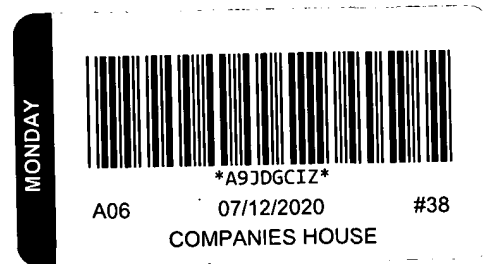


HSBC Property Funds (Holding) Limited
Registered No: 03335872

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



HSBC Property Funds (Holding) Limited
Registered No: 03335872

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

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HSBC Property Funds (Holding) Limited

Strategic Report

Principal activities

HSBC Property Funds (Holding) Limited ('the Company') acts as a holding company for companies established primarily to acquire and actively manage properties. No change in the Company's activities is anticipated.

The Company is a private limited company domiciled and incorporated in United Kingdom and registered in England and Wales. Its trading address is 8 Canada Square, London E14 5HQ, United Kingdom.

The Company is limited by shares.

Review of the Company's business

During the year the Company continued to act as a holding company for its subsidiary, HSIL Investments Limited. There were no investments made by the Company.

The business is funded by other group undertakings through equity investment and borrowings.

The Company has no employees and all the related services are provided by the parent company.

Section 172 statement

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

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

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

Performance

The Company's results for the year under review are as detailed in the Income statement on page 8 of these financial statements.

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 its ultimate parent, HSBC Holdings plc. Ongoing review of performance of the Company is carried out by comparing actual performance against annually set budgets.

HSBC Property Funds (Holding) Limited

Strategic Report

Principal risks and uncertainties

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required under the Companies Act 2006 are set out in Note 10 of the financial statements.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('EU') with the process of leaving the EU commencing on 29 March 2018. 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 UK leaving the EU is currently uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime, this uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. As described in Note 10, 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 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 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 other countries to protect their economies. The main risk to the Company relates to the valuation of its investment in subsidiaries. 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 is being actively monitored by the Company.

On behalf of the Board



J P Marlow
Director

Dated: 30 November 2020

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

HSBC Property Funds (Holding) Limited

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

J P Marlow
C R J Irvin
J Wilkinson

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.

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 other countries to protect their economies. The main risk to the Company relates to the valuation of its investment in subsidiaries. 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 is being actively monitored by 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.

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

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: nil).

Future developments

No change in the Company's activities is expected.

Going concern basis

The Company had net current liabilities of £37,232,331 as at 31 December 2019. HSBC Investment Bank Holdings Limited, the intermediate 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 principal risks and uncertainties facing the Company, together with its financial risk management objectives and policies, and an analysis of the exposure to such risks, are set out in Note 10 of 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.

HSBC Property Funds (Holding) Limited

Report of the Directors

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

Independent auditors

PricewaterhouseCoopers LLP ('PwC') are external 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 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



J P Marlow
Director

Dated: 30 November 2020

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

HSBC Property Funds (Holding) Limited

Independent auditors' report to the member of HSBC Property Funds (Holding) Limited

Report on the audit of the financial statements

Opinion

In our opinion, HSBC Property Funds (Holding) 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 of opinion

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

Independence

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

Conclusions relating to going concern

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

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

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.

HSBC Property Funds (Holding) Limited

Independent auditors' report to the member of HSBC Property Funds (Holding) Limited

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.

HSBC Property Funds (Holding) Limited

Independent auditors' report to the member of HSBC Property Funds (Holding) Limited

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Harry Armour (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Dated: 30 November 2020

HSBC Property Funds (Holding) Limited
Financial statements

Income statement for the year ended 31 December 2019

	<i>Notes</i>	2019 £	2018 £
General and administrative income/(expenses)		<u>5,400</u>	<u>(2,000)</u>
		<u>5,400</u>	<u>(2,000)</u>
Profit/(loss) before tax		5,400	(2,000)
Tax expense	5	<u>(1,026)</u>	<u>(46,796)</u>
Profit/(loss) for the year		4,374	(48,796)

Statement of comprehensive income for the year ended 31 December 2019

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

HSBC Property Funds (Holding) Limited
Financial statements

Balance sheet as at 31 December 2019

	<i>Notes</i>	2019 £	2018 £
Assets			
Cash and cash equivalents		45,534	54,619
Current tax asset		-	380
Investments in subsidiaries	6	35,010,001	35,010,001
Total assets		<u>35,055,535</u>	<u>35,065,000</u>
Liabilities and Equity			
Liabilities			
Trade and other payables	7	37,276,839	37,291,704
Current tax liabilities		1,026	-
Total liabilities		<u>37,277,865</u>	<u>37,291,704</u>
Equity			
Called up share capital	8	5,000,000	5,000,000
Accumulated losses		(7,222,330)	(7,226,704)
Total equity		<u>(2,222,330)</u>	<u>(2,226,704)</u>
Total liabilities and equity		<u>35,055,535</u>	<u>35,065,000</u>

The accompanying notes on pages 12 to 19 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 30 November 2020 and signed on its behalf by:



J P Marlow
 Director
 Company Registration Number: 03335872

HSBC Property Funds (Holding) Limited
Financial statements

Statement of cash flows for the year ended 31 December 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit/(loss) before tax	5,400	(2,000)
Adjustments for:		
Tax received	<u>380</u>	<u>385</u>
Net cash generated from /(used in) operating activities	<u>5,780</u>	<u>(1,615)</u>
Cash flows from financing activities		
Movements in amounts due to parent undertakings.....	<u>(14,865)</u>	<u>1,615</u>
Net cash used in financing activities	<u>(14,865)</u>	<u>1,615</u>
Net decrease in Cash and cash equivalents.....	<u>(9,085)</u>	<u>-</u>
Cash and cash equivalents brought forward	<u>54,619</u>	<u>54,619</u>
Cash and cash equivalents carried forward	<u>45,534</u>	<u>54,619</u>

HSBC Property Funds (Holding) Limited
Financial statements

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

	Called up share capital £	Accumulated losses £	Total equity £
2019			
At 1 January 2019.....	5,000,000	(7,226,704)	(2,226,704)
Profit for the year	-	4,374	4,374
Total comprehensive income for the year	-	4,374	4,374
At 31 December 2019	<u>5,000,000</u>	<u>(7,222,330)</u>	<u>(2,222,330)</u>

	Called up share capital £	Accumulated losses £	Total equity £
2018			
At 1 January 2018.....	5,000,000	(7,177,908)	(2,177,908)
Loss for the year	-	(48,796)	(48,796)
Total comprehensive expense for the year	-	(48,796)	(48,796)
At 31 December 2018	<u>5,000,000</u>	<u>(7,226,704)</u>	<u>(2,226,704)</u>

HSBC Property Funds (Holding) Limited

Notes on the financial statements

1 Basis of preparation and significant accounting policies

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

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

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

At 31 December 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 has adopted the requirements of IFRS 16 'Leases' with effect from 1 January 2019. Adoption has 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

There are no new IFRSs published by the IASB which are effective from 1 January 2020 that are 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 that are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

(d) Presentation of information

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

The financial statements 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.

The financial statements have been prepared under the historical cost convention.

HSBC Property Funds (Holding) Limited

Notes on the financial statements

(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, resulting in materially different conclusions from those reached by management for the purposes of these financial statements.

Management's selection of the Company's accounting policies which contain critical estimates and judgements 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 Company had net current liabilities of £37,232,331 as at 31 December 2019. HSBC Investment Bank Holdings Limited, the intermediate 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 Significant accounting policies

(a) Income and expense

Operating income

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 shareholders approve the dividend for unlisted equity securities.

(b) Valuation of financial instruments

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

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

(c) Investments in subsidiaries

The Company classifies investments in entities in 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 and any return of capital.

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.

HSBC Property Funds (Holding) Limited

Notes on the financial statements

(d) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, are measured at amortised cost.

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.

(e) 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 any adjustment to tax payable in respect of previous years. The Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

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

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

(f) Cash and cash equivalents

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

(g) 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.

2 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2018: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

3 Employee compensation and benefits

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

4 Auditors' remuneration

The auditors' remuneration borne by the Company amounted to £2,100 (2018: £2,000).

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

HSBC Property Funds (Holding) Limited
Notes on the financial statements

5 Tax

Tax expense

	2019 £	2018 £
UK corporation tax		
- for this year	1,026	(380)
- adjustments in respect of prior years	-	47,176
Total current tax	<u>1,026</u>	<u>46,796</u>
Total tax charged to the income statement	<u>1,026</u>	<u>46,796</u>

The UK corporation tax rate applying to the Company was 19% (2018: 19%).

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%.

Tax reconciliation

	2019 £	%	2018 £	%
Profit/(loss) before tax	<u>5,400</u>		<u>(2,000)</u>	
Tax at 19% (2018: 19%)	1,026	19.0	(380)	19.0
Adjustments in respect of prior years	-	-	47,176	(2,358.8)
Total tax charged to the income statement	<u>1,026</u>	<u>19.0</u>	<u>46,796</u>	<u>(2,339.8)</u>

6 Investments in subsidiaries

	2019 £	2018 £
Cost		
At 1 January	35,010,001	35,010,003
Disposals	-	(2)
At 31 December	<u>35,010,001</u>	<u>35,010,001</u>
Provision for impairment		
At 1 January	-	(2)
New releases	-	2
At 31 December	<u>-</u>	<u>-</u>
Net carrying amount 31 December	<u>35,010,001</u>	<u>35,010,001</u>

HSBC Property Funds (Holding) Limited
Notes on the financial statements

Impairment loss

The Company's accounting policy for impairment of assets (other than financial assets) is described in Note 1.2(c). The following table sets out the investments in subsidiaries for which detailed impairment tests were undertaken and the assumptions used.

	Carrying value before impairment at 31 December £	Net assets at 31 December £
2019		
HSIL Investments Limited	35,000,001	83,792,055
CL Residential Limited (in liquidation)	10,000	10,073
2018		
HSBC Property Funds Investment Limited	-	-
HSIL Investments Limited	35,000,001	83,114,093
CL Residential Limited (in liquidation)	10,000	10,073

No impairment indicators have been noted in the investment in subsidiaries mentioned above at 31 December 2019 as the Net Asset Value is higher than the carrying value.

On 24 September 2020, CL Residential Limited was dissolved.

Principal subsidiary undertakings

Details of the Company's subsidiaries, as required under Section 409 of the Companies Act 2006 are set out below.

	Country of incorporation	Interest in equity capital %	Footnotes
HSIL Investments Limited	United Kingdom	100.00(Direct)	1,2
CL Residential Limited (in liquidation)	United Kingdom	100.00(Direct)	1,3

Description of shares:

Ordinary shares

Footnotes

1

Registered offices:

8 Canada Square, London E14 5HQ, United Kingdom

Footnotes

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Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom

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7 Trade and other payables

	2019 £	2018 £
Amounts due to other group undertakings	37,276,839	37,291,704
	37,276,839	37,291,704

Amounts due to other group undertakings have no fixed date for repayment and are therefore technically repayable on demand. They are accounted for as financial liabilities, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value.

During the year, an amount of £7,500 relating to over accrual of audit fees for prior years has been reversed and released to the income statement.

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8 Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
5,000,000 (2018: 5,000,000) Ordinary shares of £1 each	5,000,000	5,000,000
	5,000,000	5,000,000

9 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 at amortised cost.

10 Management of financial risk

Exposure to 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 Group's risk management policies.

As part of that process, the Business' management will review the monthly management accounts of the Business.

There were no changes in the Company's approach to risk management during the year.

Credit risk management

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company's main credit exposure is to fellow group companies. The maximum exposure to credit risk is represented by the carrying amount of trade receivables at the balance sheet date.

Credit risk also arises from cash and cash equivalents, and deposits with banks and financial institutions. Credit risk is managed as only banks and financial institutions with a minimum rating of 'A' are accepted.

Liquidity risk management

The objective of liquidity management is to ensure that all commitments which are required to be funded can be met out of readily available and secure sources of funding.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company does this by monitoring its investment commitments and positions on an ongoing basis within limits set and approved by the HSBC group.

The following is an analysis of undiscounted cash flows payable under financial liabilities by remaining contractual maturities (excluding interest) at the end of the reporting period:

	Carrying value	Contractual cash flows	On demand
	£	£	£
2019			
Trade and other payables	37,276,839	37,276,839	37,276,839
	37,276,839	37,276,839	37,276,839
2018			
Trade and other payables	37,291,704	37,291,704	37,291,704
	37,291,704	37,291,704	37,291,704

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Market risk management

Market risk is the risk that changes in the market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income, or the value of its holdings of financial instruments. The objective is to minimise market risk through managing and controlling the risk to acceptable parameters, while optimising the return on risk.

The Company has minimal exposure to market risk.

Interest rate risk

The Company has no exposure to interest rate risks as it does not have any interest bearing borrowings.

Foreign exchange risk management

The Company has no exposure to currency risks as it does not deal in foreign currencies.

11 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	Undated	Total
	£	£	£
Assets			
Cash and cash equivalents	45,534	-	45,534
Non-financial assets	-	35,010,001	35,010,001
At 31 Dec 2019	45,534	35,010,001	35,055,535
Liabilities and Equity			
Trade and payables	37,276,839	-	37,276,839
Non-financial liabilities	-	1,026	1,026
Equity	-	(2,222,330)	(2,222,330)
At 31 Dec 2019	37,276,839	(2,221,304)	35,055,535

	On demand	Undated	Total
	£	£	£
Assets			
Cash and cash equivalents	54,619	-	54,619
Non-financial assets	-	35,010,381	35,010,381
At 31 Dec 2018	54,619	35,010,381	35,065,000
Liabilities and Equity			
Trade and payables	37,291,704	-	37,291,704
Equity	-	(2,226,704)	(2,226,704)
At 31 Dec 2018	37,291,704	(2,226,704)	35,065,000

12 Fair value of financial assets and liabilities

For short-term receivables and payables, the amount is a reasonable approximation of fair value because, for example, they are short-term in nature or reprice to current market rates frequently.

There are no material differences between the carrying value and the fair value of financial assets and liabilities at the end of the reporting period.

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13 Related party transactions

Transactions with other related parties:

	2019		2018	
	Highest balance during the year £	Balance at 31 December £	Highest balance during the year £	Balance at 31 December £
Assets				
Cash and cash equivalents ¹	54,619	45,534	54,619	54,619
Liabilities				
Trade and other payables ²	37,276,839	37,276,839	37,291,704	37,291,704

¹ These balances are held with HSBC Bank plc.

² These balances are payable to HSBC Specialist Investments Limited.

14 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 Specialist Investments Limited. 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 and HSBC Bank plc consolidated financial statements can be obtained from:

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

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

15 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 other countries to protect their economies. The main risk to the Company relates to the valuation of its investment in subsidiaries. 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 is being actively monitored by 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.

There are no other significant events after balance sheet date.