HSBC Investment Bank Holdings Limited

Registration No: 3141245

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

HSBC

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Contents

Strategic Report

Principal activities

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

During the year ended 31 December 2019, the Company continued to be an investment holding company.

The Company has no employees. Services required are provided by HSBC Bank plc.

The Company is limited by shares.

Review of the Company's business

During the year the Company maintained its committed equity investment activity. The Company carried out a number of acquisitions and disposals of investments during the year. The Company also, as part of the acquisitions, provided long term loan finance to some of the investee companies.

Support services for the Company were provided by HSBC Bank plc. These services included the maintaining of accurate accounting and other records such as cash management and the collection and settlement of receivables and payables as they became due.

Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. As part of the Company'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 company's employees; (iii) the need to foster the company's business relationships with suppliers, customers and others; (iv) the impact of the company's operations on the community and the environment; and (v) the desirability of the company maintaining a reputation for high standards of business conduct.

The Board considers its stakeholders to be the people who utilise our services, 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 Company's strategy in line with its long-term values, and operate the business in a sustainable way.

The Board is committed to effective engagement with 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 Company'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 will sometimes 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. In these instances, the Board is informed of stakeholder views through management reports and presentations.

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 following example of a principal decision demonstrates how the Board considered the interests of stakeholders in its decision making:

The Board approved the payment of an interim dividend to its parent company, the timing of which required engagement with and consideration of both the parent company's interests and the longer term interests of the Company. This decision was taken after careful consideration of the financial position of the company, its obligations under Companies Act and the need to consider its longer term relationship with its ultimate parent company, HSBC Holdings plc.

Performance

The Company's development and performance of the business of the Company during the financial year is monitored via quarterly investment valuations and by regular board meetings.

The Company's results for the year under review are as detailed in the income statement shown on page 7 of these financial statements. Profit for the year amounted to $235,461k (2018: $128,385k).

The balance sheet shows total assets of $1,741,634k as at 31 December 2019 compared to $1,180,759k as at the previous year end. Financial assets designated and otherwise mandatorily measured at fair value through profit or loss have increased from $929,664k at 31 December 2018 to $1,452,361k at 31 December 2019.

Key performance indicators

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

Principal risks and uncertainties

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 25 of the financial statements.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('EU') with the process of the UK leaving the EU commencing on 29 March 2017. The UK left the EU on 31 January 2020 and entered into a transition period until 31 December 2020, during which negotiations will take place on the future relationship between the UK and the EU. At this stage the ultimate economic effect of the UK leaving the EU is uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime, this uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. As described in Note 25, foreign exchange and interest rate risks are managed by the Company in the ordinary course of business and so any increased volatility as a result of the UK leaving the EU is not expected to have a material effect on the results and net assets of the Company. Additionally, any general adverse consequences for credit risk at a UK or EU macro-economic level that may arise as a consequence of the UK leaving the EU is not expected to translate into a material increase in credit risk for the Company given the nature of the Company's transactions, its counterparties and available security.

In addition to the above, since early January 2020, COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global 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 their economies. The main risk to the Company relates to the valuation of the investments held by the Company including its investment in subsidiaries and during 2020, there have been reductions in the valuation of the investments held. It is considered that continuing volatile market conditions will increase the risk of lower profitability and impairment requirements in the Company. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, the impact of the COVID-19 outbreak continues to be being actively monitored by the Company for any adverse effects on the financial performance and financial position of the Company.

On behalf of the Board

R M Blackburn
Director

26 November 2020

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Report of the Directors

Directors

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

Name	Appointed	Resigned
R M Blackburn		
E J Jenkins		20 June 2019
J P Marlow		2 October 2020
P J Reid		
M P Kaur	1 November 2019	
P J G Henry	2 November 2020	
F B Azpilicueta	2 November 2020	

The Articles of Association of the Company contain a qualifying third-party indemnity provision, which entitles Directors and other officers to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year and up to the date of approval of the financial statements but have not been utilised by the Directors. Additionally, all Directors have the benefit of Directors' and officers' liability insurance.

Dividends

During the year the Company paid a dividend of US$40 million to HSBC Bank plc (2018: US$426 million to HSBC Holdings plc).

Dividend payments are reflected in the financial statements in the year that they are declared.

Significant events since the end of the financial year

Since early January 2020, COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global 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 their economies. The main risk to the Company relates to the valuation of the investments held by the Company including its investment in subsidiaries and during 2020, there have been reductions in the valuation of the investments held. It is considered that continuing volatile market conditions will increase the risk of lower profitability and impairment requirements in the Company. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, the impact of the COVID-19 outbreak continues to be being actively monitored by the Company for any adverse effects on the financial performance and financial position of the Company.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date.

On 18 November 2020, the Company entered into a Sale and Purchase agreement in respect of the disposal of interests in 14 Investment Funds held by the Company. In addition to this, the Sale and Purchase agreement included the disposal of the investment in one of the Company's wholly owned subsidiaries, Hg Janus Co-Invest L.P.

The agreed purchase consideration has been set at $642m as at 18 November 2020. Completion is subject to a small number of conditions and Management expect this to occur on or before 31 December 2020.

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

Future developments

No change in the Company's activities is expected.

Going concern basis

The Company had net current liabilities of £1,009m as at 31 December 2019. HSBC Bank plc, the immediate parent undertaking, has committed to ensuring the provision of sufficient funds for a period of not less than twelve months from the date of authorisation of these financial statements, to enable the Company to meet its liabilities as they fall due. As a result of this, together with the considerations in respect of the impact of the COVID-19 outbreak referred to above, the Directors have prepared the financial statements on a going concern basis.

Financial risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 25 of the Notes on the financial statements.

Capital management

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

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

Independent auditors

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

Statement of Directors' Responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and 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 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

R M Blackburn
Director

26 November 2020

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Independent auditors' report to the member of HSBC Investment Bank Holdings Limited

Report on the audit of the financial statements

Opinion

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

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

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

Conclusions relating to going concern

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 Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

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

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

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

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

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 4, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Claire Sandford

Claire Sandford (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Dated: 26 November 2020

Financial statements

Income statement for the year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000
Interest expense	2	**(15,939)**	(12,297)
Net interest expense		**(15,939)**	(12,297)
Fee and commission expense	3	**(47,526)**	(30,858)
Net fee expense		**(47,526)**	(30,858)
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	13	**247,535**	34,302
Gains less losses from financial investments		**74,921**	107,180
Dividend income	10	**14,423**	18,822
Other operating (expense)/income	4	**(20,364)**	11,550
Net operating income before loan impairment charges and other credit risk provisions		**253,050**	128,699
Operating profit		**253,050**	128,699
Profit before tax		**253,050**	128,699
Tax expense	8	**(17,589)**	(314)
Profit for the year		**235,461**	128,385

Statement of comprehensive income for the year ended 31 December 2019

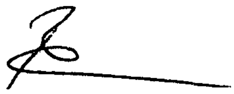
All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above. (2018: nil).

Balance sheet at 31 December 2019
Registration No: 3141245

	Notes	2019 US$'000	2018 US$'000
Assets			
Cash and cash equivalents	*11*	**73,607**	45,544
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	*13*	**1,452,361**	929,664
Trade and other receivables	*16*	**5,494**	325
Current tax assets		**5,496**	1,653
Investments in subsidiaries	*18*	**185,568**	187,061
Interests in associates	*19*	**19,108**	16,512
Total assets		**1,741,634**	1,180,759
Liabilities and equity			
Liabilities			
Trade and other payables	*20*	**18,542**	10,116
Loans from other group undertakings	*21*	**1,069,155**	738,981
Deferred tax liabilities	*9*	**28,660**	1,846
Total liabilities		**1,116,357**	750,943
Equity			
Called up share capital	*23*	**40,586**	40,586
Retained earnings		**584,691**	389,230
Total equity		**625,277**	429,816
Total liabilities and equity		**1,741,634**	1,180,759

The accompanying notes on pages 11 to 26 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 November 2020 and signed on its behalf by:



R M Blackburn
Director

26 November 2020

Statement of cash flows for the year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Profit before tax		**253,050**	128,699
Adjustments for:			
Non-cash items included in profit before tax	*11*	**(320,940)**	(159,398)
Change in operating assets	*11*	**(5,169)**	207
Change in operating liabilities	*11*	**8,426**	(38,588)
Interest paid		**(14,588)**	(11,311)
Tax credit received		**5,382**	328
Net cash used in operating activities		**(73,839)**	(80,063)
Cash flows from investing activities			
Purchase of financial assets designated at fair value		**(426,175)**	(349,765)
Purchase of interest in subsidiaries		**(1,786)**	(42,448)
Net cash outflow from investment in associates		**(2,596)**	(8,940)
Proceeds from disposal of subsidiary		**3,279**	5,211
Proceeds on disposal of investments designated at fair value		**225,934**	237,153
Dividend income		**14,423**	58,153
Net cash used in investing activities		**(186,921)**	(100,636)
Cash flows from financing activities			
Changes in loans due to other group undertakings		**328,823**	190,609
Dividends paid		**(40,000)**	(40,530)
Net cash generated from financing activities		**288,823**	150,079
Net increase/(decrease) in cash and cash equivalents		**28,063**	(30,620)
Cash and cash equivalents brought forward		**45,544**	76,164
Cash and cash equivalents carried forward	*11*	**73,607**	45,544

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

	Called up share capital	Retained earnings	Other reserves: Financial assets at FVOCI reserve	Total equity
	US$'000	US$'000	US$'000	US$'000
At 1 Jan 2019	**40,586**	**389,230**	**–**	**429,816**
Profit for the year	–	235,461	–	235,461
Total comprehensive income for the year	**–**	**235,461**	**–**	**235,461**
Dividends to shareholders	–	(40,000)	–	(40,000)
At 31 Dec 2019	**40,586**	**584,691**	**–**	**625,277**

	Called up share capital	Retained earnings	Other reserves: Financial assets at FVOCI reserve	Total equity
	US$'000	US$'000	US$'000	US$'000
As at 31 Dec 2017	40,586	628,587	58,082	727,255
Impact on transition to IFRS 9	–	58,082	(58,082)	–
At 1 Jan 2018	40,586	686,669	–	727,255
Profit for the year	–	128,385	–	128,385
Total comprehensive income for the year	–	128,385	–	128,385
Dividends to shareholders	–	(425,824)	–	(425,824)
At 31 Dec 2018	40,586	389,230	–	429,816

Notes on the financial statements

1 Basis of preparation and significant accounting policies

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

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

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

At 31 December 2019, there were no unendorsed standards effective for the year ended 31 December 2019 affecting these financial statements, and the Company's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

Standards adopted during the year ended 31 December 2019

IFRS 16 'Leases'

The Company adopted IFRS 16 'Leases' with effect from 1 January 2019. Adoption had no impact on the results or net assets of the Company.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB published a number of minor amendments to IFRSs which are effective from 1 January 2020, some of which have been endorsed for use in the EU. The Company expects they will have an insignificant effect, when adopted, on the financial statements of the Company.

Major new IFRSs

IFRS 17 'Insurance Contracts'

The IASB has published IFRS 17 'Insurance Contracts'. IFRS 17 has not yet been endorsed but is not expected to have a significant impact on the financial statements of the Company.

(c) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost, 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 functional currency of the Company is US dollars, which is also the presentational currency of the financial statements of the Company.

The financial statements have been prepared on the historical cost basis, modified by the revaluation of financial assets designated at fair value.

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

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

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

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

(f) Going concern

The Company had net current liabilities of £1,009m as at 31 December 2019. HSBC Bank plc, the immediate parent undertaking, has committed to ensuring the provision of sufficient funds for a period of not less than twelve months from the date of authorisation of these financial statements, to enable the Company to meet its liabilities as they fall due. As a result of this, together with the considerations in respect of the impact of the COVID-19 outbreak, the Directors have prepared the financial statements on a going concern basis.

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

Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest income and expense.

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

Net income/(expense) from financial instruments measured at fair value through profit or loss includes the following:

- 'Net income from financial instruments held for trading or managed on a fair value basis'. This is comprised of the net trading income, which includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest income, expense and dividends; and it also includes all gains and losses from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities measured at fair value through profit or loss.
- 'Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss'. This includes interest on instruments which fail the solely payments of principal and interest ('SPPI') test.

(b) Investments in subsidiaries

The Company classifies investments in entities which it controls as subsidiaries. For the purpose of determining this classification, the Company is considered to have control of an entity when it is exposed, or has rights to variable returns from its involvements with the entity and has the ability to affect those returns through its power over the entity.

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

Critical accounting estimates and judgements

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

(c) Interests in associates

The Company classifies investments in entities over which it has significant influence, and that are neither subsidiaries nor joint ventures, as associates. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Where an investor holds between 20 and 50 per cent of the voting rights in another entity, either directly or through subsidiaries, it is presumed that the investor exercises a significant influence over that entity unless it can be clearly demonstrated otherwise. Conversely, where an investor holds, directly or indirectly, less than 20 per cent of the voting rights in another entity, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. Evidence of the existence of significant influence would include the following:

- Representation on the board of directors;
- Participation in the policy-making process;
- Material transactions between the investor and the investee; and
- Interchange of managerial personnel;

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

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

The Company has taken the exemption from the requirement to prepare economic interest financial statements, allowable under IAS 28 paragraph 17, for entities that are wholly owned subsidiaries, with no listed debt or equity and for which ultimate and intermediate parent company consolidated financial statements are available publicly. Therefore the Company has not applied the equity method for its investment in associates.

Critical accounting estimates and judgements

For the classification of an investment in an entity as an associate, judgements are made in the consideration of evidence of significant influence.

Investments in associates 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.

(d) Valuation of financial instruments

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

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

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 13

(e) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that gives rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include trade and other receivables. In addition most financial liabilities are measured at amortised cost.

Trade and other receivables

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

Trade and other payables

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

Financial liabilities

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

Loans from other group undertakings

Loans from other group undertakings are recognised when cash is advanced or contractual arrangements are entered into, which is generally on the trade date. These liabilities are initially measured at fair value less directly attributable transaction costs. The Company derecognises the financial liability when the Company obligations specified in the contract expire, are discharged or cancelled. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

(f) Financial instruments designated at fair value through profit or loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below, and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- the financial liability contain one or more non-closely related embedded derivatives.

Designated financial assets are recognised when the Company enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when the Company enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in the income statement in 'Net income from financial instruments held for trading or managed on a fair value basis'.

Under the above criterion, financial instruments designated by the Company includes;

Loans and advances designated and otherwise mandatorily measured at fair value

Loans and advances are classified in this category if they meet one or more of the criteria set out below, and are designated irrevocably at inception:

- Where the contractual cash flows of the asset fail Solely Payments of Principal and interest;
- The use of the designation removes or significantly reduces an accounting mismatch;

Designated loans and advances assets are recognised when the Company enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flow expire or are transferred. Designated loans and advances liabilities are recognised when the Company enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair value are recognised in the income statement in 'Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss or 'Net income from financial instruments held for trading or managed on a fair value basis'.

(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 Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities. .

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

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

(h) Called up share capital

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

(i) 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 Interest expense

	2019	2018
	US$'000	US$'000
Interest expense payable to other group undertakings	**15,939**	12,297
Year ended 31 Dec	**15,939**	12,297

3 Fee and commission expense

	2019	2018
	US$'000	US$'000
Management fees paid to Fund managers	**47,526**	30,858
Year ended 31 Dec	**47,526**	30,858

4 Other operating (expense)/income

	2019	2018
	US$'000	US$'000
Other operating income	**297**	159
Foreign exchange (expense)/income	**(20,661)**	11,391
Net other operating (expense)/income	**(20,364)**	11,550

5 Employee compensation and benefits

The Company has no employees and hence no staff costs (2018: nil).

6 Directors' emoluments

The aggregate emoluments of the Directors of the Company, computed in accordance with the Companies Act 2006 as amended by statutory instruments 2008 no 410, were

	2019	2018
	£'000	£'000
Directors' emoluments for services to the Company	**645**	651
Pension contributions	**16**	17
Year ended 31 Dec	**661**	668

Number of Directors who:	**No**	No
are members of money purchase pension schemes	**1**	1

In the current year and prior year, the emoluments of the highest paid Director, including benefits in kind and pension contributions, were the same as disclosed above.

In the current year and prior year, no emoluments were received by the remaining Directors in respect of their services to the Company as they consider that their services to the Company are incidental to their other responsibilities within the HSBC group. All Directors are employed by other companies within the HSBC group.

7 Auditors' remuneration

Certain expenses including auditors' remuneration have been borne by parent company and are therefore not charged in arriving at profit before tax. The auditors' remuneration borne on behalf of the Company amounted to US$81k (2018: US$77k).

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

8 Tax

Tax expense

	2019	2018
	US$'000	US$'000
Current tax		
- For this year	**(5,613)**	(1,836)
- Adjustments in respect of prior years	**(3,612)**	304
Total current tax	**(9,225)**	(1,532)
Deferred tax		
- Origination and reversals of temporary differences	**29,969**	2,063
- Effects of changes in tax rates	**(3,155)**	(217)
Total deferred tax	**26,814**	1,846
Year ended 31 Dec	**17,589**	314

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

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 December 2019 continue to reflect the planned rate reduction. If the deferred tax liability as at 31 December 2019 were re-measured at 19% it would increase by $3,371,712.

Tax reconciliation

	2019		2018	
	US$'000	(%)	US$'000	(%)
Profit before tax	**253,050**		128,699	
Tax at 19.00% (2018: 19.00%)	**48,079**	**19.0**	24,453	19.0
Adjustment in respect of prior years	**(3,612)**	**(1.4)**	304	0.2
Permanent disallowables	**10,293**	**4.0**	7,249	5.6
Excess realised capital loss	**(6,845)**	**(2.7)**	–	–
Fair Value movements of other financial instruments measured through profit or loss	**(10,218)**	**(4.0)**	2,062	1.6
Impact due to changes in tax rates	**(3,155)**	**(1.2)**	(217)	(0.2)
Non-taxable income and gains	**(16,953)**	**(6.7)**	(33,537)	(26.0)
Year ended 31 Dec	**17,589**	**7.0**	314	0.20

9 Deferred tax

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

	FVPL Investments	Excess realised capital losses	Total
	US$'000	US$'000	US$'000
At 1 Jan 2019	(1,846)	–	(1,846)
Movements during the year	(32,938)	6,124	(26,814)
At 31 Dec 2019	**(34,784)**	**6,124**	**(28,660)**

	FVPL Investments	Excess realised capital losses	Total
	US$'000	US$'000	US$'000
At 1 Jan 2018	–	–	–
Income statement charge	(1,846)	–	(1,846)
At 31 Dec 2018	(1,846)	–	(1,846)

10 Dividend income

	2019	2018
	US$'000	US$'000
Dividend income from subsidiaries	–	13,468
Dividend income from other investments	14,423	5,354
Year ended 31 Dec	**14,423**	18,822

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

	2019	2018
	US$'000	US$'000
Elimination for exchange differences	–	(11,391)
Interest expense	15,939	12,297
Profit on disposal of investments	(74,921)	(107,180)
Dividend income	(14,423)	(18,822)
Fair value movements in financial assets designated at fair value	(247,535)	(34,302)
	(320,940)	(159,398)
Change in operating assets		
Change in trade and other receivables	(5,169)	207
	(5,169)	207
Change in operating liabilities		
Change in trade and other payables	8,426	(38,588)
	8,426	(38,588)
Cash and cash equivalents comprise		
Cash at bank with other group undertakings	73,607	45,544
	73,607	45,544
Interest and dividends		
Interest paid	(14,588)	(11,311)
Dividends received	14,423	58,153

12 Analysis of financial assets and liabilities by measurement basis

All financial assets and financial liabilities held by the Company are measured on an ongoing basis either at fair value or amortised cost

At 31 Dec 2019	FVPL US$'000	Amortised cost US$'000	Total US$'000
Assets			
Cash and cash equivalents	–	73,607	73,607
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	1,452,361	–	1,452,361
Trade and other receivables	–	5,494	5,494
Total financial assets	1,452,361	79,101	1,531,462
Total non-financial assets			210,172
Total assets			1,741,634
Liabilities			
Trade and other payables	–	18,542	18,542
Loans from other group undertakings	–	1,069,155	1,069,155
Total financial liabilities	–	1,087,697	1,087,697
Total non-financial liabilities			28,660
Total liabilities			1,116,357

At 31 Dec 2018	FVPL US$'000	Amortised cost US$'000	Total US$'000
Assets			
Cash and cash equivalents	–	45,544	45,544
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	929,664	–	929,664
Trade and other receivables	–	325	325
Total financial assets	929,664	45,869	975,533
Total non-financial assets			205,226
Total assets			1,180,759
Liabilities			
Trade and other payables	–	10,116	10,116
Loans from other group undertakings	–	738,981	738,981
Total financial liabilities	–	749,097	749,097
Total non-financial liabilities			1,846
Total liabilities			750,943

13 Fair value of financial instruments carried at fair value

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 **US$'000**	**Level 3** **US$'000**	**Total** **US$'000**
Recurring fair value measurements at 31 Dec			
Assets			
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	30,772	1,421,589	1,452,361

	2018		
	Level 1 US$'000	Level 3 US$'000	Total US$'000
Recurring fair value measurement at 31 Dec			
Assets			
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	17,963	911,701	929,664

The Company's investments in equity shares are generally not traded in active markets. In the absence of an active market, an investments fair value is estimated on the basis of an analysis of the investees' financial position and results, risk profile, prospects and other factors, as well as by reference to market valuations for similar entities quoted in an active market, or the price at which similar companies have changed ownership. Given the bespoke nature of the analysis in respect of each holding, it is not practical to quote a range of key unobservable inputs.

In respect of private equity investments, in many of the methodologies, the principal assumption is the valuation multiple to be applied to the main financial indicators. This may be determined with reference to multiples for comparable listed companies and includes discounts for marketability.

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	**Designated and otherwise mandatorily measured at fair value through profit and loss**
	US$'000	***US$'000***
At 1 Jan 2019	–	**911,701**
- changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	–	**247,535**
Additions	–	**424,007**
FX Movement	–	**(2,832)**
Disposals	–	**(151,013)**
Transfer to level 1	–	**(30,772)**
Transfers loan notes	–	**5,000**
Transfers in	–	**17,963**
At 31 Dec 2019	–	**1,421,589**

	Assets	
	Financial investments	Designated and otherwise mandatorily measured at fair value through profit and loss
	US$'000	US$'000
At 31 Dec 2017	263,190	324,548
Adoption of IFRS 9 at 1 Jan 2018	(263,190)	263,190
- changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	–	34,302
Additions	–	364,025
Disposals	–	(71,501)
Transfer to level 1	–	(17,963)
Transfers loan	–	15,100
At 31 Dec 2018	–	911,701

The following table shows the sensitivity of Level 3 fair values of reasonably possible alternative assumptions:

Sensitivity of Level 3 fair values to reasonably possible alternative assumptions

	2019		2018	
	Favourable changes	**Unfavourable changes**	Favourable changes	Unfavourable changes
	US$'000	**US$'000**	US$'000	US$'000
Designated and otherwise mandatorily measured at fair value through profit or loss	**142,159**	**(73,530)**	91,170	(91,170)
At 31 Dec	**142,159**	**(73,530)**	91,170	(91,170)

The sensitivity analysis aims to measure a range of fair values consistent with the application of a 95% confidence interval. Methodologies take account of the nature of the valuation technique employed, as well as the availability and reliability of observable proxy and historical data. When the fair value of a financial instrument is affected by more than one unobservable assumption, the above table reflects the most favourable or the most unfavourable change from varying the assumptions individually.

In prior years, the methodology used for sensitivity analysis was based on a 10% increase/decrease in fair values to show the favourable/unfavourable impact on the income statement from such movements in the valuation of investments. In the current year, the methodology has been updated whereby a 10% upside assumption is used to calculate favourable changes and a 5% or 10% downside assumption is used for unfavourable changes depending on the type of investment. Comparatives are disclosed on the same calculation basis.

14 Fair value of financial instruments not carried at fair value

	Carrying amount	Fair values — Valuation techniques: Quoted price	Using observable inputs	With significant unobservable inputs	Total
		Level 1	Level 2	Level 3	Total
		US$'000	US$'000	US$'000	US$'000
At 31 Dec 2019					
Assets					
Trade and other receivables	**5,494**	**–**	**–**	**5,494**	**5,494**
Liabilities					
Loans from other group undertakings	**1,069,155**	**–**	**–**	**1,069,155**	**1,069,155**
At 31 Dec 2018					
Assets					–
Trade and other receivables	325	–	–	325	325
Liabilities					
Loans from other group undertakings	738,981	–	–	738,981	738,981

For all financial assets and financial liabilities with overall maturities of less than one year, their fair value is approximate to their carrying value as they are short term in nature.

In arriving at the fair value of loans to associates, the Company has compared current interest rates and credit risk of borrowers with the corresponding information at the time that the loans were originated. On this basis, the Company concludes that the fair value materially equates to carrying value.

In arriving at the fair value of loans to subsidiaries the carrying amount as shown in the balance sheet is a reasonable approximation of fair value as they are short term in nature.

The fair values of the amounts due from other group undertakings and owed to other group undertakings materially equates to carrying value.

Cash and cash equivalents, interest receivables on loans due from other group undertakings, trade and other payables and receivables carrying amount as shown in the balance sheet is a reasonable approximation of fair value as they are short term in nature.

Fair values are determined using unobservable inputs by discounting future cash flows using equivalent current interest rates.

15 Financial assets designated at fair value

	2019	2018
	US$'000	US$'000
Equity instruments		
At 31 Dec 2017	–	324,548
Adoption of IFRS 9 at 1 Jan 2018	–	(324,548)
At 31 Dec	**–**	–

Financial assets designated and otherwise mandatorily measured at fair value through profit and loss account

	2019 Designated at fair value	2019 Mandatorily measured at fair value	2019 Total	2018 Designated at fair value	2018 Mandatorily measured at fair value	2018 Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Securities						
- Equity instruments	–	**1,432,261**	**1,432,261**	–	914,564	914,564
Loans and advances to banks and customers	–	**20,100**	**20,100**	–	15,100	15,100
At 31 Dec	–	**1,452,361**	**1,452,361**	–	929,664	929,664

16 Trade and other receivables

	2019	2018
	US$'000	US$'000
Amounts due from other group undertakings	**5,494**	325
At 31 Dec	**5,494**	325

17 Financial investments

	2019 US$'000	2018 US$'000
Carrying amount		
Total cost as at 31 Dec	–	262,190
Carrying amount as at 31 Dec	–	262,190
Adoption of IFRS 9 at 1 Jan 2018	–	(262,190)
At 31 Dec	–	–

Impairment movement in financial investments

	2019 US$'000	2018 US$'000
Provision for impairment		
At 31 Dec	–	(357,748)
Adoption of IFRS 9 at 1 Jan 2018	–	357,748
At 31 Dec	–	–

Movement in available-for-sale debt securities

	2019 US$'000	2018 US$'000
At 31 Dec	–	1,000
Adoption of IFRS 9 at 1 Jan 2018	–	(1,000)
At 31 Dec	–	–

18 Investments in subsidiaries

Movements on investments

	2019 US$'000	2018 US$'000
Cost		
At 1 Jan	**269,887**	658,565
Additions	**1,786**	42,448
Disposals	**(25,920)**	(412,062)
Others	**40**	(19,064)
At 31 Dec	**245,793**	269,887
Provision for impairment		
At 1 Jan	**(82,826)**	(82,826)
Disposals	**22,601**	–
At 31 Dec	**(60,225)**	(82,826)
Net book/carrying value at 31st Dec	**185,568**	187,061

Additions

In 2019, the Company increased the existing investment in subsidiary Infrared China by US$1.6m. The subsidiary Charterhouse Development Limited was dissolved in December 2019.

Impairment loss

The Company's accounting policy for the impairment of assets (other than financial assets) is described in Note 1.2(b). No additional impairment indicators have been noted except for subsidiaries noted below.

The following table sets out the investment in subsidiaries for which detailed impairment tests were undertaken.

	Cost as at 31-Dec US$'000	Net Assets/ (liabilities) US$'000
2019		
HSBC PI Holdings (Mauritius) Limited	60,225	–
2018		
HSBC PI Holdings (Mauritius) Limited	60,225	–

An impairment provision is held in full against the cost of investment in HSBC PI Holdings (Mauritius) Limited. As net asset values of the remaining subsidiaries are greater than the cost of investment held by the Company, it is considered that there are no impairment indicators and consequently, no further impairments are required.

The principal subsidiary undertakings of the Company as at 31 December 2019 are set out below:

	Country of	Interest in equity	Share class
HSBC PI Holdings (Mauritius) Limited	Mauritius	100	Ordinary shares
HSBC Specialist Investments Limited	United Kingdom	100	Ordinary shares
Corsair IV Financial Services Capital Partners LP	Cayman Islands	99.5	Limited partnership interest
Infrared NF China Real Estate Investments LP	Guernsey	80	Limited partnership interest
Hg Janus Co-Invest L.P	*United Kingdom*	100	*Limited partnership interest*

Details of all Company's subsidiaries, as required under section 409 of Companies Act 2006, are set out below in Note 29.

19 Interests in associates

The movements in the investments in associates can be analysed as follows:

	2019	2018
	US$'000	US$'000
Cost		
At 1 Jan	**17,521**	8,581
Additions	**2,596**	8,940
At 31 Dec	**20,117**	17,521
Provision for impairment		
At 1 Jan	**(1,009)**	(1,009)
At 31 Dec	**(1,009)**	(1,009)
Net carrying amount as at 31 Dec	**19,108**	16,512

In 2019 the Company increased the existing investments in associates by US$2.5m.

The Company has the following investments in associates:

	Country of incorporation	Interest in equity capital (%)	Share class	Number of shares (000's)
We.Trade Innovation Designated Activity Company	Ireland	11.21	Ordinary Shares	553
Vizolution Limited	England and Wales	17.95	Ordinary Shares	5,815
Quantexa Limited	England and Wales	10.3	Series A Shares	144
Bud Financial Limited	England and Wales	8.7	D Preference shares	125

Summarised Financial information on associates

The Company's share of:

	2019	2018
	US$'000	US$'000
Loss from continuing operations	**(4,687)**	(1,994)

20 Trade and other payables

	2019	2018
	US$'000	US$'000
Other creditors	**18,542**	10,116
At 31 Dec	**18,542**	10,116

21 Loans from other group undertakings

	Nominal interest rate	Maturity date	2019	2018
	(%)		US$'000	US$'000
HSBC Bank plc	2.13	20/03/2020	**1,528**	
HSBC Bank plc	2.12	20/03/2020	**3,151**	
HSBC Bank plc	2.14	20/03/2020	**19,354**	
HSBC Bank plc	2.26	19/06/2020	**292,926**	
HSBC Bank plc	2.15	19/06/2020	**7,230**	
HSBC Bank plc	2.39	20/03/2020	**216,532**	
HSBC Bank plc	2.27	20/03/2020	**38,166**	
HSBC Bank plc	2.13	20/03/2020	**21,846**	
HSBC Bank plc	2.16	20/03/2020	**2,255**	
HSBC Bank plc	2.22	20/03/2020	**646**	
HSBC Bank plc	2.13	20/03/2020	**6,987**	
HSBC Bank plc	2.11	20/03/2020	**2,472**	
HSBC Bank plc	2.11	20/03/2020	**3,836**	
HSBC Bank plc	1.03	19/06/2020	**2,506**	
HSBC Bank plc	1.02	20/03/2020	**841**	
HSBC Bank plc	(0.12)	20/03/2020	**8,190**	
HSBC Bank plc	(0.03)	19/06/2020	**111,151**	
HSBC Bank plc	(0.07)	19/06/2020	**190**	
HSBC Bank plc	(0.09)	20/03/2020	**158,101**	
HSBC Bank plc	(0.14)	20/03/2020	**3,844**	
HSBC Bank plc	(0.13)	20/03/2020	**5,930**	
HSBC Bank plc	2.34	20/03/2020	**21,124**	
HSBC Bank plc	1.03	19/01/2020	**44,452**	
HSBC Bank plc	(0.03)	19/01/2020	**6,061**	
HSBC Bank plc	2.97	20/03/2020	**53,559**	
HSBC Bank plc	2.85	20/03/2020	**1,907**	
HSBC Bank plc	2.37	20/03/2020	**1,292**	
HSBC Bank plc	2.08	20/03/2020	**5,000**	
HSBC Bank plc	2.11	20/03/2020	**5,000**	
HSBC Bank plc	1.11	20/03/2020	**16,291**	
HSBC Bank plc	1.10	20/03/2020	**1,520**	
HSBC Bank plc	0.10	20/03/2020	**541**	
HSBC Bank plc	(0.17)	20/03/2020	**1,122**	
HSBC Bank plc	2.52	20/03/2019		154,227
HSBC Bank plc	2.60	20/03/2019		4,647
HSBC Bank plc	2.66	20/03/2019		1,462
HSBC Bank plc	2.88	20/06/2019		216,376
HSBC Bank plc	0.84	20/03/2019		558
HSBC Bank plc	0.73	20/06/2019		2,314
HSBC Bank plc	(0.31)	20/03/2019		64,618
HSBC Bank plc	(0.31)	20/03/2019		5,480
HSBC Bank plc	(0.34)	20/03/2019		3,847
HSBC Bank plc	(0.31)	20/03/2019		8,632
HSBC Bank plc	(0.32)	20/03/2019		23,581
HSBC Bank plc	(0.32)	20/06/2019		62,259
HSBC Bank plc	2.52	20/03/2019		27,206
HSBC Bank plc	2.88	20/06/2019		43,918
HSBC Bank plc	1.02	20/06/2019		46,575
HSBC Bank plc	(0.32)	20/06/2019		6,184
HSBC Bank plc	2.67	20/03/2019		20,000
HSBC Bank plc	2.53	20/03/2019		13,559
HSBC Bank plc	2.40	20/03/2019		5,000
HSBC Bank plc	2.50	20/03/2019		7,000
HSBC Bank plc	2.53	20/03/2019		3,000
HSBC Bank plc	0.97	21/03/2019		7,448
HSBC Bank plc	0.83	21/03/2019		2,223
HSBC Bank plc	0.84	21/03/2019		1,146
HSBC Bank plc	0.90	21/03/2019		4,916
HSBC Bank plc	(0.24)	21/03/2019		344
HSBC Bank plc	(0.31)	21/03/2019		191
HSBC Bank plc	(0.31)	21/03/2019		17
Accrued interest payable			**3,604**	2,253
At 31 Dec			**1,069,155**	738,981

22 Maturity analysis of assets and liabilities

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

	On demand	Due within 3 months	Due between 3 - 12 months	Undated	Total
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Assets					
Cash and cash equivalents	**73,607**	**–**	**–**	**–**	**73,607**
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**–**	**–**	**–**	**1,452,361**	**1,452,361**
Trade and other receivables	**–**	**5,494**	**–**	**–**	**5,494**
Non-financial assets	**–**	**–**	**–**	**210,172**	**210,172**
At 31 Dec 2019	**73,607**	**5,494**	**–**	**1,662,533**	**1,741,634**
Liabilities and Equity					
Trade and other payables	**–**	**18,542**	**–**	**–**	**18,542**
Loans from other group undertakings	**–**	**654,929**	**414,226**	**–**	**1,069,155**
Non-financial liabilities	**–**	**–**	**–**	**28,660**	**28,660**
At 31 Dec 2019	**–**	**673,471**	**414,226**	**28,660**	**1,116,357**

	On demand	Due within 3 months	Due between 3 - 12 months	Undated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Assets					
Cash and cash equivalents	45,544	–	–	–	45,544
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	–	–	–	929,664	929,664
Trade and other receivables	–	325	–	–	325
Non-financial assets	–	–	–	205,226	205,226
At 31 Dec 2018	45,544	325	–	1,134,890	1,180,759
Liabilities and Equity					
Trade and other payables	–	10,116	–	–	10,116
Loans from other group undertakings	–	361,097	377,884	–	738,981
Non-financial liabilities	–	–	–	1,846	1,846
At 31 Dec 2018	–	371,213	377,884	1,846	750,943

23 Called up share capital

	2019		2018	
	Number	**US$'000**	Number	US$'000
Issued, allotted and fully paid up				
Ordinary shares of £1 each	**27,383,462**	**40,586**	27,383,462	40,586
As at 1 January and 31 December	**27,383,462**	**40,586**	27,383,462	40,586

24 Contingent liabilities, contractual commitments and guarantees

The following table gives the nominal principal amounts of off-balance sheet transactions:

	2019	2018
	US$'000	US$'000
	Contract amount	Contract amount
Commitments		
Commitments to investments[1]	**1,733,187**	1,757,218
At 31 Dec	**1,733,187**	1,757,218

1 Credit commitments relates to Private equity investments.

The above table discloses the notional principal amounts of third-party off-balance sheet transactions. Commitments are credit-related instruments which include commitments to invest. Contractual amounts represent the amounts at risk should contracts be fully drawn upon. Since a portion of the commitments are expected to expire without being fully drawn upon, the total of the contractual amounts is not representative of future liquidity requirements.

The Company will finance its commitments through borrowings from its parent company, HSBC Bank plc.

25 Management of financial risk

The Company has exposure to the following types of risk arising from its use of financial instruments: credit risk, liquidity risk and market risk. Market risk includes interest rate risk, foreign exchange risk and equity risk.

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

Exposure to credit risk, liquidity risk and market risk arises in the normal course of the Company's business. The Company's risk management policies are consistent with the HSBC's Group risk management policies.

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

As part of that process, the Business' management will review the monthly management accounts of the Business. There were no changes in the Company approach to risk management during the year.

Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty of the Company fails to meet a payment obligation under a contract. It arises principally from cash held with other group entities and recoverable from financial investments.

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

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

The Company's exposure to credit risk in relation to cash held with other group entities relates to group undertakings that are wholly-owned subsidiaries of HSBC Holdings plc, and are part of the Business described above. Such counterparties have no history of default and have been able to meet their liabilities as they fall due. On this basis the Company considers the amounts due to be fully recoverable. Credit risk arising from default on other loans is not expected to have a material impact on the Company's net assets.

The Company also lends to associates and other customers. The maximum exposure to credit risk for these investments is equal to carrying value.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Balance sheet plus contractual commitments disclosed in Note 24.

2019 Credit risk disclosures

At 31 December 2019 the Company had US$20.1m loans (2018: US$15.1m) which has been designated at fair value through profit and loss account.

Liquidity risk management

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

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

	On Demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Trade and other payables	–	**18,542**	–	–	–	**18,542**
Loans from other group undertakings	–	**657,101**	**417,422**	–	–	**1,074,523**
At 31 Dec 2019	–	**675,643**	**417,422**	–	–	**1,093,065**
Trade and other payables	–	10,116	–	–	–	10,116
Loans from other group undertakings	–	362,354	381,551	–	–	743,905
At 31 Dec 2018	–	372,470	381,551	–	–	754,021

Market risk management

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial investments (including private equity assets), amounts owed to group undertakings or cash and cash equivalents. In the context of private equity investments, management acknowledges increased exposure of private equity assets to market risk, comprising price risk and, for investments denominated in foreign currencies, currency risk.

Interest rate risk on fixed rate lending is managed at a group level by matching with equivalent fixed rate borrowings, with interest recharged to the Company at cost, after taking any group level risk management into account. Management keep interest rate exposure under review on loans at floating rates.

Foreign exchange risk

The Company mitigates foreign currency exposure by generally matching foreign currency assets with foreign currency liabilities. The Company's exposure to foreign exchange risk has significantly reduced due to redenomination of its functional currency from sterling to US dollars in the prior year.

Interest rate risk

The table below sets out the effect on our future net interest income of an incremental 100 basis points parallel rise or fall in interest rates at the reporting date (floored to 0%). The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2018.

	Profit or loss 100 bps increase	Profit or loss 100 bps decrease
	US$'000	US$'000
As at 31 Dec 2019		
Loans from other group undertakings	**24,059**	**(5,901)**
Total increase/(decrease)	**24,059**	**(5,901)**
As at 31 Dec 2018		
Loans from other group undertakings	18,672	(6,259)
Total increase/(decrease)	18,672	(6,259)

26 Related party transactions

Transaction with other related parties

	2019		2018	
	Highest balance during the year	Balance at 31 December	Highest balance during the year	Balance at 31 December
	US$'000	US$'000	US$'000	US$'000
Assets				
Cash and cash equivalents[1]	**73,607**	**73,607**	287,366	45,544
Trade and other receivables[2]	**5,494**	**5,494**	325	325
Liabilities				
Loans from other group undertakings[1]	**1,069,155**	**1,069,155**	863,326	738,981

1 These balances are held with HSBC Bank plc.
2 These balances are held with HSBC Specialist Investments Limited.

	2019	2018
	US$'000	US$'000
Income statement		
Interest expense	**(15,939)**	(12,297)
Dividend income	**–**	13,468

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

27 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 Bank plc. All companies are registered in England and Wales.

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

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
United Kingdom
www.hsbc.com

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

28 Events after the balance sheet date

Since early January 2020, COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global 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 their economies. The main risk to the Company relates to the valuation of the investments held by the Company including its investment in subsidiaries and during 2020, there have been reductions in the valuation of the investments held. It is considered that continuing volatile market conditions will increase the risk of lower profitability and impairment requirements in the Company. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, the impact of the COVID-19 outbreak continues to be being actively monitored by the Company for any adverse effects on the financial performance and financial position of the Company.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date.

On 18 November 2020, the Company entered into a Sale and Purchase agreement in respect of the disposal of interests in 14 Investment Funds held by the Company. In addition to this, the Sale and Purchase agreement included the disposal of the investment in one of the Company's wholly owned subsidiaries, Hg Janus Co-Invest L.P.

The agreed purchase consideration has been set at $642m as at 18 November 2020. Completion is subject to a small number of conditions and Management expect this to occur on or before 31 December 2020.

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

29 Subsidiary undertaking related tables

In accordance with section 409 of the Companies Act 2006 a list of the Company's subsidiaries, the country of incorporation and the effective percentage of equity owned at 31 December 2019 is disclosed below.

Subsidiaries	Interest (%)	Footnotes
HSBC City Funding Holdings	100	1,3
HSBC Infrastructure Limited	100	1,3
HSBC PI Holdings (Mauritius) Limited	100	1,5
HSBC Property Funds (Holding) Limited	100	1,3
HSBC Specialist Investments Limited	100	1,3
HSIL Investments Limited	100	1,3
Corsair IV Financial Services Capital Partner LP	100	2,4
Infrared NF China Real Estate Investments LP	80	2,6
Hg Janus Co-Invest L.P	100	2,7

Reference	Description of Shares
1	Ordinary Shares
2	Limited partnership interest

Reference	Registered Office
3	8 Canada Square London E14 5HQ United Kingdom
4	Maples Corporate Services Limited, PO Box 309, Ugland House, South Church Street, George Town, Grand Cayaman, KY1-1104, Cayman Islands
5	HSBC Centre Eighteen Cybercity Ebene Mauritius
6	Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WW, Channel Islands
7	1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, Channel Islands, GY1 2HL