HSIL Investments Limited

Registration No: 4430147

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

HSBC

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

Contents

Strategic Report

Principal activities

HSIL Investments 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.

The Company acts as an investment company and as a holding company for companies established primarily to acquire property and infrastructure investments. No change in the Company's activities is anticipated.

The principal activities of the Company are set out above. In addition, the Company is a subsidiary where its indirect parent, HSBC Specialist Investments Limited ('HSIL'), provides services by seeking new business and managing and divesting the asset portfolio. The Company is limited by shares.

Review of the Company's business

During the year the Company carried out a number of acquisitions and disposals of investments. The business is funded by a parent undertaking through equity investment and by an indirect parent undertaking through borrowings.

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

The Company's stakeholders are limited to its subsidiaries as listed in Note 16 and its parent and indirect parent companies.

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 shown on page 7 of these financial statements.

The Company's investments are medium/long-term in nature and the level of profits or losses are expected to be determined by the performance and realisation of these investments.

The operating profit for the year was £4,190k (2018: £5,480k operating loss).

The Company's investments are made in both sterling and foreign currencies, principally Euro and US Dollar.

Key performance indicators

As the Company is managed as part of the 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 Holdings plc. Ongoing review of the performance of the Company is carried out by comparing actual performance against annually set budgets.

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 21 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 21, 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 other countries to protect their economies. The principal risk to the Company is the valuation of its investments in external parties. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, management continue to monitor the situation closely and the effect on financial performance.

On behalf of the Board

J.P. Marlow

J P Marlow
Director
27 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
C R J Irvin
J Wilkinson
J P Marlow

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

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

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 principal risk to the Company is the valuation of its investments in external parties. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, management continue to monitor the situation closely and the effect on financial performance.

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.

Future developments

No change in the Company's activities is expected.

Going concern basis

The Company had net current liabilities of £41,371k 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 financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 21 of the Notes on the financial statements.

Capital management

The Company is not subject to externally imposed capital requirements. It is a member of the HSBC Specialist Investments Group ('HSI') and capital management is performed at group level.

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

J P Marlow
Director
27 November 2020

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Independent auditors' report to the member of HSIL Investments Limited

Report on the audit of the financial statements

Opinion

In our opinion, HSIL Investments 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.

Harry Armour

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

Dated: 27 November 2020

Financial statements

Income statement for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Interest expense		**(2,569)**	(3,344)
Net interest expense		**(2,569)**	(3,344)
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss		**(1,377)**	(15,325)
Gains less losses from financial investments		**9,993**	746
Other operating (expense)/income	2	**(1,336)**	12,630
Net operating income/(expense) before loan impairment charges and other credit risk provision		**4,711**	(5,293)
General and administrative expenses	3	**(521)**	(436)
Impairment reversal on investments in subsidiaries		**–**	249
Total operating expenses		**(521)**	(187)
Operating profit/(loss)		**4,190**	(5,480)
Profit/(loss) before tax		**4,190**	(5,480)
Tax credit	7	**399**	682
Profit/(loss) for the year		**4,589**	(4,798)

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: 4430147

	Notes	2019 £'000	2018 £'000
Assets			
Cash and cash equivalents	9	**1,592**	1,694
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	15	**128,019**	125,486
Trade and other receivables	14	**14,090**	9,404
Current tax assets		**1,206**	2,654
Investments in subsidiaries	16	**–**	496
Total assets		**144,907**	139,734
Liabilities and equity			
Liabilities			
Loans from other group undertakings	17	**57,053**	57,235
Accruals, deferred income and other liabilities		**716**	664
Deferred tax liabilities	8	**3,346**	2,632
Total liabilities		**61,115**	60,531
Equity			
Called up share capital	19	**35,000**	35,000
Retained earnings		**48,792**	44,203
Total equity		**83,792**	79,203
Total liabilities and equity		**144,907**	139,734

The accompanying notes on pages 11 to 22 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 27 November 2020 and signed on its behalf by:

J P Marlow
Director

27 November 2020

Statement of cash flows for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit/(loss) before tax		**4,190**	(5,480)
Adjustments for:			
Non-cash items included in profit before tax	9	**(7,280)**	1,699
Change in operating assets	9	**(4,686)**	(9,404)
Change in operating liabilities	9	**52**	347
Tax credit received		**2,561**	1,892
Net cash used in operating activities		**(5,163)**	(10,946)
Cash flows from investing activities			
Purchase of financial investments		**(12,891)**	(26,988)
Proceeds from the sale and maturity of financial investments		**19,470**	19,889
Net cash generated from/(used in) investing activities		**6,579**	(7,099)
Cash flows from financing activities			
(Repayment)/return of borrowings		**(1,518)**	17,394
Net cash (used in)/generated from financing activities		**(1,518)**	17,394
Net decrease in cash and cash equivalents		**(102)**	(651)
Cash and cash equivalents brought forward		**1,694**	2,345
Cash and cash equivalents carried forward	9	**1,592**	1,694

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
	£'000	£'000	£'000	£'000
At 1 Jan 2019	**35,000**	**44,203**	**–**	**79,203**
Profit for the year	**–**	**4,589**	**–**	**4,589**
Total comprehensive income for the year	**–**	**4,589**	**–**	**4,589**
At 31 Dec 2019	**35,000**	**48,792**	**–**	**83,792**

	Called up share capital	Retained earnings	Other reserves Financial assets at FVOCI reserve	Total equity
	£'000	£'000	£'000	£'000
As at 31 Dec 2017	35,000	22,491	26,510	84,001
Impact on transition to IFRS 9	–	26,510	(26,510)	–
At 1 Jan 2018	35,000	49,001	–	84,001
Loss for the year	–	(4,798)	–	(4,798)
Total comprehensive expense for the year	–	(4,798)	–	(4,798)
At 31 Dec 2018	35,000	44,203	–	79,203

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.

During 2019, the Company adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements 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 endorsed by the EU and are effective from 1 January 2020 that are expected to have an 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 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.

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

(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.

(f) Going concern

The Company had net current liabilities of £41,371k 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 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, expense and dividends.

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) 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 Company'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 11

(d) Financial instruments 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.

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.

(e) 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', including related derivatives, measured at fair value through profit or loss.

(f) 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.

(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.

(h) 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 Other operating(expense)/income

	2019	2018
	£'000	£'000
Foreign exchange (loss)/gain	**(1,336)**	12,630

Non-sterling investments within the HSI group are funded with debt in the same currency, however International Accounting Standards require only the gains or losses on the monetary assets (being debt and loan stock portion of the investment) and not the non-monetary assets (equity portion of the investments) to flow through the income statement causing a gain or loss.

3 General and administrative expenses

Included in general and administrative expenses are £488k (2018: £405k) of management fees.

The Directors actively monitor the investments in the Company. For the year ended31 December 2019, no additional provision has been raised against loan stock (2018: nil). Subsidiary provisions released in the current reporting year were nil (2018: £249k).

4 Employee compensation and benefits

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

5 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.

6 Auditors' remuneration

	2019	2018
	£'000	£'000
Audit fees for statutory audit		
- Fees relating to current year	**33**	31

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

7 Tax

Tax credit

	2019	2018
	£'000	£'000
Current tax		
UK Corporation tax		
- For this year	**(1,703)**	(2,654)
- Adjustments in respect of prior years	**591**	464
Total current tax	**(1,112)**	(2,190)
Deferred tax		
- For this year	**695**	1,359
- Effects of changes in tax rates	**18**	–
- Adjustments in respect of prior years	**–**	149
Total deferred tax	**713**	1,508
Year ended 31 Dec	**(399)**	(682)

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%. 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 £393,602.

Tax reconciliation

	2019		2018	
	£'000	**(%)**	£'000	(%)
Profit/(loss) before tax	**4,190**		(5,480)	
Tax at 19% (2018: 19%)	**796**	**19.0**	(1,041)	19.0
Adjustment in respect of prior years	**591**	**14.1**	613	(11.2)
Permanent disallowables	**94**	**2.3**	30	(0.5)
Impact due to changes in tax rates	**18**	**0.4**	–	–
Non-taxable income and gains	**(1,898)**	**(45.3)**	(284)	5.2
Year ended 31 Dec	**(399)**	**(9.5)**	(682)	12.5

8 Deferred tax

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

	Other temporary differences	
	2019	2018
	£'000	£'000
At 1 Jan	**(2,632)**	(1,125)
Income statement charge	**(713)**	(1,358)
Prior year adjustments	**(1)**	(149)
At 31 Dec	**(3,346)**	(2,632)

The amount of temporary differences for which no deferred tax asset is recognised in the balance sheet is nil (2018: £68k). The amount of capital losses for which no deferred tax asset is recognised on the balances sheet is £19,773k (2018: nil). The deferred tax asset not recognised in the balance sheet is £3,354k (2018: £11k).

9 Reconciliation of profit before tax to Net cash flow

	2019 £'000	2018 £'000
Profit/(loss) before tax	**4,190**	(5,480)
Non-cash item included in profit and loss		
Impairment release of investment in subsidiaries	–	(249)
Fair values losses	**1,377**	15,324
Elimination for exchange differences	**1,336**	(12,630)
Profit on disposal of investments	**(9,993)**	(746)
	(7,280)	1,699
Change in operating assets		
Change in trade and other receivables	**(4,686)**	(9,404)
Change in operating liabilities		
Change in accruals, deferred income and other liabilities	**52**	347
Cash and cash equivalents comprise		
Cash at bank with other group undertakings	**1,592**	1,694

10 Analysis of financial assets and liabilities by measurement basis

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

At 31 Dec 2019	**FVPL** **£'000**	**Amortised cost** **£'000**	**Total** **£'000**
Assets			
Cash and cash equivalents	–	**1,592**	**1,592**
Trade and other receivables	–	**14,090**	**14,090**
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**128,019**	–	**128,019**
Total financial assets	**128,019**	**15,682**	**143,701**
Total non-financial assets			**1,206**
Total assets			**144,907**
Liabilities			
Loans from other group undertakings	–	**57,053**	**57,053**
Accruals, deferred income and other liabilities	–	**716**	**716**
Total financial liabilities	–	**57,769**	**57,769**
Total non-financial liabilities			**3,346**
Total liabilities			**61,115**

At 31 Dec 2018	FVPL £'000	Amortised cost £'000	Total £'000
Assets			
Cash and cash equivalents	–	1,694	1,694
Trade and other receivables	–	9,404	9,404
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	125,486	–	125,486
Total financial assets	125,486	11,098	136,584
Total non-financial assets			3,150
Total assets			139,734
Liabilities			
Loans from other group undertakings	–	57,235	57,235
Accruals, deferred income and other liabilities	–	664	664
Total financial liabilities	–	57,899	57,899
Total non-financial liabilities			2,632
Total liabilities			60,531

11 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	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Recurring fair value measurements at 31 Dec				
Assets				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	–	–	**128,019**	**128,019**

	2018			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Recurring fair value measurement at 31 Dec				
Assets				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	–	–	125,486	125,486

Fair valuation bases

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

	Financial investments	
	2019	2018
	£'000	£'000
Private equity including strategic investments	**128,019**	125,486
At 31 Dec 2019	**128,019**	125,486

Private equity including strategic investments

The Company's investments in equity shares are generally not traded in active markets. The investment's fair value is estimated: on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors; by reference to market valuations for similar quoted in an active market, or the price at which similar companies have changed ownership.The key unobservable input for these investments is the Net asset Value ('NAV').

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:

	Financial investments	
	2019	2018
	£'000	£'000
At 1 Jan	**125,486**	131,075
- changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	**(1,377)**	(15,325)
- exchange differences	**(5,394)**	18,798
Purchases	**18,292**	7,938
Sales	**(8,988)**	(17,000)
At 31 Dec	**128,019**	125,486

Key unobservable inputs to Level 3 financial instruments

The table below lists key unobservable inputs to Level 3 financial instruments, and provides the range of those inputs at 31 December 2019. The core range of inputs is the estimated range within which 90% of the inputs fall.

Quantitative information about significant unobservable inputs in level 3 valuations

	Fair value			
	Assets	**Liabilities**	**Valuation technique**	**Key unobservable inputs**
	£'000	**£'000**		
Private equity including strategic investments	**128,019**	–		**Fund Valuation**
At 31 Dec 2019	**128,019**	–		
Private equity including strategic investments	125,486	–		Fund Valuation
At 31 Dec 2018	125,486	–		

12 Fair value of financial instruments not carried at fair value

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

There are no material differences between the carrying value and the fair value of financial assets and liabilities at 31 December 2019 and 31 December 2018.

13 Financial assets designated at fair value

	2019	2018
	£'000	£'000
Equity instruments		
At 1 January	–	131,075
Transfer to fair value through profit and loss	–	(131,075)
At 31 Dec	–	–

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

	2019			2018		
	Designated at fair value	Mandatorily measured at fair value	Total	Designated at fair value	Mandatorily measured at fair value	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Securities						
- Equity instruments	–	128,019	128,019	–	125,486	125,486
At 31 Dec	–	128,019	128,019	–	125,486	125,486

14 Trade and other receivables

	2019	2018
	£'000	£'000
Trade and other receivables	14,090	9,404
At 31 Dec	14,090	9,404

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

	2019			2018		
	Partnership capital	Loan stock	Total	Partnership capital	Loan stock	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 Jan	36	125,450	125,486	35	131,040	131,075
Additions	–	18,292	18,292	–	7,938	7,938
Disposals	–	(8,988)	(8,988)	–	(17,000)	(17,000)
Revaluation	(2)	(1,375)	(1,377)	1	(15,326)	(15,325)
FX movement	–	(5,394)	(5,394)	–	18,798	18,798
At 31 Dec	34	127,985	128,019	36	125,450	125,486

In addition to the Capital investments detailed above, the Company has the following loan commitments outstanding as at 31 December 2019 and 2018 to each fund;

	2019				2018			
	InfraRed Environmental Infrastructure Fund (I) LP	InfraRed European Active Real Estate Fund (I) L.P	InfraRed Principal Book LP	InfraRed Infrastructure III (No.1) LP	InfraRed Environmental Infrastructure Fund (I) LP	InfraRed European Active Real Estate Fund (I) L.P	InfraRed Principal Book LP	InfraRed Infrastructure III (No.1) LP
	€'000	€'000	US$'000	US$'000	€'000	€'000	US$'000	US$'000
Total commitment	78,505	132,500	50,000	124,995	78,505	132,500	50,000	124,995
Drawn	(68,160)	(124,115)	(41,940)	(115,989)	(52,577)	(124,115)	(43,207)	(109,824)
Remaining at 31 December	10,345	8,385	8,060	9,006	25,928	8,385	6,793	15,171
GBP equivalent (£)	8,782	7,119	6,096	6,812	23,257	7,521	5,321	11,882

The committed loans are payable in periodic drawdowns determined by the General Partner of each fund. The loans are non-interest bearing and repayable after all payments of appropriate provision for costs, liabilities, tax withheld, expenses and working capital requirements of the funds and the accrued unpaid priority profit share to the respective General Partners. The loans are to be repaid by periodic distribution of returns generated by the funds.

16 Investments in subsidiaries

Movements on investments

	2019 £'000	2018 £'000
Cost		
At 1 Jan	**496**	2,387
Disposals	**(489)**	(2,142)
Fx movement	**(7)**	251
At 31 Dec	**–**	496
Provision for impairment		
At 1 Jan	**–**	(249)
Release	**–**	249
At 31 Dec	**–**	–
Net carrying value at 31st Dec	**–**	496

The subsidiary Infrared NF China Real Estate Company Limited was cleared out by a distribution received on 03 October19 leaving no cost and subsequently this was dissolved on 18 March 20.

Principal subsidiary undertakings

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

	Country of incorporation	Interest in equity capital (%)	Share class
Infrared NF China Real Estate Company Limited (In Liquidation)[1]	**Guernsey**	**71**	**Ordinary shares**

[1] *Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT*

In addition to the capital investments in subsidiaries detailed above, the Company has £7,701k of commitments outstanding as at 31 December 2019.

17 Loans from other group undertakings

	2019 £'000	2018 £'000
Amounts owed to other group undertakings	**57,053**	57,235

18 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
	£'000	£'000	£'000	£'000	£'000
Assets					
Cash and cash equivalents	**1,592**	**–**	**–**	**–**	**1,592**
Trade and other receivables	**14,090**	**–**	**–**	**–**	**14,090**
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**–**	**–**	**–**	**128,019**	**128,019**
Non-financial assets	**–**	**–**	**–**	**1,206**	**1,206**
At 31 Dec 2019	**15,682**	**–**	**–**	**129,225**	**144,907**
Liabilities and Equity					
Loans from other group undertakings	**57,053**	**–**	**–**	**–**	**57,053**
Accruals and other financial liabilities	**32**	**665**	**19**	**–**	**716**
Non-financial liabilities	**–**	**–**	**–**	**3,346**	**3,346**
At 31 Dec 2019	**57,085**	**665**	**19**	**3,346**	**61,115**

					Restated
	On demand	Due within 3 months	Due between 3 - 12 months	Undated	Total
	£'000	£'000	£'000	£'000	£'000
Assets					
Cash and cash equivalents	1,694	–	–	–	1,694
Trade and other receivables	9,404	–	–	–	9,404
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	–	–	–	125,486	125,486
Non-financial assets	–	–	–	3,150	3,150
At 31 Dec 2018	11,098	–	–	128,636	139,734
Liabilities and Equity					
Loans from other group undertakings	57,235	–	–	–	57,235
Accruals, deferred income and other liabilities	101	518	45	–	664
Non-financial liabilities	–	–	–	2,632	2,632
At 31 Dec 2018	57,336	518	45	2,632	60,531

19 Called up share capital

	2019		2018	
	Number	**£'000**	Number	£'000
Issued, allotted and fully paid up				
Ordinary shares of £1 each	**35,000,001**	**35,000**	35,000,001	35,000
As at 1 Jan and 31 Dec	**35,000,001**	**35,000**	35,000,001	35,000

20 Contingent liabilities, contractual commitments and guarantees

There were no contingent liabilities as at 31 December 2019 (2018: nil), other than the loan commitments disclosed in Note 15 and Note 16.

21 Management of financial 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 risk management policies.

The Company participates in transactions to which other HSBC group companies are also party. HSBC Specialist Investments group ('HSI') 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 HSI's 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 Company. 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.

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.

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 15.

Liquidity risk management

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet obligations as they fall due.

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 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	Total
	£'000	£'000	£'000	£'000	£'000
Loans from other group undertakings	**57,053**	–	–	–	**57,053**
Accruals, deferred income and other liabilities	**32**	**665**	**19**	–	**716**
At 31 Dec 2019	**57,085**	**665**	**19**	–	**57,769**
Loans from other group undertakings	57,235	–	–	–	57,235
Accruals, deferred income and other liabilities	101	518	45	–	664
At 31 Dec 2018	57,336	518	45	–	57,899

Market risk management

Market risk is the risk that movements in market factors including interest rates, foreign exchange rates and equity prices will impact the Company's income.

The Company's objective is to minimise market risk through managing and controlling the risk to acceptable parameters, while optimising the return on risk.

The Company uses financial instruments in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks.

Foreign exchange risk

At 31 Dec 2019	**€'000**	**US$'000**
Trade and other receivables	**5,686**	**12,246**
Financial investments	**33,146**	**78,360**
Loans and advances from other group undertakings	**(43,202)**	**(81,279)**
Net exposure	**(4,370)**	**9,327**

At 31 Dec 2018	€'000	US$'000
Trade and other receivables	3,714	7,752
Financial investments	33,749	89,821
Loans and advances from other group undertakings	(36,721)	(105,661)
Net exposure	742	(8,088)

The following significant exchange rates applied during the year:

GBP	Average rate		Reporting date spot rate	
	2019	2018	**2019**	2018
EUR	**1.179759**	1.266999	**1.177922**	1.114866
USD	**1.311298**	1.113076	**1.322100**	1.276800

Currency sensitivity

The Company has used a sensitivity analysis technique that measures the estimated change to profit/(loss) and equity of either an instantaneous 10% strengthening or weakening in sterling against Euro and US currency from the rates applicable at year end.

A 10% strengthening of the following currencies against the pound sterling at year end would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the end of the reporting year and had been applied to risk exposures existing at that date.

This analysis also assumes that all other variables, in particular other exchange rates and interest rates remain constant. The analysis is performed on the same basis for the comparative year.

	Equity		Profit or loss	
	2019	2018	**2019**	2018
USD ('000)	**5,927**	7,035	**(5,221)**	(7,668)
EUR ('000)	**2,814**	3,027	**(3,185)**	(2,961)

Interest rate risk

The Company places all funds with fellow group companies. The Company manages its interest rates by placing deposits on call or fixed deposits upto 6 months.

	2019	2018
	£'000	£'000
Fixed rate instruments		
Loans from other group undertakings	**57,053**	57,235

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would have no effect on the results for the year.

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the reporting date would have (decreased)/increased profit for the year and total equity by the amounts shown below. This analysis assumes that other variables remain constant.

	Profit or loss 50 bps increase	**Profit or loss 50 bps decrease**
	£'000	**£'000**
As at 31 Dec 2019		
Variable rate instruments		
Cash flow sensitivity (net)	**(286)**	**286**
As at 31 Dec 2018		
Variable rate instruments		
Cash flow sensitivity (net)	(274)	274

22 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
	£'000	**£'000**	£'000	£'000
Assets				
Cash and cash equivalents[1]	**1,694**	**1,592**	1,694	1,694
Trade and other receivables[2]	**21,666**	**14,090**	19,455	9,404
Liabilities				
Loans from other group undertakings[2]	**67,129**	**57,053**	67,943	57,235
Accruals, deferred income and other liabilities[2]	**1,058**	**344**	1,349	562

[1] *Amounts are held with HSBC Bank plc*
[2] *Amounts are held with HSBC Specialist Investments Limited*

	2019	2018
	£'000	£'000
Income statement		
Interest expense	**2,569**	3,344

23 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 Property Funds (Holding) 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'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

24 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 principal risk to the Company is the valuation of its investments in external parties. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, management continue to monitor the situation closely and the effect on financial performance.

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.