

HSBC GLOBAL RESOURCING (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

FRIDAY



A38 *A1F13U7U* #264
17/08/2012
COMPANIES HOUSE

Incorporated and domiciled in England and Wales
with limited liability under the UK Companies Act
Registered Number 5639234

HSBC Global Resourcing (UK) Limited

Report of the Directors and Financial Statements

Contents

Report of the Directors	1 - 3
Statement of Directors' responsibilities in respect of the Directors' report and the financial statements	4
Independent Auditors' report to the members of HSBC Global Resourcing (UK) Limited	5 - 6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9 - 10
Cash flow statement	11
Notes on the Financial Statements	12 - 31

HSBC Global Resourcing (UK) Limited

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their directors' report and financial statements for the year ended 31 December 2011

Principal Activities

HSBC Global Resourcing (UK) Limited (the "Company") provides corporate governance, direction and a framework within which services could be provided to business partners (BPs) (HSBC group entities) by the Group Service Companies (GSCs). The Company's role is to manage operational risks in respect of the service provision to the BPs, optimise the use of capacity and capability of the GSCs ensuring consistency, service quality control and promoting best practice across the GSCs.

Principal Place of Business

The Company is incorporated and domiciled in England and Wales. Its registered office is 8 Canada Square, London, E14 5HQ. The Company is a wholly owned subsidiary of HSBC Overseas Holdings (UK) Limited.

BUSINESS REVIEW

Performance and position

The results and position of the Company for the year ended 31 December 2011 and the state of the Company's affairs at that date are set out on pages 7 to 31.

The results of the Company show a pre-tax profit of US\$8 million (2010: US\$21 million). During the year, the Company earned dividend income from its subsidiaries of US\$5 million (2010: US\$3 million).

The Company had a net equity position of US\$210 million for 2011 (2010: US\$206 million). Investment in subsidiaries had decreased by US\$1 million. The reduction was attributable to the US\$15 million impairment loss recognised for HSBC Service Delivery (Czech Republic) s r o, which net-off the effect of capital injection into HSBC Service Delivery (Czech Republic) s r o and HSBC Electronic Data Service Delivery (Egypt) S A E of US\$2 million and US\$5 million respectively, and US\$7 million provision of committed capital injection for business closure of HSBC Service Delivery (Czech Republic).

Future development

No change on the Company's activities is anticipated, but the Directors keep opportunities under regular review.

Principal risks and uncertainties

The Company is subject to the risks of the performance of its subsidiaries which could result in impairment of these investments. All subsidiaries except HSBC Service Delivery (Czech Republic) s r o have shown a favourable growth in 2011. Due to group restructuring, the management has decided to wind down HSBC Service Delivery (Czech Republic) s r o and consolidate its European operations into HSBC Service Delivery (Polska) Sp z o o. Hence, the impairment loss recognised for HSBC Service Delivery (Czech Republic) s r o.

The management of the business and the execution of the Company's activities are subject to a number of financial risks. These risks are stated in note 16 of the financial statements and are mitigated by the Company's management policies.

Key performance indicators ("KPIs")

The Company has significant investment in subsidiaries and derives its income from dividends which is one of the main indicators of its performance. Return on equity is another key performance indicator, which shows a decrease in 2011 to 2% (2010: 8%). Apart from these measures, given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using other KPIs is not necessary for an understanding of the development, performance or position of the business.

HSBC Global Resourcing (UK) Limited

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2011 *(continued)*

Dividends

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2011 (2010 nil)

Directors

The Directors who served during the year were as follows

John David Coleman (appointed on 1 January 2009)
Vidya Balasubramanian (appointed on 1 January 2009)
John Bannister Hackett (appointed on 1 January 2010)
Rumi Pervez Contractor (resigned on 30 November 2011)
Peter James Morrill (resigned on 27 November 2011)
Zarr Jal Cama (resigned on 25 November 2011)

Robin Douglas Jones was appointed as a Director on 14 March 2012

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled 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 Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors

Financial Instruments

The financial risk management objectives and policies of the Company are set out in note 16 to the financial statements

Under International Financial Reporting Standards ("IFRSs"), the Company is required to report on its exposure to price, credit, market, liquidity and cash flow risk with regard to its financial investments. The Company has no significant exposure to price, credit, market, liquidity and cash flow risk due to the nature of the Company's business, which is predominantly the existence of a natural hedge position, which is purchasing services from companies of the HSBC Group and billing these services to other HSBC Group entities

Overseas Branches

Outside the United Kingdom, the Company has a branch office in Malaysia

Supplier Payment Policy

The Company does not subscribe to any code or standard on payment practice. It is the Company's policy, however, to settle the terms of payment with those suppliers when agreeing the terms of each transaction, to ensure that those suppliers are made aware of the terms of payment, and to abide by the terms of payment

During the year, the Company received goods and services from principally Group undertakings. Part 5 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2009, setting out reporting requirements in relation to the policy and practice on payment of creditors is, therefore, not applicable

HSBC Global Resourcing (UK) Limited

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2011 *(continued)*

Disclosure of information to the auditor

Each person who is a Director at the date of approval of this Directors' Report confirms that, so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor are aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

HSBC Global Resourcing (UK) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities, is made with a view to distinguishing for the shareholder the respective responsibilities of the Directors and of the Auditor in relation to the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare company financial statements for each financial year. The Directors are required to prepare company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and have elected to prepare the financial statements on the same basis

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 their profit or loss for that period. In preparing the company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent, and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

By order of the board



Hannah Shepherd
Secretary

HSBC Global Resourcing (UK) Limited
Registered Number 5639234
Registered Office
8 Canada Square
London
E14 5HQ

Dated 15 August 2012

HSBC Global Resourcing (UK) Limited

Independent auditors' report to the members of HSBC Global Resourcing (UK) Limited

We have audited the financial statements of HSBC Global Resourcing (UK) Limited ("the Company") for the year ended 31 December 2011 set out on pages 7 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit opinion

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

HSBC Global Resourcing (UK) Limited

Independent auditor's report to the members of HSBC Global Resourcing (UK) Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Jonathan Bingham (Senior Statutory Auditor)

For and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

London, England

15 August 2012

HSBC Global Resourcing (UK) Limited

Statement of Comprehensive Income for the year ended 31 December 2011

	<i>Note</i>	2011 US\$'000	2010 US\$'000
Revenue	13	790,804	713,364
Cost of services purchased	13	(741,495)	(676,115)
Gross profit		<u>49,309</u>	<u>37,249</u>
Dividend income	3	4,744	2,750
Other operating income		2,823	1,703
Administrative expenses	4-6	(47,766)	(21,198)
Exchange (loss)/gain		(804)	530
Operating profit		<u>8,306</u>	<u>21,034</u>
Interest income		181	103
Interest expense		-	(93)
Profit before income tax		<u>8,487</u>	<u>21,044</u>
Tax expense	7	(5,280)	(5,451)
Profit after tax		<u>3,207</u>	<u>15,593</u>
Other comprehensive income, net of income tax			
Foreign currency translation differences for foreign operations		(141)	293
Fair value reserve (available-for-sale financial assets)			
Net change in fair value		-	23
Other comprehensive (expense)/income for the period, net of income tax		<u>(141)</u>	<u>316</u>
Total comprehensive income for the period		<u>3,066</u>	<u>15,909</u>

The Company does not have any recognised gains and losses other than those passing through the statement of comprehensive income

The notes on pages 12 to 31 form part of these financial statements

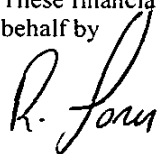
HSBC Global Resourcing (UK) Limited

Balance Sheet as at 31 December 2011

		2011 US\$'000	2010 US\$'000
ASSETS			
Plant and equipment	8	956	1,208
Investments in subsidiaries	9	171,757	172,757
Available-for-sale-securities	10	-	395
Deferred tax assets	11	1,775	1,234
Total non-current assets		<u>174,488</u>	<u>175,594</u>
Receivables due from related parties	13	153,984	169,903
Other receivables	14	261	266
Other financial assets	15	-	188
Cash and cash equivalents with HSBC undertakings	13	115,080	60,445
Total current assets		<u>269,325</u>	<u>230,802</u>
Total assets		<u>443,813</u>	<u>406,396</u>
LIABILITIES			
Current liabilities			
Payables due to related parties	13	203,451	186,964
Accruals	13	26,528	9,296
Other financial liabilities	15	179	-
Other liabilities		77	150
Current tax liabilities		4,003	3,712
Total liabilities		<u>234,238</u>	<u>200,122</u>
EQUITY			
Called up share capital	12	*-	*-
Share premium	12	175,356	175,356
Retained earnings	12	34,112	30,647
Translation reserve	12	107	248
Available-for-sale reserve	12	-	23
Total equity		<u>209,575</u>	<u>206,274</u>
Total equity and liabilities		<u>443,813</u>	<u>406,396</u>

*Represents 8 ordinary shares at US\$1 each

These financial statements were approved by the Board of Directors on 15 August 2011 and were signed on its behalf by



R D Jones
Director

The notes on pages 12 to 31 form part of these financial statements

HSBC Global Resourcing (UK) Limited

Statement of Changes in Equity for the year ended 31 December 2011

	Called up share capital US\$'000	Share premium US\$'000	Retained earnings US\$'000	Translation reserve US\$'000	Available- for-sale reserve US\$'000	Total equity US\$'000
At 1 January 2011	*-	175,356	30,647	248	23	206,274
Total comprehensive income for the period						
Statement of comprehensive income	-	-	3,207	-	-	3,207
Other comprehensive income, net of income tax						
Foreign currency translation	-	-	-	(141)	-	(141)
Fair value reserve (available-for-sale financial assets)						
Net change in fair value	-	-	23	-	(23)	-
Total comprehensive income for the period	-	-	3,230	(141)	(23)	3,066
Transactions with owners, recorded directly in equity						
Equity-settled share based payment transactions	-	-	235	-	-	235
At 31 December 2011	*-	175,356	34,112	107	-	209,575

*Represents 8 ordinary shares at US\$1 each

The notes on pages 12 to 31 form part of these financial statements

HSBC Global Resourcing (UK) Limited

Statement of Changes in Equity for the year ended 31 December 2010

	Called up share capital US\$'000	Share premium US\$'000	Retained earnings US\$'000	Translation reserve US\$'000	Available- for-sale reserve US\$'000	Share based payment reserve US\$'000	Total equity US\$'00
At 1 January 2010	*-	175,356	14,836	(45)	-	177	190,32
Total comprehensive income for the period							
Statement of comprehensive income	-	-	15,593	-	-	-	15,59
Other comprehensive income, net of income tax							
Foreign currency Translation	-	-	-	293	-	-	29
Fair value reserve (available-for-sale financial assets)							
Net change in fair value	-	-	-	-	23	-	2
Total comprehensive income for the period	-	-	15,593	293	23	-	15,90
Transactions with owners, recorded directly in equity							
Equity-settled share based payment transactions	-	-	218	-	-	(177)	4
At 31 December 2010	*-	175,356	30,647	248	23	-	206,27

*Represents 8 ordinary shares at US\$1 each

The notes on pages 12 to 31 form part of these financial statements

HSBC Global Resourcing (UK) Limited

Cash Flow Statement for the year ended 31 December 2011

	2011 US\$'000	2010 US\$'000
Cash flows from operating activities		
Profit before tax	8,487	21,044
Adjustments for		
Dividend income from subsidiaries	(4,744)	(2,750)
Depreciation	289	305
Interest income	(181)	(103)
Interest expense	-	93
Gain on disposal of plant and equipment	-	(7)
Impairment loss on investment in subsidiary	15,000	-
Unrealised foreign exchange losses	(114)	23
Operating cash flows before changes in working capital	18,737	18,605
Decrease/(Increase) in receivables due from related parties	15,919	(50,468)
Decrease in other receivables and other financial assets	193	158
Increase in payables due to related parties	16,722	52,354
Increase in accruals	17,232	2,951
Increase/(Decrease) in other liabilities and other financial liabilities	106	(717)
Cash generated from operations	68,909	22,883
Tax paid	(5,530)	(3,288)
Net cash generated from operating activities	63,379	19,595
Cash flow from investing activities		
Investment in subsidiaries	(14,000)	(5,496)
Proceeds from capital repatriation from subsidiary	-	15,041
Proceeds on disposal of plant and equipment	44	70
Disposal of available-for-sale-securities	395	84
Acquisition of plant and equipment	(108)	(48)
Dividend income received	4,744	9,170
Bank interest received	181	103
Net cash (used in)/generated from investing activities	(8,744)	18,924
Cash flow from financing activities		
Repayment of loan	-	(11,004)
Interest paid	-	(93)
Net cash outflow from financing activities	-	(11,097)
Net increase in cash and cash equivalents	54,635	27,422
Cash and cash equivalents at 1 January	60,445	33,023
Cash and cash equivalents at 31 December	115,080	60,445

HSBC Global Resourcing (UK) Limited

NOTES

(forming part of the financial statements)

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

A summary of the significant accounting policies adopted by the Company is set out below

The measurement basis used in the preparation of the financial statements is the historical cost basis except for other investments which are available for sale financial assets and are measured at fair value, where determinable. The financial statements are presented in US Dollars, which is the Company's functional currency.

The preparation of financial statements in conformity with IFRSs as endorsed by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. There are no uncertainties that may cast doubt over the entity's ability to continue as a going concern.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. There is no revision to the estimates and underlying assumptions during the year.

The Company is a wholly owned subsidiary of another body corporate and is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

HSBC Holdings plc is incorporated in the United Kingdom and its consolidated financial statements are available upon request from its registered office at 8 Canada Square, London E14 5HQ. Consequently, these financial statements do not give all the information about the economic activities of the Group of which the Company is the parent which would have been disclosed had the Company prepared consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Investments in subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is recognised in the financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated at cost less impairment losses (see note 2(h)). Reversals of impairment losses are recognised in the statement of comprehensive income if there has been a change in the estimates used to determine the recoverable amount of the investment.

NOTES (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Classification of financial instruments issued by the Company

With the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

(c) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in equity securities

Other investments in equity securities held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the statement of comprehensive income. The fair value is obtained through quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represents actual regularly occurring market transactions on an arm's length basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(d) Derivative financial instruments

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in statement of comprehensive income.

HSBC Global Resourcing (UK) Limited

NOTES (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives are as follows

- Motor vehicles 5 years
- Office equipment 5 years
- Computer equipment 3 – 5 years
- Furniture and fittings 5 years
- Telecoms equipment 5 years
- Leasehold improvements 15 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date

(f) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses

(g) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation

(h) Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment, a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets

NOTES (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment (continued)

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the statement of comprehensive income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of comprehensive income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income.

(i) Reversals of impairment

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the statement of comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

(j) Share capital

Shares are 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.

(k) Revenue recognition

(i) Revenue

Revenue from data entry, general processing, call centre and professional services is recognised when the act is completed.

(ii) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(l) Interest income and expenses

Net financing costs comprise interest payable and interest receivable on funds invested.

Net income and interest payable is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

(m) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined benefit plans

The Company operates a defined benefit pension plan. The net defined benefit cost of the pension plan is recognised fully by the sponsoring employer. The Company then recognises a cost equal to its contribution payable for the period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Share-based payments

The cost of share-based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they are granted, and recognised as an expense on a straight-line basis over the vesting period, with a corresponding credit to the 'Share-based payment reserve'. The vesting period is the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied. The fair value of equity instruments that are made available immediately, with no vesting period attached to the award, are expensed immediately.

Fair value is determined by using appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted. Vesting conditions include service conditions and performance conditions, any other features of a share-based payment arrangement are non-vesting conditions. Market performance conditions and non-vesting conditions are taken into account when estimating the fair value of equity instruments at the date of grant, so that an award is treated as vesting irrespective of whether the market performance condition or non-vesting condition is satisfied, provided all other vesting conditions are satisfied.

Vesting conditions, other than market performance conditions, are not taken into account in the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On a cumulative basis, no expense is recognised for equity instruments that do not vest because of a failure to satisfy non-market performance or service conditions.

Where an award has been modified, as a minimum, the expense of the original award continues to be recognised as if it had not been modified. Where the effect of a modification is to increase the fair value of an award or increase the number of equity instruments, the incremental fair value of the award or incremental fair value of the extra equity instruments is recognised in addition to the expense of the original grant, measured at the date of modification, over the modified vesting period.

A cancellation that occurs during the vesting period is treated as an acceleration of vesting, and recognised immediately for the amount that would otherwise have been recognised for services over the vesting period.

The Company's ultimate parent, HSBC Holdings plc, grants its shares to the Company's employees under various vesting conditions and the Company has the obligation to acquire shares to deliver to the employees upon vesting. The Company's liability under such arrangements is measured at fair value at grant date and the compensation expense is recognised over the vesting period. The corresponding amount is credited to 'Share based payment reserves'.

(o) Taxation

Income tax comprises current tax and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when it intends to settle on a net basis and the legal right to offset exists.

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 liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when HSBC has a legal right to offset.

HSBC Global Resourcing (UK) Limited

NOTES (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Taxation (continued)

Deferred tax relating to share-based payment transactions is recognised directly in equity to the extent that it exceeds the relative cumulative statement of comprehensive income expense

(p) Foreign currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements of the Company are presented in US dollars, which is the Company's functional currency

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined. Any resulting exchange differences are recognised in the statement of comprehensive income

(q) Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company, or
- (ii) the Company and the party are subject to common control, or
- (iii) the party is a subsidiary, an associate of the Company or a joint venture in which the Company is a venturer, or
- (iv) the party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals, or
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals, or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Company or of any entity that is a related party of the Company

HSBC Global Resourcing (UK) Limited

NOTES (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Future accounting developments

At 31 December 2011, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for the company's financial statements as at 31 December 2011. In addition to the projects to complete financial instrument accounting, the IASB is continuing to work on projects on insurance, revenue recognition and lease accounting, which together with the standards described below, will represent widespread and significant changes to accounting requirements from 2013.

Standards and Interpretations issued by the IASB but not endorsed by the EU

Standards applicable in 2013

In May 2011, the IASB issued IFRS 10 'Consolidated Financial Statements' ('IFRS 10'), IFRS 11 'Joint Arrangements' ('IFRS 11') and IFRS 12 'Disclosure of Interests in Other Entities' ('IFRS 12'). The standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IFRSs 10 and 11 are to be applied retrospectively.

Under IFRS 10, there will be one approach for determining consolidation for all entities, based on the concept of power, variability of returns and their linkage. This will replace the current approach which emphasises legal control or exposure to risks and rewards, depending on the nature of the entity. IFRS 11 places more focus on the investors' rights and obligations than on structure of the arrangement, and introduces the concept of a joint operation. IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements and associates and introduces new requirements for unconsolidated structured entities.

The group is currently assessing the impact of IFRS 10 and 11, but it is impracticable to quantify their effect as at the date of these financial statements.

In May 2011, the IASB also issued IFRS 13 'Fair Value Measurement' ('IFRS 13'). This standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IFRS 13 is required to be applied prospectively from the beginning of the first annual period in which it is applied. The disclosure requirements of IFRS 13 do not require comparative information to be provided for periods prior to initial application.

IFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by IFRSs. The standard clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, and enhances disclosures about fair value measurement.

The company is currently assessing the impact of IFRS 13 and it is not practical to quantify the effect as at the date of these financial statements, which will depend on final interpretations of the standard, market conditions and the company's holdings of financial instruments at 1 January 2013. However, based on the analysis performed to date, the adoption is not expected to have a material effect on the financial statements.

In June 2011, the IASB issued amendments to IAS 19 'Employee Benefits' ('IAS 19 revised'). The revised standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IAS 19 revised must be applied retrospectively. The adoption is not expected to have a material effect on the financial statements.

In December 2011, the IASB issued amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' which requires the disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are required to be applied retrospectively.

NOTES (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Future accounting developments (continued)

Standards applicable in 2014

In December 2011, the IASB issued amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' which clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted and are required to be applied retrospectively.

The Company is currently assessing the impact of these clarifications but it is impracticable to quantify their effect as at the date of these financial statements.

Standards applicable in 2015

In November 2009, the IASB issued IFRS 9 'Financial Instruments' ('IFRS 9') which introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued additions to IFRS 9 relating to financial liabilities. Together, these changes represent the first phase in the IASB's planned replacement of IAS 39 'Financial Instruments Recognition and Measurement' ('IAS 39') with a less complex and improved standard for financial instruments.

Following the IASB's decision in December 2011 to defer the effective date, the standard is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. IFRS 9 is required to be applied retrospectively but prior periods need not be restated.

The second and third phases in the IASB's project to replace IAS 39 will address the impairment of financial assets measured at amortised cost and hedge accounting.

The IASB did not finalise the replacement of IAS 39 by its stated target of June 2011, and the IASB and the US Financial Accounting Standards Board have agreed to extend the timetable beyond this date to permit further work and consultation with stakeholders, including reopening IFRS 9 to address practice and other issues. The EU is not expected to endorse IFRS 9 until the completed standard is available. Therefore, the company remains unable to provide a date by which it plans to apply IFRS 9 and it remains impracticable to quantify the impact of IFRS 9 as at the date of these consolidated financial statements.

HSBC Global Resourcing (UK) Limited

NOTES (continued)

3. DIVIDEND INCOME

	2011 US\$'000	2010 US\$'000
Dividend income from subsidiaries	<u>4,744</u>	<u>2,750</u>

4. DIRECTORS' REMUNERATION

	2011 US\$'000	2010 US\$'000
Directors' emoluments	2,579	1,909
Company contribution to defined benefit pension scheme	129	95
	<u>2,708</u>	<u>2,004</u>

The emoluments of the highest paid director	<u>2,579</u>	<u>1,909</u>
---	--------------	--------------

	2011 Number of directors	2010 Number of directors
Retirement benefits are accruing to the following number of directors under		
Defined benefit scheme	<u>1</u>	<u>1</u>

One employee received remuneration as a Director of the Company during the year ended 2011. The other Directors received no emoluments in respect of their role in the Company.

5. AUDITOR'S REMUNERATION

	2011 US\$'000	2010 US\$'000
Audit of these financial statements	<u>27</u>	<u>23</u>

HSBC Global Resourcing (UK) Limited

NOTES (continued)

6 EMPLOYEE COMPENSATION AND BENEFITS

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows

	2011	2010
Directors	1	1
Others	47	50
	<u>48</u>	<u>51</u>

The aggregate payroll costs of these persons were as follows

	2011 US\$'000	2010 US\$'000
Wages and salaries	3,709	3,405
Share based payment	1,494	1,289
Social security costs	7	7
Pension costs	539	556
	<u>5,749</u>	<u>5,257</u>

7. TAX EXPENSE

	2011 US\$'000	2010 US\$'000
Current tax		
UK corporation tax		
- on current year profit	5,136	5,507
- adjustments in respect of prior year	178	446
Overseas tax		
- on current year profit	33	18
- withholding tax suffered on dividends received	474	275
	<u>5,821</u>	<u>6,246</u>
Deferred tax		
Origination and reversal of temporary differences	(355)	(341)
Adjustments in respect of prior year	(186)	(454)
	<u>(541)</u>	<u>(795)</u>
Tax expense	<u>5,280</u>	<u>5,451</u>

The following table reconciles the tax expense which would apply if all profits had been taxed at the UK corporation tax rate

	2011 US\$'000	%	2010 US\$'000	%
Profit on ordinary activities before tax	<u>8,487</u>		<u>21,044</u>	
Taxation at UK corporation tax rate of 26.49% (2010 28%)	2,248	26.5	5,892	28.0
Adjustments in respect of prior period liabilities	(8)	(0.10)	(8)	(0.04)
Withholding tax suffered on dividends received	474	5.6	275	1.3
Effect of previously unrecognised temporary differences	-	-	-	-
Non deductible expenses	3,823	45.0	62	0.3
Income not taxable for tax purposes	(1,257)	(14.8)	(770)	(3.7)
Overall tax expense	<u>5,280</u>	62.2	<u>5,451</u>	25.9

HSBC Global Resourcing (UK) Limited

NOTES (continued)

8. PLANT AND EQUIPMENT

	Motor Vehicles USD'000	Office equipment USD'000	Computer equipment USD'000	Fixtures & fittings USD'000	Telecoms equipment USD'000	Leasehold improvements USD'000	Total USD'000
Cost							
Balance at 1 January 2011	556	4	179	106	407	750	2,002
Additions	59	-	18	-	31	-	108
Disposal	(92)	-	(4)	-	(1)	-	(97)
Reclassification	-	-	-	-	-	-	-
Retranslation	(16)	-	(5)	(3)	(12)	(21)	(57)
Balance at 31 December 2011	507	4	188	103	425	729	1,956
Depreciation and impairment							
Balance at 1 January 2011	198	2	156	64	227	147	794
Depreciation charge for the year	116	1	18	21	83	50	289
Disposal	(51)	-	(2)	-	-	-	(53)
Retranslation	(7)	-	(5)	(3)	(9)	(6)	(30)
Balance at 31 December 2011	256	3	167	82	301	191	1,000
Net book value							
At 1 January 2011	358	2	23	42	180	603	1,208
At 31 December 2011	251	1	21	21	124	538	956

	Motor Vehicles USD'000	Office equipment USD'000	Computer equipment USD'000	Fixtures & fittings USD'000	Telecoms equipment USD'000	Leasehold improvements USD'000	Total USD'000
Cost							
Balance at 1 January 2010	595	5	150	91	360	652	1,853
Additions	-	-	12	5	7	24	48
Disposal	(105)	-	-	-	-	-	(105)
Reclassification	-	-	-	-	-	-	-
Retranslation	66	(1)	17	10	40	74	206
Balance at 31 December 2010	556	4	179	106	407	750	2,002
Depreciation and impairment							
Balance at 1 January 2010	113	2	91	39	131	91	467
Depreciation charge for the year	110	1	52	20	78	44	305
Disposal	(42)	-	-	-	-	-	(42)
Retranslation	17	(1)	13	5	18	12	64
Balance at 31 December 2010	198	2	156	64	227	147	794
Net book value							
At 1 January 2010	482	3	59	52	229	561	1,386
At 31 December 2010	358	2	23	42	180	603	1,208

HSBC Global Resourcing (UK) Limited

NOTES (continued)

9. INVESTMENTS IN SUBSIDIARIES

	Unlisted shares at cost US\$'000
At 1 January 2011	172,757
Capital injection to subsidiaries	7,000
Provision of committed capital injection for subsidiary's business closure	7,000
Impairment loss in subsidiary	(15,000)
At 31 December 2011	<u>171,757</u>

(a) The subsidiary undertakings of the Company at 31 December 2011 are

	Country of incorporation	Principal activity	Issued and paid up capital
HSBC Electronic Data Processing (Guangdong) Limited	People's Republic of China	Data processing	US\$ 49m
HSBC Electronic Data Processing (Philippines) Inc	Philippines	Data processing	US\$ 45m
HSBC Electronic Data Processing (Malaysia) Sdn Bhd	Malaysia	Data processing	US\$ 39m
HSBC Electronic Data Processing Lanka (Private) Limited	Sri Lanka	Data processing	US\$ 23m
HSBC Service Delivery (Polska) Sp z o o	Poland	Data processing	US\$ 8m
HSBC Service Delivery (Czech Republic) s r o	Czech Republic	Data Processing	US\$ 8m
HSBC Electronic Data Service Delivery (Egypt) S A E	Egypt	Data Processing	US\$ 8m

All the above subsidiaries are wholly owned. The principal countries of operation are the same as the countries of incorporation.

10. AVAILABLE-FOR-SALE-SECURITIES

Other financial assets are equity securities classified as available-for-sale relating to share-based payment arrangements for employees which is part of the share awards scheme operated by HSBC Holdings plc (see note 18).

	2011 US\$'000	2010 US\$'000
Quoted shares	-	372
Fair value gain	-	23
At 31 December 2011	<u>-</u>	<u>395</u>

All shares have been vested during the year.

HSBC Global Resourcing (UK) Limited

NOTES (continued)

11 DEFERRED TAXATION

	2011 US\$'000	2010 US\$'000
At 1 January 2011	1,234	447
Statement of comprehensive income credit	541	787
At 31 December 2011	<u>1,775</u>	<u>1,234</u>

The amount of deferred taxation accounted for in the balance sheet

Deferred tax assets	2011 US\$'000	2010 US\$'000
Property, plant and equipment	39	20
Share-based payment	886	484
Other temporary differences	850	730
	<u>1,775</u>	<u>1,234</u>

Deferred tax is not recognised in respect of the Company's investments in subsidiaries where remittance is not contemplated, where it has been determined that no additional tax will arise

On 27 July 2010, the UK Government enacted a reduction in the UK corporation tax rate to 27% with effect from 1 April 2011. The effect of this rate change was reflected in the financial statements for the year ending 31 December 2010 as the rate change was substantively enacted in that period.

During 2011, the UK Government substantively enacted further reductions in the UK corporation tax rate to 26% with effect from 1 April 2011 and to 25% with effect from 1 April 2012.

In the financial statements for the year ending 31 December 2011, deferred tax has been calculated at the corporation tax rates applicable to the financial years in which it is expected that the assets will be realised, being 25.25% for the year ending 31 December 2012 and 25% thereafter. The effect of the reduction in the UK corporation tax rate is a one-off reduction in the recognised deferred tax asset of US\$141,981.

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at balance sheet date (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date) by \$70,990.

It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

As at 31 December 2011, the full anticipated effect of the announced further 2% rate reduction has not been quantified, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax asset accordingly.

HSBC Global Resourcing (UK) Limited

NOTES (continued)

12. CAPITAL AND RESERVES

(a) Share Capital

	31 December 2011 Number of shares	31 December 2011 US\$
Share capital		
Ordinary shares of \$1 each	100	100
Allotted, called-up and fully paid share capital		
Ordinary shares of \$1 each	8	8
	31 December 2010 Number of shares	31 December 2010 US\$
Share capital		
Ordinary shares of \$1 each	100	100
Allotted, called-up and fully paid share capital		
Ordinary shares of \$1 each	8	8

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Nature and purpose of reserves

(i) Share premium reserve

The application of the share premium account is governed by Section 610 (2-3) of the Companies Act 2006.

(c) Capital management

In line with HSBC Group's policy, the Company is to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. The Company recognises the impact on shareholder returns on the level of equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity. The Company is not subject to externally imposed capital requirements.

An annual Group capital plan is prepared and approved by the Board of HSBC Holdings plc. The Company manages its own capital within the context of the plan, which determines an appropriate amount and mix of capital required to support planned business growth. As part of HSBC's capital management policy, capital generated in excess of planned requirements is returned to shareholders, normally by way of dividends.

The principal forms of capital are included in the following balances on the balance sheet: called up share capital, share premium account and retained earnings.

(d) Available-for-sale reserve

The available-for-sale reserve includes the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

HSBC Global Resourcing (UK) Limited

NOTES (continued)

12. CAPITAL AND RESERVES (continued)

(e) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary

(f) Share based payment reserve

The share based payment reserve account is used to record the corresponding amount relating to costs of share awards granted to employees of the group directly by HSBC Holdings plc

13. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties

Immediate and Ultimate parent

The following are the outstanding balances with the Company's ultimate parent, HSBC Holdings plc, at 31 December

	31 December 2011 US\$'000	31 December 2010 US\$'000
Assets		
Receivables due from ultimate parent	<u>5,177</u>	<u>6,945</u>
Liabilities		
Payables due to ultimate parent	<u>4,935</u>	<u>5,049</u>

The Company participates in various share awards schemes operated by HSBC Holdings plc whereby shares of HSBC Holdings plc are granted to employees of the Company. The Company recognises an expense in respect of these share awards. The cost borne by the Company in respect of these share awards is treated as a capital contribution and is recorded under 'Share based payment reserves'. The balance of this reserve as at 31 December 2011 amounted to NIL (2010: NIL).

Revenue earned of US\$18 million (2010: US\$8 million) and receivables due from ultimate parent are for services billed (services of providing data entry, general processing, call centre and professional services) to HSBC Holdings plc. The outstanding balances arose from the ordinary course of business and on substantially the same terms as for comparable transactions with third party counterparts.

Other related parties

The following are the outstanding balances with the other related parties at 31 December

	31 December 2011 US\$'000	31 December 2010 US\$'000
Assets		
Cash and cash equivalents	115,080	60,445
Receivable due from other related parties	<u>148,703</u>	<u>162,929</u>
Total related party assets	<u>263,783</u>	<u>223,374</u>
Liabilities		
Payables due to other related parties	<u>105,946</u>	<u>98,973</u>
Total related party liabilities	<u>105,946</u>	<u>98,973</u>

HSBC Global Resourcing (UK) Limited

NOTES (continued)

13. RELATED PARTY TRANSACTIONS (continued)

Other related parties (continued)

Other related parties comprise other HSBC group companies

The cash and cash equivalents consist of bank balances with HSBC Bank plc and HSBC Bank Malaysia Berhad. During the year, interest of US\$181,000 (2010 US\$103,000) was earned on these accounts.

The current year interest charge on loans was NIL (2010 US\$93,000) as the loan has been fully settled on 28 December 2010.

Revenue earned of US\$772 million (2010 US\$705 million) and receivables due from other related parties are for services billed (services of providing data entry, general processing, call centre and professional services) to other HSBC Group entities. The outstanding balances arose from the ordinary course of business and on substantially the same terms as for comparable transactions with third party counterparts.

Cost of services purchased of US\$393 million (2010 US\$371 million) and payables due to other HSBC Group entity are for services purchased (services of providing data entry, general processing, call centre and professional services) from the subsidiaries. The outstanding balances arose from the ordinary course of business and on substantially the same terms as for comparable transactions with third party counterparts.

Subsidiaries

The following are the outstanding balances with the subsidiaries at 31 December

	31 December 2011 US\$'000	31 December 2010 US\$'000
Assets		
Receivable due from subsidiaries	<u>104</u>	<u>29</u>
Liabilities		
Payables due to subsidiaries	<u>92,571</u>	<u>82,942</u>

During 2011, the Company received dividend income from subsidiaries of US\$5 million (2010 US\$3 million).

Cost of services purchased of US\$348 million (2010 US\$305 million) and payables due to subsidiaries are for services purchased (services of providing data entry, general processing, call centre and professional services) from the subsidiaries. The outstanding balances arose from the ordinary course of business and on substantially the same terms as for comparable transactions with third party counterparts.

Parent and Ultimate controlling party

The Company's immediate parent is HSBC Overseas Holdings (UK) Limited and the Company's ultimate parent is HSBC Holdings plc. Both the immediate and ultimate parent companies are incorporated in the United Kingdom. The ultimate parent company produces consolidated financial statements for public use. Copies of the financial statements of HSBC Holdings plc may be obtained from its registered office at 8 Canada Square, London, E14 5HQ, or from www.hsbc.com.

HSBC Global Resourcing (UK) Limited

NOTES (continued)

14. OTHER RECEIVABLES

	31 December 2011 US\$'000	31 December 2010 US\$'000
Non- trade		
Other receivables	47	34
Deposits	134	182
Prepayments	80	50
	<u>261</u>	<u>266</u>

15. OTHER FINANCIAL (LIABILITIES) / ASSETS

	31 December 2011 US\$'000	31 December 2010 US\$'000
Financial (liabilities) / assets designated as fair value through profit or loss	<u>(179)</u>	<u>188</u>

Included in other financial liabilities or assets are forward exchange contracts

16. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business. These risks are limited by the Company's financial management policies and practices described below

(a) Credit risk

Credit risk exists on receivables due from related parties. The maximum exposure to credit risk is represented by the carrying amount of these receivables. There were no significant concentrations of credit risk. The average credit period is 30 days.

(b) Interest rate risk

The interest rate risk arises on account of the borrowings in fixed rate.

(c) Foreign currency risk

The Company's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments excluding derivatives which are based on notional amounts.

31 December 2011

	GBP USD\$ '000	HKD USD\$'000	MYR USD\$'000	Total USD\$'000
Cash and cash equivalents	27,480	20,584	9,175	57,239
Amount due from related companies	16,627	17,980	-	34,607
Amount due to related companies	27,514	18,592	27	46,133

31 December 2010

	GBP USD\$'000	HKD USD\$'000	MYR USD\$'000	Total USD\$'000
Cash and cash equivalents	8,573	14,196	7,355	30,124
Amount due from related companies	27,621	14,308	14	41,943
Amount due to related companies	29,257	17,380	6	46,643

NOTES (continued)

16. FINANCIAL INSTRUMENTS (continued)

(c) Foreign currency risk (continued)

Sensitivity analysis

A 5 percent strengthening of the following currencies against the United States Dollars at 31 December 2011 would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

	2011	Profit or (loss)
	USD'000	2010
		USD'000
GBP	873	365
HKD	1,051	585
MYR	481	387

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

A 5 percent weakening of the above currencies against the United States Dollars at 31 December 2011 would have had the opposite effect of approximately the same amounts as shown above, assuming that all other variables remain constant.

(d) Liquidity and cashflow risk

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Cash flows payable by the Company under financial liabilities by remaining contractual maturities

31 Dec 2011

US\$'000	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years
Payables due to related companies	-	203,452	-	-

31 Dec 2010

US\$'000	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years
Payables due to related companies	-	186,964	-	-

(e) Market risk - Equity price risk

The Company's exposure to equity price risk arises from its investment in equity securities which are classified as available for sale financial assets and are shown on the balance sheet as available-for-sale securities (see note 10).

HSBC Global Resourcing (UK) Limited

NOTES (continued)

17. CAPITAL COMMITMENTS

The Company does not have any capital commitment as of balance sheet date

18. EQUITY-BASED COMPENSATION

The Company participated in the following equity settled share compensation plans operated by the HSBC Group for the acquisition of HSBC Holdings plc shares

a Restricted Share Plan and others

The HSBC Holdings Restricted Share Plan and others are intended to align the interests of executives with those of shareholders by linking executive awards to the creation of superior shareholder value. This is achieved by focusing on predetermined targets. The cost of the conditional awards is recognised through an annual charge based on the likely level of vesting of shares, apportioned over the period of service to which the award relates.

	2011 Number (‘000)	2010 Number (‘000)
Outstanding at 1 January	279	182
Additions during the year	511	100
Vested during the year	(60)	(3)
Outstanding at 31 December	<u>730</u>	<u>279</u>
	2011 US\$’000	2010 US\$’000
Compensation cost recognised during the year	<u>1,382</u>	<u>916</u>

The weighted average purchase price for all shares purchased by the Company for awards under the Restricted Share Plan during 2011 is NIL (2010: NIL). The closing price of the HSBC share at 31 December 2011 was £4.91 (2010: £6.51). The weighted average remaining vesting period as at 31 December 2011 was 0.98 years (2010: 1.17 years).

HSBC Global Resourcing (UK) Limited

NOTES (continued)

18. EQUITY-BASED COMPENSATION (continued)

b Achievement Share Award

Achievement Share Award was introduced in 2005 to replace the Group Share Option Plan. HSBC Holdings ordinary shares are awarded to senior executives, without corporate performance conditions and will be released to the individual after three years, provided participants remain continuously employed within the HSBC Group. Additional awards are made during the three-year life of the award. These represent the equivalent value of dividends reinvested in shares. At the end of three years, the original Award together with the Additional Share Awards (added to the original award) will be released. The cost of the awards is recognised through an annual charge based on the cost of the shares purchased, apportioned over a period of three years to which the award relates.

	2011 Number ('000)	2010 Number ('000)
Outstanding at 1 January	67	121
Vested during the year	(67)	(54)
Outstanding at 31 December	<u>-</u>	<u>67</u>
	2011 US\$'000	2010 US\$'000
Compensation cost recognised during the year	<u>88</u>	<u>355</u>

The weighted average purchase price for all shares purchased by the Company for awards under the Achievement Share Award during 2011 is NIL (2010: NIL). The closing price of the HSBC share at 31 December 2011 was £4.91 (2010: £6.51). The weighted average remaining vesting period as at 31 December 2011 is nil (2010: 0.25 years).

c Saving-Related Share Option Schemes

The Saving-Related Share Option Schemes are all-employee share plans under which eligible HSBC employees are granted options to acquire HSBC Holdings ordinary share. Employees may make monthly contributions up to £250 over a period of three or five years which may be used, on the third or fifth anniversary of the commencement of the relevant savings contract, to exercise the options, alternatively the employee may elect to have the savings (plus interest) repaid in cash. The options are exercisable within six months following the third or fifth anniversary of the commencement of the relevant savings contract. The exercise price is set at a discount of up to 20 per cent to the market value of the ordinary shares at the date of grant. The cost of the awards is amortised over the vesting period.

Movement in the number of share options held by employees are as follows:

	2011 Number ('000)	Weighted average exercise price US\$	2010 Number ('000)	Weighted average exercise price US\$
Outstanding at 1 January	44	5.52	43	5.14
Granted in the year	4	8.50	5	8.33
Lapsed in the year	(3)	6.23	(1)	5.37
Vested during the year	(3)	10.4	(5)	5.37
Transfers	(4)	4.91	2	5.34
Outstanding at 31 December	<u>38</u>	<u>5.51</u>	<u>44</u>	<u>5.52</u>
		2011 US\$'000		2010 US\$'000
Compensation cost recognised during the year		<u>24</u>		<u>18</u>

The weighted average fair value of options granted during the year was US\$2.25 (2010: US\$2.29).