments to defined contribution schemes are charged as an expense as the employees render service.

Defined benefit pension obligations are calculated using the projected unit credit method. The net charge to the income statement mainly comprises the service cost and the net interest on the net defined benefit asset or liability, and is presented in operating expenses.

Remeasurement of the net defined benefit asset or liability, which comprise actuarial gains and losses, return on plan assets excluding interest and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The net defined benefit asset or liability represents the present value of defined benefit obligations reduced by the fair value of plan assets, after applying the asset ceiling test, where the net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan.

The cost of obligations arising from other post-employment plans is accounted for on the same basis as defined benefit pension plans.

(g) 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 Entity 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.

Critical accounting estimates and judgements

The recognition of deferred tax assets depends on judgements

Judgements	Estimates
• Assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies • In the absence of a history of taxable profits, assessing the expected future profitability and the applicability of tax planning strategies, including corporate reorganisations	

(h) Intangible assets

Intangible assets are stated at cost less amortisation and are amortised straight line over their estimated useful lives of five years. Expenditure on internally developed software is recognised as an asset when the Entity is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the cost to complete development. Borrowing costs are not included in the capitalised costs of intangible assets. Assets are subject to regular impairment reviews which compare the carrying value to the expected value in use. Any impairment losses are recognised in the income statement. Amortisation does not commence until the asset is brought into operational use.

(i) 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.

(j) 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. Net interest income

	2019 £'000	2018 £'000
Interest income		
Interest income on financial investments	186	857
Other interest receivable	413	264
Total interest income	599	1,121
Interest expense		
Interest expense on short term loans with group undertakings	(9,478)	(11,010)
Total interest expense	(9,478)	(11,010)
Year ended 31 Dec	(8,879)	(9,889)

3. Net fee income

	2019 £'000	2018 £'000
Service fees receivable from other group undertakings	83,527	83,072
Year ended 31 Dec	83,527	83,072

4. Gains/losses on financial investments

	2019 £'000	2018 £'000
Net fair value gain/(loss) on hedged futures	(14,191)	9,594
Net fair value gain/(loss) on collective investment schemes	42,870	(23,463)
Net fair value gain/(loss) on other investments	42	2,267
Year ended 31 Dec	28,721	(11,602)

5. Dividend income

	2019	2018
	£'000	£'000
HSBC Global Asset Management (UK) Limited	28,500	36,000
HSBC Alternative Investments Limited	35,937	–
Dividend received from seed investments	3,517	6,123
Year ended 31 Dec	**67,954**	42,123

6. Employee compensation and benefits

Total employee compensation

	2019	2018
	£'000	£'000
Wages and salaries including share-based payments	33,112	24,411
Social security costs	3,826	3,622
Post-employment benefits	2,249	2,112
Year ended 31 Dec	**39,187**	30,145

Average number of persons employed by the Entity during the year

	2019	2018
	Number	Number
Client/Product Services	68	56
Operations and Support	111	85
Head Office Administration	27	26
Selling and Distribution	37	27
Year ended 31 Dec	**243**	194

Post-employment benefit plans

The Group operates pension plans throughout the world for its employees. Some are defined benefit pension plans, of which the largest is the HSBC Bank (UK) Pension Scheme ('the principal plan').

The principal plan

The principal plan has a defined benefit section and a defined contribution section. The defined benefit section was closed to future benefit accrual in 2016, with defined benefits earned by employees at that date continuing to be linked in their salary while they remain employed by HSBC.

From 1 July 2015 the defined benefit section was closed to contributions from ongoing pensionable service and all members became defined contribution members. As the Entity is unable to identify its share of defined benefit scheme assets and liabilities on a consistent and reasonable basis, as permitted by IAS 19 'Employee benefits', the scheme is accounted for by the Entity as if it were a defined contribution scheme. In the absence of a contractual agreement between the Entity and HSBC UK Bank plc, the principal sponsoring employer, Group policy requires the Entity to contribute to the scheme at a contribution rate which is determined by the Group.

The Group's balance sheet includes the net surplus or deficit being the difference between the fair value of plan assets and the discounted value of scheme liabilities at the balance sheet date for each plan. Surpluses are only recognised in the extent that they are recoverable through reduced contributions in the future or through potential future refunds from the schemes. In assessing whether a surplus is recoverable, the Group has considered its current right to obtain a future refund or a reduction in future contributions.

The plan is overseen by an independent corporate trustee, who has a fiduciary responsibility for the operation of the plan. Its assets are held separately from the assets of the Group. Full disclosure of the principal actuarial financial assumptions used to calculate the defined benefit plan at the end of the reporting period are disclosed on the financial statements of HSBC Holdings plc.

7. Share-based payments

The share-based payment income statement charge is recognised in wages and salaries as follows:

	2019	2018
	£'000	£'000
Restricted share awards	1,074	953
Savings-related and other share award option plans	95	58
Year ended 31 Dec	**1,169**	1,011

HSBC share award plans

Plans	Policy
Restricted share awards (including annual incentive awards delivered in shares) and Group Performance Share Plan ('GPSP')	• An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted. • Deferred awards generally require employees to remain in employment over the vesting period and are not subject to *performance conditions after the grant date.* • Deferred share awards generally vest over a period of three years and GPSP awards vest after five years. • Vested shares may be subject to a retention requirement post-vesting. GPSP awards are retained until cessation of employment. Awards granted from 2010 onwards are subject to malus provision prior to vesting. • Awards granted to Material Risk Takers from 2016 onwards are subject to clawback post vesting.

Movement on HSBC share awards

	2019	2018
	Number	Number
Restricted share awards outstanding at 1 Jan	309,179	348,775
Additions during the year	121,653	128,743
Released during the year	(205,615)	(244,773)
Forfeited during the year	—	(7,609)
Transferred (out)/in during the year	(1,318)	84,043
Restricted share awards outstanding at 31 Dec	**223,899**	309,179
Weighted average fair value of awards granted (£)	5.50	5.66

HSBC share option plans

Plans	Policy
Savings-related share option plans ('Sharesave')	• Two plans: the UK Plan and the International Plan. The last grant of options under the International Plan was in 2012. • From 2014, eligible employees can save up to £500 per month with the option to use the savings to acquire shares. • Exercisable within six months following either the third or fifth anniversaries of the commencement of a three-year or five-year contract, respectively. • The exercise price is set at a 20% (2018: 20%) discount to the market value immediately preceding the date of invitation.

Calculation of fair values

The fair values of share options are calculated using a Black-Scholes model. The fair value of a share award is based on the share price at the date of the grant.

Movement on HSBC share option plans

	Savings-related share options	
	Number	WAEP [1]
		£
Outstanding at 01 Jan 2019	311,471	4.95
Granted during the year	227,768	4.69
Exercised during the year	(85,187)	4.46
Expired during the year	(74,300)	5.07
Transferred in during the year	2,164	5.14
Outstanding at 31 Dec 2019	**381,916**	**4.81**
Weighted average remaining contractual life (years)		2.89

1 Weighted average exercise price

	Savings-related share options	
	Number	WAEP [1]
		£
Outstanding at 01 Jan 2018	318,479	5.17
Granted during the year	119,109	5.45
Exercised during the year	(106,455)	4.08
Expired during the year	(21,508)	4.42
Transferred in during the year	1,846	4.44
Outstanding at 31 Dec 2018	311,471	4.95
Weighted average remaining contractual life (years)		2.51

1 Weighted average exercise price

The weighted average fair value of share options outstanding, which is calculated when transactions are contracted, was £4.81 (2018: £4.95).

8. Directors' emoluments

The aggregate emoluments of the Directors of the Entity, computed in accordance with the Companies Act 2006 as amended by statutory instrument 2008 No. 410, were:

	2019	2018
	£'000	£'000
Fees [1]	166	143
Salaries and other emoluments	2,234	2,363
Annual incentives [2]	1,214	1,813
Year ended 31 Dec	**3,614**	4,319

1 Fees included fees paid to non-executive Directors.

2 Awards made to executive Directors in respect of 2019 performance comprise a mixture of cash and HSBC Holdings plc ordinary shares The amount shown comprised £434,499 in cash, £499,602 in deferred cash (vesting annually over a three-year period), £147,511 in Restricted Shares and £132,338 in deferred Restricted Shares (vesting annually over a three-year period) issued under the HSBC Share Plan

Awards made to executive Directors in respect of 2018 performance comprise a mixture of cash and HSBC Holdings plc ordinary shares. The amount shown comprised £748,737 in cash, £845,922 in deferred cash (vesting annually over a three-year period), £130,883 in Restricted Shares and £87,255 in deferred Restricted Shares (vesting annually over a three-year period) issued under the HSBC Share Plan.

0 Directors exercised share options over HSBC Holdings plc ordinary shares during the year (2018: None).

Awards were made to 5 Directors under long-term incentive plans in respect of qualifying services rendered in 2019 (2018: 4 Directors). During 2019, 5 Directors received shares in respect of awards under long-term incentive plans that vested during the year (2018: 4).

Retirement benefits are accruing to 0 Directors under a defined benefit scheme and are accruing to 3 Directors under money purchase schemes in respect of Directors' qualifying service. Contributions of £14,639 (2018:£40,944) were made during the year to money purchase arrangements and £0 to defined benefit schemes in respect of Directors' qualifying service (2018: £0).

Discretionary bonuses for Directors are based on a combination of individual and corporate performance and are determined by the Remuneration Committee of the Entity's ultimate parent company, HSBC Holdings plc. The cost of any conditional awards under the HSBC Share Plan and the HSBC Plan 2011 ('the Plans') is recognised through an annual charge based on the fair value of the awards, apportioned over the period of service to which the award relates. Details of the Plans are contained within the Directors' Remuneration Report of HSBC Holdings plc.

Of these aggregate figures, the following amounts are attributable to the highest paid Director:

	2019	2018
	£'000	£'000
Salaries and other emoluments	720	804
Annual incentives [1]	356	931
Year ended 31 Dec	**1,076**	1,735

1 Fees included fees paid to non-executive Directors

2 Awards made to the highest paid Director in respect of 2019 performance comprise a mixture of cash and HSBC Holdings plc ordinary shares The amount shown comprised £106,714 in cash, £71,143 in deferred cash (vesting annually over a three-year period), £106,714 in Restricted Shares and £71,143 in deferred Restricted Shares (vesting annually over a three-year period) issued under the HSBC Share Plan.

Awards made to the highest paid Director in respect of 2018 performance comprise a mixture of cash and HSBC Holdings plc ordinary shares. The amount shown comprised £370,360 in cash £555,540 in deferred cash (vesting annually over a three-year period), £0 in Restricted Shares and £0 in Deferred Restricted Shares (vesting annually over a three-year period) issued under the HSBC Share Plan

The highest paid Director received 32,375 (2018: 41,868) shares, in respect of qualifying services, as the result of awards under long-term incentive plans that vested during the year. The highest paid Director exercised nil share options over HSBC Holdings plc ordinary shares during the year.

Pension contributions of £10,000 (2018: £19,161) were made by the Entity in respect of services by the highest paid Director during the year.

9. Auditors' remuneration

	2019	2018
	£'000	£'000
Audit fees for statutory audit		
- Fees relating to current year	55	52
Year ended 31 Dec	**55**	52

There were no non-audit fees incurred during the year (2018: nil).

10. Tax credit

Tax expense/ (credit)

	2019 £'000	2018 £'000
Current tax		
UK Corporation tax		
- For this year	**(537)**	(5,594)
- Adjustments in respect of prior years	**100**	623
- Foreign tax suffered	**102**	50
Total current tax	**(335)**	(4,921)
Deferred tax		
- Origination and reversals of temporary differences	**412**	(194)
- Effects of changes in tax rates	**(31)**	24
- Adjustments in respect of prior years	**—**	12
Total deferred tax	**380**	(158)
Year ended 31 Dec	**45**	(5,079)

The UK corporation tax rate applying to the Company was 19 per cent(2018 19 percent).

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 £62,510.

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 £11,480 *(2018 - £20,196* charge).

Tax reconciliation

	2019 £'000	2019 (%)	2018 £'000	2018 (%)
Profit before tax	**59,791**		920	
Tax at 19.00% (2017: 19.25%)	**11,360**	**19.00**	175	19.00
Adjustment in respect of prior years	**100**	**0.17**	635	68.97
Permanent disallowables	**746**	**1.25**	871	94.63
Impact due to changes in tax rates	**(32)**	**(0.05)**	24	2.56
Non-taxable income and gains	**(12,360)**	**(20.67)**	(6,840)	(742.95)
Local taxes and overseas withholding taxes	**83**	**0.14**	40	4.40
Other	**149**	**0.25**	16	1.70
Year ended 31 Dec	**46**	**0.09**	(5,079)	(551.69)

The effective tax rate for 2019 of 0.09% was higher than the UK corporation tax rate of (551.69)% for 2018.

11. 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:

	Share based payments £'000	**Intangibles £'000**	**Available for sale investments £'000**	**IFRS 9 transitional adjustments £'000**	**Total £'000**
At 01 Jan 2019	**255**	**815**	**114**	**(90)**	**1,094**
Income statement (charge)/credit	**(56)**	**(335)**	**—**	**11**	**(380)**
Equity statement expense	**(42)**	**—**	**—**	**—**	**(42)**
Other comprehensive income charge	**—**	**—**	**(58)**	**—**	**(58)**
At 31 Dec 2019	**157**	**480**	**56**	**(79)**	**614**

	Share based payments *£'000*	Intangibles *£'000*	Available for sale investments *£'000*	IFRS 9 transitional adjustments *£'000*	Total *£'000*
At 01 Jan 2018	407	635	197	(101)	1,138
Income statement credit	(33)	180	—	11	158
Equity statement expense	(89)	—	—	—	(89)
Other comprehensive income charge	—	—	(83)	—	(83)
Prior year adjustments	(30)	—	—	—	(30)
At 31 Dec 2018	255	815	114	(90)	1,094

There are no unrecognised deferred tax liabilities arising from the Entity's investments in subsidiaries.

12. Cash and cash equivalents

	2019	2018
	£'000	£'000
Amounts held with other group undertakings	**57,853**	99,423
Amounts held with other group undertakings - futures margin account	**2,807**	4,832
At 31 Dec	**60,660**	104,255

Amounts due from fellow subsidiary undertakings are unsecured and repayable on demand.

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

	2019	2018
	£'000	£'000
Non-cash item included in profit and loss		
Amortisation and impairment of intangible assets	**3,443**	1,061
Share-based payment expense	**1,169**	(86)
	4,612	975
Change in operating assets		
Change in prepayment and accrued income	**21**	(66)
Change in trade and other receivables	**9,336**	(14,296)
Change in other assets	**(1,796)**	(1,883)
	7,561	(16,245)
Change in operating liabilities		
Change in accruals other liabilities	**5,200**	4,383
Change in trade and other payables	**(19,721)**	37,881
	(14,521)	42,264
Cash and cash equivalents comprise		
Cash and balances held with other group undertakings	**57,853**	99,423
Cash and balances held with other group undertakings - future margin account	**2,807**	4,832
	60,660	104,255
Net gain from investing activities		
Impact of gains and losses arising from financial investments	**(46,296)**	21,065
Dividend income	**(67,954)**	(42,122)
Investment in subsidiaries	**(4,700)**	
	(118,950)	(21,057)

14. 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.

	FVPL	Amortised Cost	Total
At 31 Dec 2019	£'000	£'000	£'000
Assets			
Cash and cash equivalents	–	60,660	60,660
Trade and other receivables	–	35,469	35,469
Financial investments	331,087	–	331,087
Prepayments and accrued income	–	70	70
Other assets	–	4,182	4,182
Total financial assets	331,087	100,381	431,468
Total non-financial assets	–	–	332,899
Total assets	–	–	764,367
Liabilities			
Trade and other payables	–	347,938	347,938
Accruals and other liabilities	–	17,322	17,322
Employee benefit liabilities	–	3,441	3,441
Total financial liabilities	–	368,701	368,701
Total non-financial liabilities	–	–	–
Total liabilities	–	–	368,701

At 31 Dec 2018	FVPL £'000	Amortised Cost £'000	Total £'000
Assets			
Cash and cash equivalents	–	104,255	104,255
Trade and other receivables	–	44,805	44,805
Financial investments	449,388	–	449,388
Prepayments and accrued income	–	91	91
Other assets	–	2,386	2,386
Total financial assets	449,388	151,537	600,925
Total non-financial assets			324,544
Total assets			925,469
Liabilities			
Trade and other payables	–	528,749	528,749
Accruals and other liabilities	–	11,466	11,466
Employee benefit liabilities	–	3,091	3,091
Total financial liabilities	–	543,306	543,306
Total non-financial liabilities			–
Total liabilities			543,306

15. Fair value of financial instruments carried at fair value

Control framework

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk taker..

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, direct observation of a traded price may *not be possible. In these circumstances, the Entity will source alternative market information to validate the financial instrument's* fair value, with greater weight given to information that is considered to be more relevant and reliable. The factors that are considered in this regard are, *inter alia*:

- the extent to which prices may be expected to represent genuine traded or tradable prices;
- the degree of similarity between financial instruments;
- the degree of consistency between different sources;
- the process followed by the pricing provider to derive the data;
- the elapsed time between the date to which the market data relates and the balance sheet date; and
- the manner in which the data was sourced.

For fair values determined using a valuation model, the control framework may include, as applicable, development or validation by independent support functions of: (i) the logic within valuation models; (ii) the inputs to these models; (iii) any adjustments required outside the valuation models; and (iv) where possible, model outputs. Valuation models are subject to a process of due diligence and calibration before becoming operational and are calibrated against external market data on an ongoing basis.

Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

(a) Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.

(b) Level 2 - valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

(c) Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Financial instruments carried at fair value and bases of valuation

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Recurring fair value measurements at 31 Dec				
Assets				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**–**	**330,421**	**666**	**331,087**

	2018			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Financial investments: available-for-sale	–	447,888	1,500	449,388

There were no significant transfers between financial instruments classified as Level 1 and Level 2 in2019 (2018: nil).

Fair value adjustments

Fair value adjustments are adopted when the Entity determines there are additional factors considered by market participants that are not incorporated within the valuation model. Movements in the level of fair value adjustments do not necessarily result in the recognition of profits or losses within the income statement, such as when models are enhanced and therefore fair value adjustments may no longer be required.

Fair valuation bases

Financial instruments measured at fair value using a valuation technique with significant unobservable inputs - Level 3

	Assets	
	Financial investments	**Total**
	£'000	**£'000**
Asset-backed securities	**666**	**666**
At 31 Dec 2019	**666**	**666**

	Assets	
	Available for sale	Total
	£'000	£'000
Asset-backed securities	1,500	1,500
At 31 Dec 2018	1,500	1,500

Asset-backed securities

While quoted market prices are generally used to determine the fair value of these securities, valuation models are used to substantiate the reliability of the limited market data available to identify whether any adjustments to quoted market prices are required. *For certain ABSs, such as residential mortgage-backed securities, the valuation uses an industry standard model with* assumptions relating to prepayment speeds, default rates and loss severity based on collateral type, and performance, as appropriate. The valuation output is benchmarked for consistency against observable data for securities of a similar nature.

Reconciliation of fair value measurements in Level 3 financial instruments

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 financial instruments, measured at fair value based on unobservable inputs:

	Assets	
	Financial investments	
	2019	2018
	£'000	£'000
At 01 Jan	**1500**	1,921
Total gains/(losses) recognised in profit or loss	**597**	2,546
- changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	**597**	2,546
Total gains/(losses) recognised in other comprehensive income	**(3)**	220
- exchange differences	**(3)**	*220*
Settlements	**(1,428)**	(3,187)
At 31 Dec	**666**	1,500

Key unobservable inputs to Level 3 financial instruments

The table below lists key unobservable inputs to Level 3 financial instruments, and provides the range of those inputs at31 December 2019. The core range of inputs is the estimated range within which 90% of the inputs fall.

Quantitative information about significant unobservable inputs in level 3 valuations

	Fair value							
	Assets	**Liabilities**	**Valuation technique**	**Key unobservable inputs**	**Full range of inputs**		**Core range of inputs**	
	£'000	**£'000**			**Lower**	**Higher**	**Lower**	**Higher**
Asset-backed securities	**666**	**—**	**Market Proxy**	**Bid quotes**	**—**	**99**	**—**	**99**
Private equity including strategic	**—**	**—**		**Fund**	**—**	**—**	**—**	**—**
At 31 Dec 2019	***666***	**—**						
Asset-backed securities	1,500	—	Market Proxy	Bid quotes	—	99	—	99
At 31 Dec 2018	1,500	—						

Market proxy

Market proxy pricing may be used for an instrument when specific market pricing is not available, but there is evidence from instruments with common characteristics. In some cases, it might be possible to identify a specific proxy, but more generally evidence across a wider range of instruments will be used to understand the factors that influence current market pricing and the manner of that influence.

The range of prices used as inputs into a market proxy pricing methodology may therefore be wide. This range is not indicative of the uncertainty associated with the price derived for an individual security.

Futures contracts

Futures contracts are standardised contracts to buy or sell specified assets for an agreed price at a specified future date. The futures contracts are collateralised by cash held by brokers in margin accounts (included in cash and cash equivalents) and the contracts are marked to fair value daily based on quoted market prices.

The notional amount of outstanding future contracts held with respect to equities trading amounted to £57.1 million as at 31 December 2019 (2018 : £ 64.4 million).

16. Trade and other receivables

	2019 £'000	2018 £'000
Amounts due from other group undertakings	35,469	44,805
At 31 Dec	**35,469**	44,805

Amounts due from other group undertakings are unsecured and repayable on demand.

17. Financial investments measured at fair value through profit or loss measured at fair value through profit or loss

Financial Instruments at fair value

	2019 £'000	2018 £'000
Financial Instruments		
- Debt securities	666	1,546
- Collective investment schemes	330,421	447,842
Year ended 31 Dec	331,087	449,388

The Entity supports some of its funds (Collective Investment Schemes) through the injection of seed capital in order to enable the funds to be launched and establish a track record. The Entity has assessed and concluded that these funds are sponsored structured entities. The details of these entities are listed in Note 19.

The sponsored structured entities are classified as available-for-sale financial assets are included under 'Financial investments' in the Balance sheet. Management intend to hold the funds for an indefinite period of time until such time as when they have an established trade record and have attained sufficient level of external investment.

18. Investments in subsidiaries

Carrying value of investment

	2019 £'000	2018 £'000
Investment in subsidiaries	309,763	305,063

As the Entity does not prepare consolidated Financial Statements the subsidiaries are unconsolidated. All subsidiaries are engaged in the arrangement and provision of investment management and advisory services. The Entity has established a new subsidiary, "HSBC Retirement Services Limited", which was incorporated on 28 September 2018. The subsidiary undertakings of the Entity at the end of a reporting year were:

	Registered office	Interest in Equity Capital (%)	share Class	No.of shares
HSBC Global Asset Management (UK) Limited	1	100	Ordinary £0.25	142,483,000
HSBC Alternative Investments Limited	1	100	Ordinary £1	602,000
HSBC Management (Guernsey) Limited	3	100	Ordinary £1	100,000
HRMG Nominees Limited	3	100	Ordinary £1	10,000
HSBC Retirement Services Limited	1	100	Ordinary £1	50,000

Details of all subsidiaries, as required under section 409 of Companies Act 2006, are set out below. The principal countries of operation are the same as the countries of incorporation.

1 *8 Canada Square, London, E14 5HQ, United Kingdom*

2 *C/O Bank of Bermuda (Cayman) Limited, PO Box 513, HSBC House, 68 West Bay Road, Grand Cayman, KY1-1106, Cayman Islands*

3 *Arnold House, St Julians Avenue, St Peter Port, GY1 3NF, Guernsey*

Impairment of Subsidiaries

The Entity's investments in subsidiaries and joint ventures is stated at cost less impairment losses. At each reporting date the performance of the subsidiary is reviewed to determine whether there is any indication that the subsidiary or joint venture has suffered impairment loss. If there is an indication of possible impairment, the recoverable amount is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Income Statement.

In 2019, the Entity's holdings in its subsidiaries was concluded not impaired (2018: nil), following a review of the performance of the subsidiary. The recoverable amount was estimated using discounted cash flow projections based on management's best estimates, including a discount rate of 7.8% to 8.8% (2018: 8.3% to 9.5%).

19. Structured entities

The Entity supports some of its funds (Collective Investment Schemes) through the injection of seed capital in order to enable the funds to be launched and establish a track record. The Entity has assessed and concluded that these funds are sponsored structured entities.

The sponsored structured entities are classified as fair valued through profit and loss and are included under 'Financial Investments' in the balance sheet. Management intend to hold the funds for an indefinite period of time until such time as they have an established trade record and have attained sufficient level of external investment.

As the Entity does not prepare consolidated financial statements all structured entities are unconsolidated. The amount of assets transferred to and income received from such sponsored entities during 2019 and 2018 was not material. Further details of the Entity's sponsored entities are included below:

	2019		2018	
	Percentage of ordinary shares held	**Value of the shareholding**	Percentage of ordinary shares held	Value of the shareholding
	%	**£'m**	%	£'m
HSBC GIF Asean Equity	**–**	**–**	100.00	11.20
HSBC GIF Global Bond Hedged	**–**	**–**	100.00	15.93
HSBC GIF Multi Strategy Target Return	**100.00**	**20.92**	100.00	20.28
MSCI World Index Mandate	**–**	**–**	100.00	35.83
HSBC Global High Income Bond Fund	**–**	**–**	100.00	18.17
HSBC Global High Income Bond	**98.13**	**22.49**	99.91	21.18
HGIF ICAV US Government Bond Index Fund	**99.95**	**16.59**	99.75	16.06
HSBC Index Linked Gilt Index Fund	**–**	**–**	98.28	10.66
HSBC Emerging Markets Debt	**–**	**–**	97.83	38.24
HSBC Global Sustainable MA Conservative Portfolio	**–**	**–**	97.41	7.40
HSBC Global Sustainable MA Balanced Portfolio	**–**	**–**	95.05	7.29
HSBC GIF Global Multi Asset Income	**–**	**–**	94.10	8.17
HSBC Global High Yield Bond	**89.58**	**22.76**	92.31	21.26
HSBC GIF Global Short Duration Bond	**–**	**0.01**	89.95	16.39
HSBC GIF Indonesia Bond	**–**	**–**	87.31	11.73
HSBC GIF Global Bond Total Return	**81.90**	**17.63**	82.22	16.43
HSBC GIF Lower Carbon Equity	**–**	**–**	79.83	20.86
HSBC Global Strategy Adventurous Portfolio	**–**	**–**	66.45	7.41
HSBC GIF Lower Carbon Bond	**–**	**0.02**	59.38	37.16
HSBC GIF GEM Equity Volatility Focused	**–**	**0.02**	49.44	9.09
HSBC Australian Dollar Liquidity Fund	**–**	**0.02**	38.78	50.89
HSBC GIF US High Yield Bond	**29.82**	**16.66**	28.28	15.17
HGIF Singapore Dollor Income Bond	**–**	**–**	26.15	14.05
HSBC Asia ex-Japan Smaller Companies	**–**	**–**	20.53	8.59
HSBC Global Strategy Conservative Portfolio	**–**	**–**	11.90	2.91
HSBC ICAV Global Aggregate Bond Index Fund	**–**	**0.06**	1.23	5.06
HSBC GIF Asia Bond	**–**	**0.09**	0.01	0.01
HSBC Global Equity Income Fund	**–**	**0.12**	0.41	0.15
HSBC GIF Global Equity Dividend	**–**	**0.02**	0.08	0.02
HGIF RMB Fixed Income	**–**	**0.02**	0.02	0.02
HSBC GIF China Multi Asset Income	**97.41**	**34.78**	–	–
HSBC Global Multi-Asset Harvest	**53.10**	**4.07**	–	–
HSBC Global Multi-Asset Growth	**69.01**	**4.22**	–	–
HSBC GF ICAV - Global Equity Index	**99.60**	**24.97**	–	–
HSBC GIF China A Shares Equity	**15.62**	**8.38**	–	–
HSBC GF ICAV - Global Emerging Markets Gov Bond Index	**99.76**	**57.54**	–	–
HSBC GF ICAV - US Equity Index	**99.68**	**24.53**	–	–
HSBC GIF Asia High Yield Bond	**100.00**	**15.28**	–	–
HSBC GF ICAV - China Gov Local Bond Index Fund	**99.83**	**38.98**	–	–
Others	**–**	**0.22**	–	0.40
Total Collective investment Schemes		**330.40**		448.01

20. Intangible assets

	Software development costs	
	2019	2018
	£'000	£'000
Cost		
At 01 Jan	**18,295**	7,501
Additions	**12,704**	11,164
Disposal	**–**	(370)
As at 31 Dec	**30,999**	18,295
Accumulated amortisation		
At 01 Jan	**(5,681)**	(4,990)
Charge for the year	**(3,443)**	(1,061)
Disposal	**–**	370
As at 31 Dec	**(9,124)**	(5,681)
Net book value		
At 01 Jan	**12,614**	2,511
As at 31 Dec	**21,875**	12,614

Costs associated with maintaining software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the HSBC group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

21. Trade and other payables

	2019	2018
	£'000	£'000
Fixes term loans from HSBC Bank plc	**310,406**	457,723
Amounts due to other group undertakings	**37,532**	71,026
At 31 Dec	**347,938**	528,749

At the end of the year, the Entity had an unsecured borrowing facility with HSBC Bank plc for $550m (2018: $550 m). The borrowing facility may be drawn at any time and has an interest rate which is equal to the sum of 0.41 % plus LIBOR (2018: 0.59% plus LIBOR). The borrowing facility was renewed on 20 November 2019 and expires on 20 November 2020. At the end of the year, the Entity has borrowed £310m (2018: £458m) against the borrowing facility.

The interest rate on the borrowing ranged from 0.4% to 3.0% (2018; -0.2% to 3.4%). Current loans carry a maturity date of 20 March 2020.

Amounts due to other group undertakings are unsecured, interest free and have no fixed date of repayment.

22. Accruals and other financial liabilities

	2019	2018
	£'000	£'000
Accruals	**14,915**	10,022
Share-based payment liabilities	**3,441**	3,091
Other liabilities	**2,407**	1,444
At 31 Dec	**20,763**	14,557

23. Offsetting of financial assets and financial liabilities

As at 31 December 2019, there were no amounts subject to enforceable netting arrangements (2018 : nil).

24. Called up share capital

	2019		2018	
	Number	**£'000**	Number	£'000
Issued, allotted and fully paid up				
Ordinary shares of £1 (2018: £1) each	**166,275,476**	**166,275**	166,275,476	166,275
As at 1 January and 31 December	**166,275,476**	**166,275**	166,275,476	166,275

25. Contingent liabilities, contractual commitments and guarantees

There were no contingent liabilities or financial guarantee contracts as at 31 December 2019 (2018: nil).

26. Management of financial risk

All of the Entity's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which comprises credit risk, liquidity risk and market risk. The management of financial risk and consideration of profitability, cash flows and capital resources form a key element in the Directors' assessment of the Entity as a going concern.

Credit risk management

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

Within the overall framework of the HSBC Group policy, the Entity has an established risk management process encompassing credit approvals, the control of exposures, credit policy direction to the business, and the monitoring and reporting of exposures.

The management of the Entity is responsible for the quality of its credit portfolios and follows a credit process involving delegated approval authorities and credit procedures, the objective of which is to identify problem exposures in order to accelerate remedial action while building a portfolio of high quality risk assets. The Entity's credit risk rating systems and processes differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. Regular reviews are undertaken to assess and evaluate levels of risk concentration.

The risk arises from transactions with HSBC undertakings. The management of credit is undertaken in compliance with the Entity recharge strategy. The Entity operates within this and the credit risk exposures are reviewed and managed by the senior management of the Entity and the HSBC Group's Finance Exco. The maximum credit exposure of the Entity is limited to the carrying value of the dues from an HSBC Group company. Balances are primarily with the HSBC Group and third party and have low credit risk. None of the balances are past due or impaired.

Ageing of fees receivable

	Due within 90 days	Due 90days - 1 year	Due over 1 year	Total
As at 31 Dec 2019	**£'000**	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	**60,660**	**—**	**—**	**60,660**
Trade and other receivables	**27,157**	**483**	**7,829**	**35,469**
Prepayments and accrued income	**70**	**—**	**—**	**70**
Other assets	**4,182**	**—**	**—**	**4,182**
Net exposure	**92,069**	**483**	**7,829**	**100,381**

	Due within 90 days	Due 90days - 1 year	Due over 1 year	Total
As at 31 Dec 2018	£'000	£'000	£'000	£'000
Cash and cash equivalents	104,255	—	—	104,255
Trade and other receivables	30,701	9,183	4,921	44,805
Prepayments and accrued income	91	—	—	91
Other assets	2,179	15	192	2,386
Net exposure	137,226	9,198	5,113	151,537

Liquidity risk management

Liquidity risk is the risk that the Entity 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 following is an analysis of undiscounted cash flows payable under various financial liabilities by remaining contractual maturities (excluding interest) at the balance sheet date:

	Carrying value	Contractual cash flows	On Demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other payables	**347,938**	**347,938**	**30,452**	**314,449**	**2,706**	**331**	**—**	**347,938**
Accruals and other liabilities	**20,763**	**20,763**	**21,936**	**(1,065)**	**(108)**	**—**	**—**	**20,763**
At 31 Dec 2019	**368,701**	**368,701**	**52,388**	**313,384**	**2,598**	**331**	**—**	**368,701**
Trade and other payables	528,749	528,749	71,026	457,723	—	—	—	528,749
Accruals and other liabilities	14,557	14,557	14,557	—	—	—	—	14,557
At 31 Dec 2018	543,306	543,306	85,583	457,723	—	—	—	543,306

Market risk management

Market risk is the risk that movements in market factors including interest rates, foreign exchange rates or equity and commodity prices will impact the Entity's income or the value of its portfolios. The Entity's objective is to manage and control market rate exposures while maintaining a market profile consistent with its risk appetite.

The Entity manages market risk through risk limits approved by the HSBC Company Executive Committee and adopted by the Entity's Board. An independent risk unit develops risk management policies and measurement techniques, and reviews limit utilisation on a daily basis.

The Entity is exposed to currency risk in respect of income and cash balances denominated in a currency other than sterling. The Entity's exposure is kept to an acceptable level by managing the level of non-sterling cash balances on a regular basis.

The Entity's main exposure to market risk is the risk that financial loss arises from the Entity's seed portfolio that is overseen and monitored by the Assets and Liabilities Committee ('ALCO'). The maximum allowable value of the Entity's seed portfolio was £ 533m (2018 : £533m).

The notional contract amount of derivatives held for trading purposes indicates the nominal value of transactions outstanding at the Balance Sheet date.

Interest rate risk

Bank interest on deposits held at HSBC Bank plc is the only source of interest exposure. The effective interest rate during 2019 was 0.7% (2018: 1.4%) and all balances mature within 1 year.

Foreign exchange risk

Currency sensitivity

A 5% strengthening of the British pound against the following currencies as at 31 December 2019 would have reduced profits by the amounts shown below. A 5% weakening would have had the equal but opposite effects to the amounts shown below:

	Profit or Loss	
	2019	2018
	£'000	£'000
US dollars	**1,937**	648
Euro	**(415)**	1,106
Swiss franc	**(6)**	–
Japanese yen	**34**	2
Australian dollar	**–**	17
Singaporean dollar	**8**	14
Total reduction of profit before tax due to a 5% strengthening of British Pound	**1,558**	1,787

Foreign exchange risk

The Entity is exposed to currency risk in respect of income and cash balances denominated in a currency other than sterling. The Entity exposure is kept to an acceptable level by managing the level of non-sterling cash balances on a regular basis. The Entity's balance sheet comprises balances held in different currencies. At the reporting date the currency profile of the Entity balance sheet was:

	Sterling	**US Dollars**	**Euro**	**Others**	**Total**
At 31 Dec 2019	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	**44,635**	**4,834**	**11,064**	**127**	**60,660**
Trade and other receivables	**35,469**	**–**	**–**	**–**	**35,469**
Financial investments	**219**	**301,501**	**20,950**	**8,417**	**331,087**
Prepayments and accrued income	**70**	**–**	**–**	**–**	**70**
Other assets	**4,067**	**115**	**–**	**–**	**4,182**
Current tax asset	**647**	**–**	**–**	**–**	**647**
Investments in subsidiaries	**309,763**	**–**	**–**	**–**	**309,763**
Goodwill and intangible assets	**21,875**	**–**	**–**	**–**	**21,875**
Deferred tax asset	**614**	**–**	**–**	**–**	**614**
Total assets	**417,359**	**306,450**	**32,014**	**8,544**	**764,367**
Trade and other payables	**32,907**	**283,552**	**23,923**	**7,556**	**347,938**
Accruals and other liabilities	**17,553**	**508**	**2,702**	**–**	**20,763**
Called up share capital	**166,275**	**–**	**–**	**–**	**166,275**
Share premium account	**142,453**	**–**	**–**	**–**	**142,453**
Retained earnings	**86,938**	**–**	**–**	**–**	**86,938**
Total liabilities and equity	**446,126**	**284,060**	**26,625**	**7,556**	**764,367**
Net exposure	**(28,767)**	**22,390**	**5,389**	**988**	**–**
At 31 Dec 2018					
Cash and cash equivalents	89,165	12,206	2,629	255	104,255
Trade and other receivables	44,762	–	–	43	44,805
Financial investments	54,054	301,890	28,465	64,979	449,388
Prepayments and accrued income	91	–	–	–	91
Other assets	2,253	133	–	–	2,386
Current tax asset	5,773	–	–	–	5,773
Investments in subsidiaries	305,063	–	–	–	305,063
Goodwill and intangible assets	12,614	–	–	–	12,614
Deferred tax asset	1,094	–	–	–	1,094
Total assets	514,869	314,229	31,094	65,277	925,469
Trade and other payables	125,944	305,877	31,175	65,753	528,749
Accruals and other liabilities	12,093	1,564	900	–	14,557
Called up share capital	166,275	–	–	–	166,275
Share premium account	142,453	–	–	–	142,453
Retained earnings	73,435	–	–	–	73,435
Total liabilities and equity	520,200	307,441	32,075	65,753	925,469
Net exposure	(5,331)	6,788	(981)	(476)	–

27. Legal proceedings and regulatory matters

No provision for legal proceedings and regulatory matters is required.

28. Related party transactions

The Entity's related parties include the parent, fellow subsidiaries, post-employment benefit plans for the Entity's employees, Key Management Personnel, close family members of Key Management Personnel and entities which are controlled or significantly influenced by Key Management Personnel or their close family members.

(a) Transactions with Directors and other Key Management Personnel

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Entity and includes members of the Board of Directors. No loans were made to Key Management Personnel for the year ended 31 December 2019 (2018: none). Other than as described in Note 6, there are no transactions between the Entity and Key Management Personnel, which fall to be disclosed under IAS24 'Related Party Disclosures' between the Entity and the Key Management Personnel.

(b) Transactions with other related parties

Transactions detailed below include amounts due to/from Subsidiaries.

	2019		2018	
	Highest balance during the year [1]	**Balance at 31 December**	Highest balance during the year [1]	Balance at 31 December
	£'000	**£'000**	£'000	£'000
Assets				
Trade and other receivables	**22,476**	**10,868**	15,215	14,080
Liabilities				
Trade and other payables	**8,126**	**2,912**	9,604	4,029

1 *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*

	2019	2018
	£'000	£'000
Income statement		
Fee and commission income	**17,684**	23,253
Dividend income	**64,437**	36,000
General and administrative expenses	**(12,065)**	(15,521)

The Entity pays the salaries and certain expenses of HSBC Alternative Investments Limited ('HAIL'), which are charged to the Income Statement against the appropriate line and HAIL remunerates the Entity for the full amount without mark-up.

Transactions detailed below include amounts due to/from Other group undertakings.

	2019		2018	
	Highest balance during the year [1]	**Balance at 31 December**	Highest balance during the year [1]	Balance at 31 December
	£'000	**£'000**	£'000	£'000
Assets				
Trade and other receivables	**36,455**	**24,601**	34,947	30,725
Liabilities				
Trade and other payables	**555,338**	**345,026**	590,881	524,684

1 *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.*

	2019	2018
	£'000	£'000
Income statement		
Interest income	**413**	264
Interest expense	**9,477**	11,010
General and administrative expenses	**25,858**	33,334
Dividend expense	**46,500**	—

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

29. Parent undertakings

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

The immediate parent undertaking is HSBC Holdings plc. All companies are registered in England and Wales.

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

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

30. Events after the balance sheet date

COVID-19 outbreak which emerged and spread to the UK in early 2020, has now become a global pandemic which has caused widespread market and economic disruption. The disruption has been evident in the recent global stock market fluctuations which has impacted the entity, for example, the value of the entity's seed fund financial investments has decreased by 6%. At the present time, the long term outlook remains uncertain and the full impact of the COVID-19 cannot be predicted or measured. The COVID-19 outbreak is considered to be a non-adjusting post balance sheet event as per IAS 10.