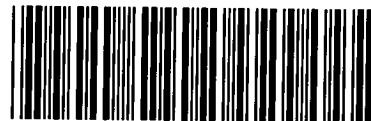


HSBC Global Services Limited
Company No: 5639234

Financial Statements for the year ended 31 December 2016

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HSBC Global Services Limited

Company No: 5639234

Financial Statements for the year ended 31 December 2016

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HSBC Global Services Limited

Strategic Report

Strategic priorities of the HSBC Group

HSBC Global Services Limited ("the Company") is a member of the HSBC Group. HSBC's strategic priority is to be the world's leading and most respected international bank and will achieve this by focusing on the needs of our customers and the societies we serve, thereby delivering long-term sustainable value to all our stakeholders.

In line with all Global Systemically Important Banks, HSBC is working with its regulators to understand interdependencies between different subsidiary banking entities in the HSBC Group in order to enhance resolvability. In order to remove operational dependencies (where one subsidiary bank provides critical services to another), the HSBC Group has determined to transfer such critical services from the subsidiary banks to a separately incorporated group of service companies ("ServCo Group"). The ServCo Group will be separately capitalised and funded to ensure continuity of services in resolution.

The Company is the Holding Company for the ServCo Group and therefore this initiative involves transferring critical services not currently undertaken by the Company and its subsidiaries, from subsidiary banks into the ServCo Group.

Principal activities

The Company provides corporate governance, direction and a framework within which such services can be provided to other HSBC group entities by its subsidiaries. The Company's role is to optimise the use of capacity and capability of its subsidiaries ensuring consistency, service quality control and promote best practice across its subsidiaries.

The Company co-ordinates and manages the operations of the ServCo Group, spread across Asia, Middle East and Continental Europe in terms of locational strategy, business continuity planning, alignment to the functional blueprint through Business Services, appropriate capacity planning and providing leadership and management oversight.

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 Holdings plc.

Review of the Company's business

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

As the Company is managed as part of a global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of HSBC Bank plc. Ongoing review of performance of the Company is carried out by comparing actual performance against annually set budgets.

Performance

The Company's results for the year under review are as detailed in the income statement shown on page 8 of these accounts.

The results of the Company show a pre-tax profit of US\$29 million (2015: US\$30 million). During the year, the Company earned dividend income from its Subsidiaries of US\$28 million (2015: US\$29 million).

The Company had a net equity position of US\$340 million for 2016 (2015: US\$314 million).

Investment in Subsidiaries had increased by US\$22 million, to US\$227 million for 2016 (2015: US\$205 million). The increase was attributable to capital injection to HSBC Group Management Services Limited.

Principal risks and uncertainties

The principal financial risks and uncertainties facing the Company are credit risk, market risk, liquidity risk and funding risk. These risks, the exposure to such risks and management of risk are set out in note 16 of the financial statements.

The most important non-financial types of risk are operational risk, conduct and regulatory risk, including Financial Crime compliance and reputational risk. The Directors have put in place procedures to monitor and manage these risks.

Operational risk is relevant to every aspect of the Company's business and covers a wide spectrum of issues. Losses arising from fraud, unauthorised activities, error omission, inefficiency, systems failure or from external events all fall within the definition of operational risk.

The long term success of the Company is closely linked to the confidence of its stakeholders. Safeguarding and building upon the Company's reputation is the responsibility of every employee. Any lapse in standards of integrity, compliance, customer service or operating efficiency represents a potential reputational risk. The Company always aspires to the highest standards of conduct and, as a matter of routine, takes account of reputational risks to its business.

The Company is subject to the risks of the performance of its Subsidiaries which could result in impairment of these investments.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union with the process of leaving the EU ('Brexit') commencing on 29 March 2017. The ultimate economic impact of Brexit is currently uncertain and will depend on the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime, this uncertainty is expected to result in volatility in respect of the principal risks affecting the Company. However this is not expected to have a material impact on the results or net assets of the Company given the nature of the Company's transactions, counterparties and available security.

Signed on behalf of the Board



Andrew Mitchell Maguire
Director

8 Sep 2017

Registered Office
8 Canada Square
London
E14 HQ

HSBC Global Services Limited

Directors' Report

Directors

The Directors who served during the year and up to the date of approval of the financial statements were as follows:

Name	Appointed	Resigned
Stuart Thomson Gulliver	15/12/2014	03/02/2017
Joanna Claire Fielding	07/04/2017	16/06/2017
Iain James Mackay	15/12/2014	
Menasey Marc Moses	15/12/2014	
Andrew Mitchell Maguire	15/12/2014	
Iain Francis MacKinnon	20/03/2017	
Gary Maurice Andrew Phillips	07/04/2017	
Richard John Hennity	07/04/2017	
Helen Ruth Horgan	07/04/2017	
Richard John Gray Harrison	07/04/2017	
Maria Andrea Colin	16/06/2017	

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 UK Companies Act 2006.

Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. All Directors have the benefit of directors' and officers' liability insurance.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016 (2015: Nil).

Significant events since the end of the financial year

No important 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.

Financial instruments

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required under Part 1 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, are set out in note 16 of the Notes to the financial statements.

Employment of disabled persons

The Company is committed to providing equal opportunities to employees. The employment of disabled persons is included in this commitment and the recruitment, training, career development and promotion of disabled persons is based on the aptitudes and abilities of the individual. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

Employment policy

The Company continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Company's performance through management channels, oral communication and by way of attendance at internal seminars and training programmes. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance.

Capital management

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

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.

Overseas branches

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

Disclosure of information to auditor

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and the 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 is 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(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore PricewaterhouseCoopers LLP will continue in office for the financial period 1 January 2017 to 31 December 2017.

Directors' Report (continued)

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities set out in their report on page 7, is made with a view to distinguish the respective responsibilities of the Directors and of the auditor in relation to the financial statements.

The Directors are responsible for preparing, in accordance with applicable law and regulations, a Strategic Report, a Directors' Report and the financial statement for each financial year.

The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ("EU") and have elected to prepare the Company's 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 the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

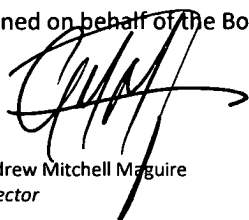
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.

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 ensuring that accounting records are kept 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.

The Directors 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.

Signed on behalf of the Board



Andrew Mitchell Maguire
Director

HSBC Global Services Limited

8 Sep 2017

Registered Office
8 Canada Square
London
E14 HQ

HSBC Global Services Limited

Independent Auditors' Report to the members of HSBC Global Services Limited

Report on the financial statements

Our opinion

In our opinion, HSBC Global Services Limited's financial statements (the 'financial statements'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Financial Statements (the 'Annual Report'), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement and the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- Whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Andrew Batty (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

8 September 2017

HSBC Global Services Limited

Financial Statements

Income statement for year ended 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
Revenue	18	1,038,387	983,370
Cost of services purchased	18	(1,026,042)	(965,842)
Gross profit		12,345	17,528
Dividend income	3	28,424	28,728
Other operating income		645	2,444
Administrative expenses	4 - 6	(8,545)	(18,355)
Exchange loss		(4,083)	(817)
Operating profit		28,786	29,528
Finance income		354	210
Profit before tax		29,140	29,738
Tax expense	7	(2,662)	(1,607)
Profit for the year		26,478	28,131

Statement of Comprehensive Income for the year ended 31 December 2016

Profit for the year	26,478	28,131
Other comprehensive expense, net of tax		
Foreign currency translation differences for foreign operations	(256)	(1,248)
Other comprehensive expense for the year, net of tax	(256)	(1,248)
Total comprehensive income for the year	26,222	26,883

The notes on pages 12 to 32 form an integral part of these financial statements.

HSBC Global Services Limited

Financial Statements (continued)

Statement of financial position for the year ended 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
ASSETS			
Cash and cash equivalents with HSBC undertakings	18	203,327	192,582
Receivables due from related parties	18	215,040	176,201
Other receivables, deposits and prepayments	9	69	104
Current tax assets		1	-
Deferred tax assets	8	59	118
Plant and equipment	11	249	341
Investments in subsidiaries	10	226,881	205,235
Total assets		645,626	574,581
LIABILITIES			
Payables due to related parties	18	302,175	258,771
Accruals and other liabilities		3,029	1,201
Other financial liabilities	12	72	403
Current tax liabilities		98	207
Total liabilities		305,374	260,582
EQUITY			
Called up share capital	14	*-	*-
Share premium	14	175,356	175,356
Retained earnings		166,903	140,395
Translation reserve	14	(2,008)	(1,752)
General reserve	14	1	-
Total equity		340,252	313,999
Total liabilities and equity		645,626	574,581

* Represent 8 ordinary shares at US\$1 each.

The notes on pages 12 to 32 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 8 Sep 2017 and were signed on its behalf by:


 Andrew Mitchell Maguire
 Director

HSBC Global Services Limited

Financial Statements (continued)

Statement of cash flows for the year ended 31 December 2016

	2016 US\$'000	2015 US\$'000
Cash flows from operating activities		
Profit before tax	29,140	29,738
Adjustments for:		
Dividend income from subsidiaries	(28,424)	(28,728)
Equity-settled share-based payment transactions	36	(4)
Depreciation of plant and equipment	66	87
Finance income	(354)	(210)
Gain on disposal of plant and equipment	(31)	(15)
Unrealised foreign exchange differences	(248)	(1,157)
Operating cash flows before changes in working capital	185	(289)
Change in receivables due from related parties	(38,839)	13,713
Change in other receivables, deposits and prepayments	35	108
Change in payables due to related parties	43,404	(7,612)
Change in accruals and other liabilities	1,828	(1,812)
Change in other financial liabilities	(331)	(100)
Cash generated from operations	6,282	4,008
Tax paid	(2,719)	(1,501)
Net cash generated from operating activities	3,563	2,507
Cash flow from investing activities		
Investments in subsidiaries	(21,646)	(31,936)
Proceeds from capital repatriation from subsidiary	-	14,885
Proceeds from disposal of plant and equipment	53	21
Acquisition of plant and equipment	(3)	(16)
Dividend income received	28,424	28,728
Bank interest received	354	210
Net cash generated from investing activities	7,182	11,892
Net increase in cash and cash equivalents	10,745	14,399
Cash and cash equivalents at 1 January	192,582	178,183
Cash and cash equivalents at 31 December	203,327	192,582

The notes on pages 12 to 32 form an integral part of these financial statements.

HSBC Global Services Limited

Financial Statements (continued)

Statement of changes in equity for the year ended 31 December 2016

	Called up share capital US\$'000	Share premium US\$'000	Retained earnings US\$'000	Translation reserve US\$'000	General reserve US\$'000	Total equity US\$'000
At 1 January 2016	*	175,356	140,395	(1,752)	-	313,999
Profit for the year						
Statement of comprehensive income	-	-	26,478	-	-	26,478
Other comprehensive expense, net of tax						
Foreign currency translation differences for foreign operations	-	-	-	(256)	-	(256)
Total comprehensive income for the year	-	-	26,478	(256)	-	26,222
Transactions with owners, recorded directly in equity						
Equity-settled share-based payment transactions	-	-	30	-	1	31
At 31 December 2016	*	175,356	166,903	(2,008)	1	340,252

	Called up share capital US\$'000	Share premium US\$'000	Retained earnings US\$'000	Translation reserve US\$'000	General reserve US\$'000	Total equity US\$'000
At 1 January 2015	*	175,356	112,268	(504)	-	287,120
Profit for the year						
Statement of comprehensive income	-	-	28,131	-	-	28,131
Other comprehensive expense, net of tax						
Foreign currency translation differences for foreign operations	-	-	-	(1,248)	-	(1,248)
Total comprehensive income for the year	-	-	28,131	(1,248)	-	26,883
Transactions with owners, recorded directly in equity						
Equity-settled share-based payment transactions	-	-	(4)	-	-	(4)
At 31 December 2015	*	175,356	140,395	(1,752)	-	313,999

*Represent 8 ordinary shares at US\$1 each.

The notes on pages 12 to 32 form an integral part of these financial statements.

Equity is wholly attributable to equity shareholders of HSBC Global Services Limited.

Notes on the Financial Statements

1 Basis of preparation and significant accounting policies

A 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 IASB, including interpretations ('IFRICs') issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU').

At 31 December 2016, there were no unendorsed standards effective for the year ended 31 December 2016 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 2016

There were no new standards applied during the year ended 31 December 2016. During 2016, the Company adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements of the Company.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis other than as disclosed in Note 1B.

(c) Functional and presentation currency

The financial statements have been presented in US Dollars, which is the Company's functional currency.

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

(d) Future accounting developments

Minor amendments to IFRSs

The IASB has published a number of minor amendments to IFRSs in the 'Annual Improvements to IFRSs 2012-2014' and in a series of stand-alone amendments, one of which has not yet been endorsed for use in the EU. The Company has not early adopted any of the amendments effective after 31 December 2016, and it expects they will have an immaterial impact, when adopted, on the financial statements of the Company.

Major new IFRSs

The IASB has published IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. IFRS 9 and IFRS 15 have been endorsed for use in the EU.

IFRS 9 'Financial Instruments'

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the Company's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. However, based on an assessment of financial assets performed to date and expectations around changes to balance sheet composition, the Company expects that the overall impact of any change will not be significant.

Notes on the Financial Statements (continued)

Classification and measurement (continued)

For financial liabilities designated to be measured at fair value, gains or losses relating to changes in the Company's own credit risk are to be included in other comprehensive income.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an 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 in 'stage 1'; financial assets that 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'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge will tend to be more volatile. IFRS 9 will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

Hedge accounting

The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. However, they do not explicitly address macro hedge accounting strategies, which are particularly important for banks. As a result, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting.

Based on the analysis performed to date, the Company expects to exercise the accounting policy choice to continue IAS 39 hedge accounting and therefore is not currently planning to change hedge accounting, although it will implement the revised hedge accounting disclosures required by the related amendments to IFRS 7 'Financial Instruments: Disclosures'.

Transition

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Company does not intend to restate comparatives. The mandatory application date for the standard as a whole is 1 January 2018, but it is possible to apply the revised presentation for certain liabilities measured at fair value from an earlier date. The Company is assessing the impact that the impairment requirements will have on the financial statements.

The joint Global Risk and Global Finance IFRS 9 Implementation Programme continues to progress with the documentation of Group accounting policy, the development of operating and system target operating models and the development, build and testing of risk modelling methodologies for the calculation of impairment nearing completion. HSBC group intends to perform a parallel run during the second half of 2017 to gain a better understanding of the potential effect of the new standard and for the governance framework to gain experience. The Company intends to quantify the potential impact of IFRS 9 once it is practicable to provide reliable estimates, which will be no later than in the Financial Statements 2017. Until reliable estimates of the impact are available, particularly on the interaction with the regulatory capital requirements, further information on the expected impact on the financial position and on capital planning cannot be provided.

Notes on the Financial Statements (continued)

IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The original effective date of IFRS 15 has been delayed by one year and the standard is now effective for annual periods beginning on or after 1 January 2018 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for performance obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The Company has assessed the impact of IFRS 15 and expects that the standard will have no significant effect, when applied, on the financial statements of the Company.

(e) Presentation of information

Capital disclosures under IAS 1 'Presentation of Financial Statements' ('IAS 1') have been included in Note 14 (c).

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

The functional currency of the Company is USD, which is also the presentation currency of the financial statements of the Company.

(f) 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 listed below as the critical accounting estimates and judgements, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of these Financial Statements. Management's selection of the Company's accounting policies which contain critical estimates and judgements is listed below. It reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

- Impairment of investment in subsidiaries: refer to Note 10
- Deferred tax assets: refer to Note 8
- Valuation of financial instruments: refer to Note 15

(g) 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.

(h) Foreign currencies

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

B Significant accounting policies

(a) 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.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

i. Impairment of investments in subsidiaries

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the investments in subsidiaries may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(b) Operating income

i. Revenue

Revenue from business processing and knowledge processing services is recognised when the services are rendered on a cost plus basis.

ii. Dividend income

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

HSBC Global Services Limited

Notes on the Financial Statements (continued)

(c) Interest income and expense

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.

(d) Provisions

A provision is recognised in the statement of financial position 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.

2 Share-based payments

Accounting policy

The Company enters into equity-settled share-based payment arrangements with its employees as compensation for services by employees.

The vesting period for these schemes may commence before the grant date if the employees have started to render services in respect of the award before the grant date. Expenses are recognised when the employee starts to render service to which the award relates.

Cancellations result from the failure to meet a non-vesting condition during the vesting period and are treated as an acceleration of vesting recognised immediately in the income statement. Failure to meet a vesting condition by the employee is not treated as a cancellation, and the amount of expense recognised for the award is adjusted to reflect the number of awards expected to vest.

HSBC share award plans

Plans	Policy
Restricted share awards (including annual incentive awards delivered in shares), Share Match Scheme and GPSP	<ul style="list-style-type: none">• An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted.• Deferred awards generally require employees to remain in employment over the vesting period and are not subject to performance conditions after the grant date.• Deferred share awards generally vest over a period of three years and GPSP awards vest after five years.• Vested shares may be subject to a retention requirement post-vesting. GPSP awards are retained until cessation of employment.• Awards granted from 2010 onwards are subject to malus provision prior to vesting.

Notes on the Financial Statements (continued)

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, Share Match Scheme 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. An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted. Deferred awards generally require employees to remain in employment over the vesting period and are not subject to performance conditions after the grant date. Deferred share awards generally vest over a period of three years. Vested shares may be subject to a retention requirement (restriction) post-vesting. 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.

The Savings-Related Share Match Schemes was first introduced in Malaysia in 2014. Eligible HSBC employees will acquire HSBC Holdings ordinary shares. Shares are purchased in the market each quarter up to a maximum value of £750 or the equivalent in local currency over a period of one year. Matching awards are added at a ratio of one free share for every three purchased. Matching awards vest subject to continued employment and the retention of the purchased shares for a maximum period of two years and nine months.

Movement on HSBC share awards

	Restricted share awards	
	2016	2015
	Number	Number
Outstanding at 1 January	23	128
Additions during the year	4	6
Vested during the year	(23)	(111)
Outstanding at 31 December	4	23
	2016	2015
	US\$'000	US\$'000
Compensation cost recognised during the year	13	39

The weighted average purchase price for all shares purchased by the Company for awards under the Restricted Share Plan during 2016 is nil (2015: nil). The closing price of the HSBC share at 31 December 2016 was £6.57 (2015: £5.36). The weighted average remaining vesting period as at 31 December 2016 was 3.52 year (2015: 0.5 year).

Notes on the Financial Statements (continued)

HSBC share option plans

Plans	Policy
Savings-related share option plans ('Sharesave')	<ul style="list-style-type: none"> Two plans: the UK plan and the International Plan. The last grant of options under the International Plan was in 2012. Eligible employees can save up to £250 per month with the option to use the savings to acquire shares. Exercisable within six months following either the third or fifth anniversaries of the commencement of a three-year or five-year contract, respectively. The exercise price is set at a 20% (2015: 20%) discount to the market value immediately preceding the date of invitation.

b. Saving-Related Share Option Schemes

The Savings-Related Share Option Schemes aims to align the interests of all employees with the creation of shareholder value under which eligible HSBC employees are granted options to acquire HSBC Holdings ordinary shares. Employees may make monthly contributions up to £250 (or its equivalent in RM) over a period of one, three or five years with the option to use the savings to acquire shares. Alternatively the employee may elect to have the savings repaid in cash. The last grant of options under this plan was in 2012. The options are exercisable within three months following the first anniversary of the commencement of a one-year savings contract or within six months following either the third or the fifth anniversary of the commencement of three-year or five-year savings contracts, respectively. The exercise price is set at a 20% discount to the market value immediately preceding the date of invitation. The cost of the awards is amortised over the vesting period.

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

	2016 Number	WAEP ¹ US\$	2015 Number	WAEP ¹ US\$
2016				
Outstanding at 1 January	- ²	7.25	1	7.25
Vested during the year	-	-	(1)	7.25
Outstanding at 31 December	- ²	7.25	- ²	7.25

¹ Weighted average exercise price

² Represents 278 shares

	2016 US\$'000	2015 US\$'000
Compensation cost recognised during the year	-	4

The weighted average fair value of options granted during 2016 was nil (2015: nil).

HSBC Global Services Limited

Notes on the Financial Statements (continued)

3 Dividend income

	2016	2015
	US\$'000	US\$'000
Dividend income from subsidiaries	28,424	28,728

4 Remuneration of Directors

The Directors receive no emoluments in respect of their role in the Company as their services are deemed to be provided to the Company as part of their service to HSBC Group Management Services.

5 Auditors' remuneration

	2016	2015
	US\$'000	US\$'000
Audit of these financial statements	20	25
Non-audit fee	3	3

6 Employee compensation and benefits

Accounting policy

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.

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.

The aggregate payroll costs of these persons were as follows:

	2016	2015
	US\$'000	US\$'000
Wages, salaries and others	2,928	4,359
Social security costs	5	5
Share-based payment	13	39
Other pension costs	274	337
Year ended 31 December	3,220	4,740
Average number of persons (located in Malaysia) employed by the Company during the year	44	50

Notes on the Financial Statements (continued)

7 Tax

Accounting policy

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and any adjustment to tax payable in respect of previous years. The Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes.

Deferred tax is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

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

Tax charged to the income statement

	2016 US\$'000	2015 US\$'000
Current tax		
UK Corporation tax		
- on current year profit	-	207
- adjustments in respect of prior years	(110)	(133)
Overseas tax		
- on current year profit	34	33
- withholding tax suffered	2,684	1,428
	2,608	1,535
Deferred tax		
Origination and reversal of temporary differences	38	17
Effect of changes in tax rates	3	10
Adjustments in respect of prior years	13	45
	54	72
Total deferred tax	54	72
Total tax charged to income statement	2,662	1,607

The UK corporation tax rate applying to the Company was 20% (2015: 20.25%).

In the UK Budget on 8 July 2015, the UK Government proposed to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020, instead of the reduction to 18% as originally planned. The rate reduction to 17% was enacted during the period in the Finance (No2) Act 2016. The rate reduction to 17% was enacted during the period and has therefore been taken into account in the calculation of the UK related deferred tax balances as these balances will materially reverse after 1 April 2020. These reductions in the corporation tax rate were enacted in the Finance (No2) Act 2016.

HSBC Global Services Limited

Notes on the Financial Statements (continued)

Tax reconciliation

The tax charged to the income statement differs to the tax charge that would apply if all profits had been taxed at the UK Corporation tax rate as follows:

	2016 US\$'000	Percentage of overall profit before tax	2015 US\$'000	Percentage of overall profit before tax
Profit before tax	29,140		29,738	
Tax at 20% (2015: 20.25%)	5,828	20.00	6,022	20.25
Adjustments in respect of prior period liabilities	(97)	(0.33)	(88)	(0.30)
Withholding tax suffered	2,684	9.21	1,428	4.80
Non-deductible expenses (Permanent disallowables)	71	0.24	81	0.27
Impact due to changes in tax rates	3	0.01	10	0.03
Income not taxable for tax purposes (Non-taxable income and gains)	(5,685)	(19.51)	(5,817)	(19.56)
Other items	(142)	(0.48)	(29)	(0.09)
Total tax charged to income statement	2,662	9.14	1,607	5.40

8 Deferred tax

Critical accounting estimates and judgements

Deferred tax assets

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies. In the absence of a history of taxable profits, the most significant judgements relate to expected future profitability and to the applicability of tax planning strategies, including corporate reorganisations.

The following table shows the gross deferred tax assets and liabilities recognised in the statement of financial position and the related amounts recognised in the Income Statement:

	2016 US\$'000	2015 US\$'000
At 1 January	118	190
Charged to statement of income	(54)	(72)
Transfer to reserves	(5)	-
At 31 December	59	118
Deferred tax assets	2016 US\$'000	2015 US\$'000
Plant and equipment	53	79
Share-based payment	6	39
	59	118

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.

HSBC Global Services Limited

Notes on the Financial Statements (continued)

9 Other receivables, Deposits and Prepayments

	2016 US\$'000	2015 US\$'000
Non-trade		
Other receivables	69	76
Deposits	-	13
Prepayments	-	15
	<u>69</u>	<u>104</u>

10 Investment in subsidiary undertakings

Accounting policy

The Company classifies investments in entities which it controls as subsidiaries. Where an Company is governed by voting rights, the Company consolidates when it holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities and whether power is held as agent or principal.

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

	Unlisted shares at carrying value US\$'000
Unlisted share at carrying value At 1 January 2016	205,235
Capital injection to subsidiary	21,646
	<u>226,881</u>
At 31 December 2016	

HSBC Global Services Limited

Notes on the Financial Statements (continued)

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

	Country of incorporation or registration	Principal activity	Issued and paid up capital 2016	Issued and paid up capital 2015
HSBC Electronic Data Processing (Guangdong) Limited	People's Republic of China	Data Processing	US\$ 48.8m	US\$ 48.8m
HSBC Electronic Data Processing (Philippines) Inc	Philippines	Data Processing	US\$ 30m	US\$ 30m
HSBC Electronic Data Processing (Malaysia) Sdn Bhd	Malaysia	Data Processing	US\$ 39.1m	US\$ 39.1m
HSBC Electronic Data Processing Lanka (Private) Limited	Sri Lanka	Data Processing	US\$ 22.7m	US\$ 22.7m
HSBC Service Delivery (Polska) Sp z.o.o	Poland	Data Processing	US\$ 23.7m	US\$ 23.7m
HSBC Electronic Data Service Delivery (Egypt) S.A.E.	Egypt	Data Processing	US\$ 9m	US\$ 9m
HSBC Global Services (UK) Limited	United Kingdom	Service Company	US\$30.4m	US\$30.4m
HSBC Group Management Services Limited	United Kingdom	Service Company	US\$23.1m	US\$1.5m

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

Investment in subsidiaries had increased by US\$22 million. The increase was attributable to the capital injection into HSBC Group Management Services Limited.

11 Plant and equipment

Accounting policy

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment. Any gain or loss on disposal of an item of plant and equipment is recognised in profit or loss.

Depreciation is recognised in 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.

HSBC Global Services Limited

Notes on the Financial Statements (continued)

	Motor vehicles US\$'000	Office equipment US\$'000	Computer equipment US\$'000	fixtures and fittings US\$'000	Telecom equipment US\$'000	Leasehold improvements US\$'000	Total US\$'000
Cost							
At 1 January 2016	107	2	128	47	302	576	1,162
Addition	-	-	-	2	1	-	3
Disposals	(113)	-	(12)	-	(13)	-	(138)
Other movements	6	-	(4)	(2)	(11)	(21)	(32)
As at 31 December 2016	-	2	112	47	279	555	995
Accumulated depreciation							
At 1 January 2016	83	2	106	46	296	288	821
Charge for the year	7	-	13	1	5	40	66
Disposals	(95)	-	(8)	-	(13)	-	(116)
Other movements	5	-	(4)	(2)	(11)	(13)	(25)
As at 31 December 2016	-	2	107	45	277	315	746
Net book value							
At 1 January 2016	24	-	22	1	6	288	341
As at 31 December 2016	-	-	5	2	2	240	249

	Motor vehicles US\$'000	Office equipment US\$'000	Computer equipment US\$'000	fixtures and fittings US\$'000	Telecom equipment US\$'000	Leasehold improvements US\$'000	Total US\$'000
Cost							
At 1 January 2015	215	4	183	85	398	711	1,596
Additions	-	-	15	-	1	-	16
Disposals	(78)	(1)	(32)	(22)	(22)	-	(155)
Other movements	(30)	(1)	(38)	(16)	(75)	(135)	(295)
As at 31 December 2015	107	2	128	47	302	576	1,162
Accumulated depreciation							
At 1 January 2015	167	4	153	80	375	308	1,087
Charge for the year	16	-	17	1	10	43	87
Disposals	(78)	(1)	(32)	(20)	(18)	-	(149)
Other movements	(22)	(1)	(32)	(15)	(71)	(63)	(204)
As at 31 December 2015	83	2	106	46	296	288	821
Net book value							
At 1 January 2015	48	-	30	5	23	403	509
As at 31 December 2015	24	-	22	1	6	288	341

HSBC Global Services Limited

Notes on the Financial Statements (continued)

12 Other financial liabilities

	2016		2015	
	Contract/ notional amount US\$'000	Liabilities US\$'000	Contract/ notional amount US\$'000	Liabilities US\$'000
At fair value				
Foreign exchange related contracts:				
- Forwards (<i>Less than one year</i>)	750	72	3,000	403
Total	750	72	3,000	403

13 Commitment and contingencies

The table below shows the contracts or underlying principal amounts of unmatured off-balance sheet transactions at the statement of financial position date.

These commitments and contingencies are also not secured over the assets of the Company.

	2016 US\$'000	2015 US\$'000
Foreign exchange related contracts:		
- Less than one year	750	3,000
Total	750	3,000

14 Capital and Reserves

(a) Share Capital

	2016 Number of shares	2016 US\$
Share Capital:		
Ordinary shares of US\$1 each	100	100
Allotted, called-up and fully paid share capital:		
Ordinary shares of US\$1 each	8	8
	2015 Number of shares	2015 US\$
Share Capital:		
Ordinary shares of US\$1 each	100	100
Allotted, called-up and fully paid share capital:		
Ordinary shares of US\$1 each	8	8

Notes on the Financial Statements (continued)

(a) Share Capital (continued)

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) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(e) General reserve

The general reserve comprises deferred tax through reserve arising from share-based payment.

15 Financial instruments

Accounting policy

Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when the Company becomes a party to the contractual provisions of the instrument. A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instrument categories and subsequent measurement

The Company categorises financial assets as loans and receivables. Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables category comprises receivables and cash and cash equivalents. Financial assets categorised as loan and receivables are subsequently measured at amortised cost using the effective interest method. All financial assets are subject to review for impairment (see note 1(B)(a)).

The Company classifies its financial liabilities other than derivatives as measured at amortised cost. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period. Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in active market for identical instruments whose fair value otherwise cannot be reliably measured are measured at cost. Other financial liabilities categorised as fair value through profit and loss are subsequently measured at their fair value with the gain or loss recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows investments have expired; or where the Company has transferred its contractual rights to receive the cash flows of the assets, and have transferred substantially all the risks and rewards of ownership, or where both control and substantially all the risks and rewards are not retained.

Financial liabilities are derecognised when they are extinguished; i.e. when the obligation is discharged, cancelled, or expires.

Notes on the Financial Statements (continued)

Determination of fair value

Fair values are determined according to the following hierarchy:

- (a) Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets.
- (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 models where one or more significant inputs are unobservable.

The table below provides an analysis of financial instruments categorised as loan and receivables ("L&R"), financial liabilities at amortised cost ("FL") or financial liabilities at fair value through profit or loss ("FVTPL"). The carrying amounts of loan and receivables and other liabilities reasonably approximate their fair values due to their relatively short term nature.

At 31 December 2016	Carrying Value US\$'000	L&R US\$'000	FL US\$'000	FVTPL US\$'000
Financial Assets				
Cash and cash equivalents	203,327	203,327	-	-
Receivables due from related companies	215,040	215,040	-	-
Other receivables	69	69	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial Liabilities				
Payables due to companies	302,175	-	302,175	-
Accruals, deferred income and other liabilities	3,029	-	3,029	-
Other financial liabilities	72	-	-	72
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 At 31 December 2015	 Carrying Value US\$'000	 L&R US\$'000	 FL US\$'000	 FVTPL US\$'000
Financial Assets				
Cash and cash equivalents	192,582	192,582	-	-
Receivables due from related companies	176,201	176,201	-	-
Other receivables	104	104	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial Liabilities				
Payables due to companies	258,771	-	258,771	-
Accruals, deferred income and other liabilities	1,201	-	1,201	-
Other financial liabilities	403	-	-	403
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes on the Financial Statements (continued)

16 Management of financial risk

All of the Company's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which comprise credit risk, liquidity risk and market risk. The management of financial risk and considerations of profitability, cash flows and capital resources form a key element in the Director's assessment of the Company as a going concern.

(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 at the end of the reporting period. The average credit period is 30 days.

	2016 US\$'000	2015 US\$'000
Past due but not impaired:		
0 – 30 days	182,637	158,281
31 – 60 days	19,141	10,258
61 – 90 days	8,521	4,105
More than 90 days	4,741	3,557
Total Receivables due from related parties	215,040	176,201

(b) 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.

2016	CNY US\$'000	EUR US\$'000	GBP US\$'000	HKD US\$'000	MYR US\$'000	Total US\$'000
Cash and cash equivalents	9,538	9,953	41,851	7,950	6,036	75,328
Amount due from related companies	14,879	1,633	16,120	2,270	18	34,920
Amount due to related companies	33,055	4,708	24,665	1,229	16	63,673
2015						
Cash and cash equivalents	7,840	7,731	25,786	12,678	6,543	60,578
Amount due from related companies	14,804	1,512	15,356	2,270	-	33,942
Amount due to related companies	35,687	5,346	25,132	1,537	-	67,702

Sensitivity analysis

A 5 percent strengthening of the following currencies against the United States Dollars at 31 December 2016 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.

	Profit or (loss)	
	2016 US\$'000	2015 US\$'000
CNY	(455)	(686)
EUR	362	205
GBP	1,753	843
HKD	473	706
MYR	318	340

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 2016 would have had the opposite effect of approximately the same amounts as shown above, assuming that all other variables remain constant.

Notes on the Financial Statements (continued)

(c) Liquidity and cash flow 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.

	Within 3 months US\$'000	3 – 12 months US\$'000
2016		
Payables due to related companies	302,175	-
Accruals and other liabilities	3,029	-
Other financial liabilities	43	29
2015		
Payables due to related companies	258,771	-
Accruals and other liabilities	1,201	-
Other financial liabilities	219	184

(d) Market risk

The Company's receivables or payables are not significantly exposed to interest rate risk.

17 Capital commitments

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

18 Related party transactions

The following transactions were carried out with related parties:

Immediate parent

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

	2016 US\$'000	2015 US\$'000
Assets		
Receivables due from immediate parent	40,730	11,811
Liabilities		
Payables due to immediate parent	286	2,258

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 2016 amounted to nil (2015: nil).

Revenue earned of US\$ 124 million (2015: US\$53 million) and receivables due from immediate parent are for services billed (services of providing business processing and knowledge processing 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.

HSBC Global Services Limited

Notes on the Financial Statements (continued)

Other related parties

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

	2016 US\$'000	2015 US\$'000
Assets		
Cash and cash equivalents	203,327	192,582
Receivable due from other related parties	174,218	164,136
Total related party assets	377,545	356,718
Liabilities		
Payables due to other related parties	167,941	127,884
Total related party liabilities	167,941	127,884

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\$354,000 (2015: US\$210,000) was earned on these accounts.

Revenue earned of US\$ 914 million (2015: US\$930 million) and receivables due from other related parties are for services billed (services of providing business processing and knowledge processing 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\$504 million (2015: US\$455 million) and payables due to other HSBC Group Company are for services purchased (services of providing business processing and knowledge processing services) from other HSBC Group Company. 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:

	2016 US\$'000	2015 US\$'000
Assets		
Receivable due from subsidiaries	92	254
Liabilities		
Payables due to subsidiaries	133,948	128,629

During 2016, the Company received dividend income from subsidiaries of US\$28 million (2015: US\$29 million).

Cost of services purchased of US\$522 million (2015: US\$511 million) and payables due to subsidiaries are for services purchased (services of providing business processing and knowledge processing 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.

Notes on the Financial Statements (continued)

19 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.

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

Copies of HSBC Holdings plc consolidated financial statements can be obtained from:

HSBC Holdings plc
8 Canada Square
London
E14 5HQ

20 Events after the balance sheet date

There are no significant events after the balance sheet date.