HSBC Insurance Services Holdings Limited

Registration No: 2884575

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

HSBC Insurance Services Holdings Limited ('the Company') is domiciled and incorporated in England and Wales as a private company, limited by shares.

The Company continues to be an investment holding company.

The Company has provided indemnities as part of the sale of subsidiaries in Note 15, whereby the Company could be liable for future cost.

Review of the Company's business

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

The reserves available for distribution as at 31 December 2019 are £2.4m (2018: £9.8m).

Performance

The performance and position of the Company for the year ended 31 December 2019 and the state of the Company's financial affairs at that date are set out on pages 7 to 21.

As a holding company, the Company's performance is based on gains and losses associated with its subsidiaries. During the year the Company received no dividends.

The net asset value of the Company as at 31 December 2019 amounts to £2,417k (2018: £9,808k).

The results of the Company show a loss before tax of £(469)k for the year (2018: profit before tax £1,046k). The Company recognised an impairment of £664k during the year related to a USD dollar denominated cash amount held by a third party in an escrow account at HSBC Bank (China) Company Limited. The balance was fully impaired after having assessed the ageing and recoverability of the amount.

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, intermediate holding company, the principal stakeholder of the Company is the Company's parent entity. The principal decision taken by the Company during the year was the declaration of a dividend. In making the decision, the Board took into consideration the profits available for distribution, the dividend policy, the capital position, the long-term interests of the Company and the interests of the Group as a whole.

Key performance indicators

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

Principal risks and uncertainties

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 19 on the financial statements.

The Company's exposures to liquidity and market risks are limited due to the nature of its business, which is predominantly investing in or financing of group companies. These transactions are generally funded by way of equity obtained from the parent Company.

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

On behalf of the Board

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D A Clow
Director

24 November 2020

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Report of the Directors

Directors

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

Name	Appointed	Resigned
D A Clow	31 May 2010	
M A Seed	28 July 2011	27 August 2020
D R Patterson	27 August 2020	

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

Dividends

Dividends of £7m were declared and paid during the year (2018: nil).

Significant events since the end of the financial year

The Company received £217k in July 2020 in relation to the ongoing liquidation of its subsidiary, HSBC Global Shared Services (India) Private Limited.

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect the economy. An assessment of the potential financial impact of COVID-19 on the Company has been carried out, and it was concluded that the Company had sufficient cash resources to meet its obligations as they fall due for a period of at least 12 months from the date of this report. This will not be impacted by COVID-19 situation. There is no material adverse effect on the Company's financial condition or liquidity, presently, or within future projections based on currently available information. Management will continue to monitor the situation closely, including the potential impact on the Company's financial performance.

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

Future developments

No change in the Company's activities is expected.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect the economy. An assessment of the potential financial impact of COVID-19 on the Company has been carried out, and it was concluded that the Company had sufficient cash resources to meet its obligations as they fall due for a period of at least 12 months from the date of this report. This will not be impacted by COVID-19 situation. There is no material adverse effect on the Company's financial condition or liquidity, presently, or within future projections based on currently available information. Management will continue to monitor the situation closely, including the potential impact on the Company's financial performance.

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 19 of the Notes on the financial statements.

Capital management

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

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

Independent auditors

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

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

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D A Clow
Director
24 November 2020

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended 31 December 2019; 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 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 members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the 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
24 November 2020

Financial statements

Income statement for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Interest income		**87**	73
Net interest income		**87**	73
Other operating (expense)/income	2	**(12)**	1,250
Net operating income before loan impairment charges and other credit risk provision		**75**	1,323
Impairment charges	11	**(664)**	(256)
Net operating (expenses)/income		**(589)**	1,067
General and administrative expenses		**(18)**	(21)
Reversal of impairment of subsidiaries		**138**	—
Total operating income/(expenses)		**120**	(21)
(Loss)/profit before tax		**(469)**	**1,046**
Tax credit/(expense)	6	**78**	(322)
(Loss)/profit for the year		**(391)**	724

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).

Balance sheet at 31 December 2019
Registration No: 2884575

	Notes	2019 £'000	2018 £'000
Assets			
Cash and cash equivalents	8	**3,799**	10,620
Loans and advances	11	**–**	680
Trade and other receivables	12	**–**	12
Current tax assets		**6**	–
Investments in subsidiaries	13	**217**	369
Deferred tax assets	7	**69**	84
Total assets		**4,091**	11,765
Liabilities and equity			
Liabilities			
Trade and other payables	14	**533**	–
Accruals, deferred income and other liabilities		**425**	466
Current tax liabilities		**–**	618
Provisions	15	**716**	873
Total liabilities		**1,674**	1,957
Equity			
Called up share capital	17	**1,000**	1,000
Retained earnings		**1,417**	8,808
Total equity		**2,417**	9,808
Total liabilities and equity		**4,091**	11,765

The financial statements and its accompanying notes on pages 11 to 21 were approved by the Board of Directors on 24 November 2020 and signed on its behalf by:

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D A Clow
Director

Statement of cash flows for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
(Loss)/profit before tax		**(469)**	1,046
Adjustments for:			
Non-cash items included in profit before tax	*8*	**543**	(981)
Change in operating assets	*8*	**12**	110
Change in operating liabilities	*8*	**334**	(67)
Tax (paid)/credit received		**(531)**	12
Net cash (used in)/generated from operating activities		**(111)**	120
Cash flows from investing activities			
Proceeds from disposal of subsidiary		**290**	–
Net cash generated from investing activities		**290**	–
Cash flows from financing activities			
Dividends paid		**(7,000)**	–
Net cash (used in)/generated from financing activities		**(7,000)**	–
Net (decrease)/increase in cash and cash equivalents		**(6,821)**	120
Cash and cash equivalents brought forward		**10,620**	10,500
Cash and cash equivalents carried forward	*8*	**3,799**	10,620

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

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 Jan 2019	**1,000**	**8,808**	**9,808**
Loss for the year	–	(391)	(391)
Total comprehensive loss for the year	**–**	**(391)**	**(391)**
Dividends to shareholders	–	(7,000)	(7,000)
At 31 Dec 2019	**1,000**	**1,417**	**2,417**

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 Jan 2018	1,000	8,084	9,084
Profit for the year	–	724	724
Total comprehensive income for the year	–	724	724
At 31 Dec 2018	1,000	8,808	9,808

Dividend per share

Dividend per share for the year was £0.70 (2018: nil).

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'

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

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

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

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

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

(b) Future accounting developments

Minor amendments to IFRSs

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

Major new IFRSs

IFRS 17 'Insurance Contracts'

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

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

(c) Foreign currencies

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

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

(d) Presentation of information

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

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

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

(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 financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect the economy. An assessment of the potential financial impact of COVID-19 on the Company has been carried out, and it was concluded that the Company had sufficient cash resources to meet its obligations as they fall due for a period of at least 12 months from the date of this report. This will not be impacted by COVID-19 situation. There is no material adverse effect on the Company's financial condition or liquidity, presently, or within future projections based on currently available information. Management will continue to monitor the situation closely, including the potential impact on the Company's financial performance.

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

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.

(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.

(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.

(d) Financial instruments measured at amortised cost

Loans and advances

Loans and advances are those that have not been classified either as held-for-trading or designated at fair value. These loans are recognised when cash is advanced and are derecognised when the undertakings repay their obligations, or the loans 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 losses.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is uncollectable, it is written off against trade receivables and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited to the income statement.

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) Impairment of amortised cost and assets

Expected credit losses ('ECL') are recognised for all financial assets held at amortised cost. At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months or less, where the remaining life is less than 12 months, ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise *credit-impaired are in 'stage 3'.*

Critical accounting estimates and judgements

With reference to Note 11, management have considered costs that maybe suffered in repatriating a US dollar loan from China. As there is no precedent in determining exact route for repatriation in this scenario, quantifying the cost has been based on management discussions with regional representatives. Possible outcomes are the loan remains in China until local ruling changes, the loan amount is written-off or current estimated costs are fully reversed. Sensitivity analysis has been performed but the underlying balance upon which this is based remains subjective and may not represent the full range of financial outcomes. Management experience is that rulings change over time and until such time the loan will remain with HSBC Bank (China) Company Limited, exposure to credit risk would also be negligible. However, management recognise there may be costs incurred in such situations and for this reason management will maintain the cost estimate and monitor changes for the next financial year to assess whether future opinion needs revising.

(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) Accruals, provisions, contingent liabilities and guarantees

Accruals

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

Provisions

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

Critical accounting estimates and judgements

The recognition and measurement of provisions requires the Company to make a number of judgements, assumptions and estimates. The most significant are set out below:

Judgements	Estimates
• Determining whether a present obligation exists. Professional advice is taken on the assessment of litigation, property (including onerous contracts) and similar obligations • Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better defined set of possible outcomes	• Provisions for legal proceedings and regulatory matters remain very sensitive to the assumptions used in the estimate. There could be a wider range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved • Provisions for customer remediation also require significant levels of estimation. The amounts of provisions recognised depend on a number of different assumptions, such as the volume of inbound complaints, the projected period of inbound complaint volumes, the decay rate of complaint volumes, the populations identified as systemically mis-sold and the number of policies per customer complaint. More information about these assumptions is included in Note 15.

Contingent liabilities, contractual commitments and guarantees

Contingent liabilities

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

(h) Called up share capital

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

(i) Cash and cash equivalents

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

2 Other operating (expense)/income

	2019	2018
	£'000	£'000
Claims arising from indemnities	**(10)**	1,225
Foreign exchange (loss)/gain	**(2)**	25
	(12)	1,250

Claims arising from indemnities represents movement in provisions for claims against indemnities issued following the sale of subsidiaries as described in Note 13.

3 Employee compensation and benefits

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

4 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.

5 *Auditors' remuneration*

	2019	2018
	£'000	£'000
Audit fees for statutory audit		
- Fees relating to current year	**6**	15

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

6 Tax

Tax (credit)/expense

	2019	2018
	£'000	£'000
Current tax		
- For this year	**(6)**	252
- Adjustments in respect of prior years	**(87)**	70
Total current tax	**(93)**	322
Deferred tax		
- For this year	**17**	—
- Effects of changes in tax rates	**(2)**	—
Total deferred tax	**15**	—
Year ended 31 Dec	**(78)**	322

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

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now 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 should continue to be measured at 17%.

Tax reconciliation

	2019		2018	
	£'000	(%)	£'000	(%)
(Loss)/profit before tax	(469)		1,046	
Tax at 19.00% (2018: 19.00%)	(89)	19.00	199	19.00
Adjustment in respect of prior years	(87)	(152.99)	70	6.69
Expenses not deductible	100	(21.29)	53	5.05
Impact due to changes in tax rates	(2)	(3.12)	–	–
Year ended 31 Dec	(78)	(158.40)	322	30.74

7 Deferred tax

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

	2019	2018
	£'000	£'000
At 1 Jan	84	84
Income statement charge	(15)	–
At 31 Dec	69	84

8 Reconciliation of (loss)/profit before tax to net cash flow operating activities

	2019	2018
	£'000	£'000
Non-cash item included in profit and loss		
Impairment of loans and advances	664	256
Impairment reversal of investment in subsidiaries	(138)	–
Accruals and deferred income	16	21
Elimination for exchange differences	(1)	(25)
Interest income	(8)	(8)
Other operating income - claims arising from indemnities (Note 2)	10	(1,225)
	543	(981)
Change in operating assets		
Change in prepayments and accrued income	12	110
Change in operating liabilities		
Change in accruals and deferred income	(42)	–
Change in trade and other payables	533	–
Change in provisions	(157)	(67)
	334	(67)
Cash and cash equivalents comprise		
Cash and balances held with other group undertakings	3,799	10,620
Interest		
Interest received	87	73

9 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.

	Amortised cost	Total
At 31 Dec 2019	**£'000**	**£'000**
Assets		
Cash and cash equivalents	3,799	3,799
Total financial assets	3,799	3,799
Total non-financial assets		292
Total assets		4,091
Liabilities		
Trade and other payables	533	533
Accruals, deferred income and other liabilities	425	425
Total financial liabilities	958	958
Total non-financial liabilities		716
Total liabilities		1,674

At 31 Dec 2018	Amortised cost £'000	Total £'000
Assets		
Cash and cash equivalents	10,620	10,620
Loans and advances	680	680
Trade and other receivables	12	12
Total financial assets	11,312	11,312
Total non-financial assets		453
Total assets		11,765
Liabilities		
Accruals, deferred income and other liabilities	466	466
Total financial liabilities	466	466
Total non-financial liabilities		1,491
Total liabilities		1,957

10 Fair value of financial instruments not 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.

Fair values at the balance sheet date of the assets and liabilities set out below are estimated for the purpose of disclosure as follows:

The Company's financial instruments in 2019 are all carried at fair value.

		Fair values			
			Valuation techniques		
	Carrying amount	**Quoted price**	**Observable inputs**	**Significant unobservable inputs**	
		Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 31 Dec 2018					
Assets					
Loans and advances	680	–	–	680	680

11 Loans and advances

	2019	2018
	£'000	£'000
Amounts due from third parties	**1,284**	1,322
Impairment of loans and advances	**(1,284)**	(642)
At 31 Dec	**–**	680

The amounts due from third parties represent a US dollar denominated cash amount held by a third party in an escrow account at HSBC Bank (China) Company Limited, resulting in the Company having restricted access. During the year, management decided to fully impair the balance of £1,284k (2018: £642k), after having assessed the ageing and recoverability of the amount.

	2019	2018
	£'000	£'000
At 1 Jan	**642**	364
Increase in provision	**664**	256
Exchange and other movements	**(22)**	22
At 31 Dec	**1,284**	642

12 Trade and other receivables

	2019 £'000	2018 £'000
Amounts due from other group undertakings	–	12
At 31 Dec	–	12

13 Investments in subsidiaries

Movements on investments

	2019 £'000	2018 £'000
Cost		
At 1 Jan	**589**	589
Repayment of capital from Subsidiaries	**(290)**	–
At 31 Dec	**299**	589
Accumulated impairment		
At 1 Jan	**(220)**	(220)
Reversal of impairment	**138**	–
At 31 Dec	**(82)**	(220)
Net book/carrying value at 31st Dec	**217**	369

Repayment of capital

The Company received proceeds of £290k in August 2019 in connection with the ongoing liquidation of its subsidiary, HSBC Global Shared Services (India) Private Limited. The Company received a further £217k in July 2020 that also related to the liquidation.

Reversal of impairment

HSBC Global Shared Services (India) Private Limited ('HGSS')

An impairment review of HGSS carried out in 2012 calculated the fair value of the investment exceeded the carrying amount of the investment by £220k. This was recognised in 2012 as an impairment in the income statement. HGSS was placed into liquidation in 2017. There had been no change in the estimates used to determine the investments recoverable amount between 2012 and this date.

The liquidation of HGSS is still ongoing as of September 2020 but is expected to complete by December 2020. Proceeds received in relation to this of £290k in August 2019 and £217k in July 2020 reduced the investment resulting in an update to the fair value less costs of disposal calculation of the investment as at 31 December 2019 with the recoverable amount estimated to be £217k. This resulted in a £138k reversal in impairments. The proceeds of £217k have been received post balance sheet date, in July 2020, reducing the investment to nil.

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

	Country of incorporation	Interest in equity capital (%)	Share class
HSBC Global Shared Services (India) Private Limited1	India	99.99	Ordinary shares

1 HSBC Global Shared Services (India) Private Limited is in the final stages of completing its liquidation.

The liquidation of HSBC Insurance Management Services Limited completed during the year.

Details of the Company's subsidiaries, as required under section 409 of the Companies Act 2006, are set out in Note 21.

14 Trade and other payables

	2019 £'000	2018 £'000
Amounts owed to parent undertaking	533	–
At 31 Dec	533	–

Amounts owed to parent undertaking are non-interest bearing amounts.

The fair value of the amounts owed to parent undertaking is not significantly different to the carrying value in the balance sheet as they are short term in nature.

15 Provisions

	2019	2018
	£'000	£'000
At 1 Jan	**873**	2,161
Indemnity provision release	**–**	(1,225)
Indemnity provision utilised	**(157)**	(67)
Exchange and other movements	**–**	4
At 31 Dec	**716**	873

The provisions primarily relate to indemnities provided on legacy disposals of HSBC Actuaries and Consultants Limited and HSBC Insurance Brokers Limited. The maximum term of the claim period ended in 2017 and no new claims can be submitted.

Provisions were recognised if an assessment of claims received determined a probable liability existed and whether the amount could be reliably estimated. Consequently, not all submitted claims will have a provision.

Future movements will relate to existing claims only and consist of provisions released during the year as per external legal advice or where following a review, a change in the current status of a claim has been recognised or when claims are settled. A remote possibility remains where claims previously determined to have no legal basis have that decision reversed and a provision is now recognised.

Timing of when claims are finalised remain uncertain and is not pre-defined. However, based on recent experience and correspondence with claimants, management expects all provisions to have been settled or reversed within the next two years.

16 Maturity analysis of assets and liabilities

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

	On demand	**Due within 3 months**	**Due between 3 - 12 months**	**Due between 1 - 5 years**	**Due after 5 years**	**Undated**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Assets							
Cash and cash equivalents	**2,399**	**1,400**	**–**	**–**	**–**	**–**	**3,799**
Non-financial assets	**–**	**–**	**–**	**–**	**–**	**292**	**292**
At 31 Dec 2019	**2,399**	**1,400**	**–**	**–**	**–**	**292**	**4,091**
Liabilities and Equity							
Trade and other payables	**–**	**–**	**533**	**–**	**–**	**–**	**533**
Accruals, deferred income and other financial liabilities	**–**	**–**		**–**	**–**	**425**	**425**
Non-financial liabilities	**–**	**–**	**–**	**–**	**–**	**716**	**716**
Equity	**–**	**–**	**–**	**–**	**–**	**2,417**	**2,417**
At 31 Dec 2019	**–**	**–**	**533**	**–**	**–**	**3,558**	**4,091**

	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 - 5 years	Due after 5 years	Undated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Cash and cash equivalents	1,120	9,500	–	–	–	–	10,620
Loans and advances	–	–	–	–	–	680	680
Trade and other receivables	–	12	–	–	–	–	12
Non-financial assets	–	–	–	–	–	453	453
At 31 Dec 2018	1,120	9,512	–	–	–	1,133	11,765
Accruals, deferred income and other financial liabilities	–	–	–	–	–	466	466
Non-financial liabilities	–	–	618	–	–	873	1,491
Equity	–	–	–	–	–	9,808	9,808
At 31 Dec 2018	–	–	618	–	–	11,147	11,765

17 Called up share capital

	2019		2018	
	Number	**£'000**	Number	£'000
Issued, allotted and fully paid up				
Ordinary shares of £0.10 each	**10,000,000**	**1,000**	10,000,000	1,000
As at 1 Jan and 31 Dec	**10,000,000**	**1,000**	10,000,000	1,000

18 Contingent liabilities, contractual commitments and guarantees

There were no contingent liabilities at 31 December 2019 (2018: nil).

19 Management of financial risk

Systems and procedures are in place in the HSBC Group to identify, control and report on the major risks associated with financial instruments which include credit, liquidity and market risk. A Risk Management Meeting of the Group Management Board, chaired by the Group Chief Risk Officer, is held each month to address asset, liability and risk management issues for the HSBC Group. The Risk Management Meeting sets processes and limits to be applied by HSBC subsidiaries. Exposure to these risks is monitored by HSBC Holdings plc's Asset and Liability Committee.

Credit risk management

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

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

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

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. 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 18.

Maximum exposure to credit risk

	2019		
	Maximum exposure	**Allowance**	**Net**
	£'000	**£'000**	**£'000**
Cash and cash equivalents	**3,799**	**–**	**3,799**
At 31 Dec	**3,799**	**–**	**3,799**

	2018		
	Maximum exposure	Allowance	Net
	£'000	£'000	£'000
Cash and cash equivalents	10,620	–	10,620
Loans and advances	1,322	(642)	680
Trade and other receivables	12	–	12
At 31 Dec	11,954	(642)	11,312

Liquidity risk management

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

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

The 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**	**Undated**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Accruals, deferred income and other liabilities	**–**	**–**	**425**	**425**
At 31 Dec 2019	**–**	**–**	**425**	**425**

	On Demand	Due within 3 months	Undated	Total
	£'000	£'000	£'000	£'000
Accruals, deferred income and other liabilities	–	–	466	466
At 31 Dec 2018	–	–	466	466

Market risk management

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will reduce income values. Exposure to these risks arises from short-term cash balances and funding positions with other group undertakings. The objective of the Company risk management strategy is to reduce exposure to these risks and minimise volatility in economic income, cash flows and distributable reserves. The principal tool for managing this is sensitivity analysis of changes in profit before tax to future changes in the exchange rates or interest rate.

Interest rate risk

The Company held net assets of £3.8m (2018: £10.6m) that are sensitive to interest rate movements. If all other variables are held constant the effect of a 50 basis points increase/(decrease) in LIBOR on these net assets would be an increase/(decrease) of profit before tax of £19k (2018: £53k) and after tax of £15k (2018: £43k).

Foreign exchange risk

The Company is exposed to foreign currency risk on monetary assets and liabilities that are denominated in a currency other than Sterling. The currencies giving rise to this risk are US Dollars of $500k net liabilities (2018: $368k net assets).

The Company's loss before tax would increase by £57k (2018: increase by £20k) and loss after tax by £46k (2018: profit after tax by £16k) if the US Dollar foreign exchange rate weakened by 15 per cent relative to Sterling.

Foreign currency rate sensitivity analysis has been performed on the net assets foreign exchange risk exposure as at the reporting date. An upward/downward movement in the GBP: USD rate of 15 per cent has been assumed. If all other variables are held constant, the information above presents the likely impact on the Company's profit.

20 Related party transactions

Transactions with other related parties

Balances and transactions with other related parties can be summarised as follows:

	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]	**10,934**	**4,016**	10,630	10,620
Trade and other receivables[1]	**–**	**–**	12	12
Liabilities				
Trade and other payables[1]	**533**	**533**	–	–
Accruals, deferred income and other liabilities[2]	**466**	**425**	466	466

	2019	2018
	£'000	£'000
Income statement		
Interest income[1]	**87**	73

1 These balances are with HSBC Bank plc, the parent of the Company.
2 These balances are with other HSBC Group undertakings.

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

21 Parent undertakings

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

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

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

22 Events after the balance sheet date

The Company received £217k in July 2020 in relation to the ongoing liquidation of its subsidiary, HSBC Global Shared Services (India) Private Limited.

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect the economy. An assessment of the potential financial impact of COVID-19 on the Company has been carried out, and it was concluded that the Company had sufficient cash resources to meet its obligations as they fall due for a period of at least 12 months from the date of this report. This will not be impacted by COVID-19 situation. There is no material adverse effect on the Company's financial condition or liquidity, presently, or within future projections based on currently available information. Management will continue to monitor the situation closely, including the potential impact on the Company's financial performance.

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

23 Subsidiary undertakings

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

Subsidiaries	Interest (%)	Footnotes
HSBC Global Shared Services (India) Private Limited (in liquidation)	99.99	1,2

Reference	Description of shares
1	Ordinary shares

Reference	Registered office
2	5260, M G Road, Mumbai, Maharashtra, 400001, India