HSBC GLOBAL OPERATIONS COMPANY LIMITED

Registered No: 5639234

(formerly known as HSBC Global Resourcing (UK) Limited)

Financial Statements for the year ended 31 December 2013

HSBC

Contents

Strategic Report for the year ended 31 December 2013

Principal activities

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

Change of name

The name of the Company was changed from HSBC Global Resourcing (UK) Limited to HSBC Global Operations Company Limited on 17 April 2013.

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.

Review of the Company's business

The business is funded principally by its ultimate parent, HSBC Holdings plc. The statement of comprehensive income and balance sheet provide the key performance indicators.

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 2013 to 6% (2012: 12%). 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.

Financial Performance

The results and position of the Company for the year ended 31 December 2013 and the state of the Company's affairs at that date are set out on pages 8 to 32.

The results of the Company show a pre-tax profit of US$14 million (2012: US$35 million). During the year, the Company earned dividend income from its subsidiaries of US$14 million (2012: US$2 million).

The Company had a net equity position of US$249 million for 2013 (2012: US$235 million). Investment in subsidiaries had decreased by US$1.1 million. The decrease was attributable to distribution of liquidation balance from HSBC Service Delivery (Czech Republic) s.r.o upon the completion of the winding-up process in July 2013.

Risk Management

The principal risks and uncertainties facing the Company, together with its financial risk management objectives and policies, and an analysis of the exposure to such risks, are set out in Note 14 of the financial statements.

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

Signed on behalf of the Board

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John Hackett
Director

Dated: 18 July 2014

Registered Office
8 Canada Square
London
E14 5HQ
Registered number: 5639234

Directors

The Directors who served during the year were as follows:

Name	Appointed
John David Coleman	01/01/2009
Vidya Balasubramanian	01/01/2009
John Bannister Hackett	01/01/2010
Richard Stewart Dunlop	16/04/2013
Robin Douglas Jones	14/03/2012

Robin Douglas Jones resigned as a Director on 3 February 2014 and Darren Rowbotham was appointed as a Director on 11 April 2014.

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.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2013 (2012 : 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

As set out in Note 1, 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 are set out in note 14 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 instruments. 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.

Disclosure of information to the 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 auditors 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 auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' report and financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and applicable law.

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;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

HShepherd
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Hannah Shepherd
Secretary

Dated: 18 July 2014

Registered Office
8 Canada Square
London
E14 5 HQ

Independent Auditor's Report to the Members of HSBC Global Operations Company Limited *(formerly known as HSBC Global Resourcing (UK) Limited)*

We have audited the financial statements of HSBC Global Operations Company Limited *(formerly known as HSBC Global Resourcing (UK) Limited)* for the year ended 31 December 2013 set out on pages 8 to 32. 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 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2013 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of HSBC Global Operations Company Limited *(formerly known as HSBC Global Resourcing (UK) Limited)*

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.

J Bingham
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Jonathan Bingham (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
15 Canada Square, London, E14 5GL

Date: 23 July 2014

Statement of Comprehensive Income
for the year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Revenue	*12*	808,647	773,590
Cost of services purchased	*12*	(795,280)	(731,943)
Gross profit		13,367	41,647
Dividend income	*3*	13,788	2,175
Other operating income		1,465	1,708
Administrative expenses	*4-6*	(14,746)	(12,216)
Exchange gain		70	1,342
Operating profit		13,944	34,656
Interest income		264	242
Profit before income tax		14,208	34,898
Tax income/(expense)	*7*	166	(8,896)
Profit after tax		14,374	26,002
Other comprehensive income, net of income tax			
Foreign currency translation differences for foreign operations		(456)	207
Other comprehensive (expense)/income for the period, net of income tax		(456)	207
Total comprehensive income for the period		13,918	26,209

The notes on pages 13 to 32 form part of these financial statements.

Balance Sheet
as at 31 December 2013

		2013 US$'000	2012 US$'000
ASSETS			
Plant and equipment	*8*	491	691
Investments in subsidiaries	*9*	178,257	179,318
Deferred tax assets	*10*	335	336
Total non-current assets		179,083	180,345
Receivables due from related parties	*12*	225,954	141,460
Other receivables	*13*	192	214
Current tax assets		426	-
Cash and cash equivalents with HSBC undertakings	*12*	155,859	96,924
Total current assets		382,431	238,598
Total assets		561,514	418,943
LIABILITIES			
Current liabilities			
Payables due to related parties	*12*	308,945	174,638
Accruals		3,900	5,920
Current tax liabilities		-	3,512
Total liabilities		312,845	184,070
EQUITY			
Called up share capital	*11*	*-	*-
Share premium	*11*	175,356	175,356
Retained earnings	*11*	73,455	59,203
Translation reserve	*11*	(142)	314
Total equity		248,669	234,873
Total equity and liabilities		561,514	418,943

**Represents 8 ordinary shares at US$1 each.*

These financial statements were approved by the Board of Directors on 18 July 2014 and were signed on its behalf by:

John Hackett
Director

The notes on pages 13 to 32 form part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2013

	Called up share capital US$'000	Share premium US$'000	Retained earnings US$'000	Translation reserve US$'000	Total equity US$'000
At 1 January 2013	*-	175,356	59,203	314	234,873
Total comprehensive income for the period					
Statement of comprehensive income	-	-	14,374	-	14,374
Other comprehensive income, net of income tax					
Foreign currency translation	-	-	-	(456)	(456)
Total comprehensive income for the period	-	-	14,374	(456)	13,918
Transactions with owners, recorded directly in equity					
Equity-settled share based payment transactions	-	-	(122)	-	(122)
At 31 December 2013	*-	175,356	73,455	(142)	248,669

*Represents 8 ordinary shares at US$1 each.

The notes on pages 13 to 32 form part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2012

	Called up share capital US$'000	Share premium US$'000	Retained earnings US$'000	Translation reserve US$'000	Total equity US$'000
At 1 January 2012	*-	175,356	34,112	107	209,575
Total comprehensive income for the period					
Statement of comprehensive income	-	-	26,002	-	26,002
Other comprehensive income, net of income tax					
Foreign currency translation	-	-	-	207	207
Total comprehensive income for the period	-	-	26,002	207	26,209
Transactions with owners, recorded directly in equity					
Equity-settled share based payment transactions	-	-	(911)	-	(911)
At 31 December 2012	*-	175,356	59,203	314	234,873

*Represents 8 ordinary shares at US$1 each.

The notes on pages 13 to 32 form part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2013

	2013 US$'000	2012 US$'000
Cash flows from operating activities		
Profit before tax	14,208	34,898
Adjustments for:		
Dividend income from subsidiaries	(13,788)	(2,175)
Depreciation	120	242
Interest income	(264)	(242)
Gain on disposal of plant and equipment	-	(27)
Impairment loss on investment in subsidiary	-	939
Unrealised foreign exchange (gain)/loss	(357)	177
Operating cash flows before changes in working capital	(81)	33,812
(Increase)/Decrease in receivables due from related parties	(84,494)	12,524
Decrease in other receivables	22	47
Increase/(Decrease) in payables due to related parties	133,806	(29,724)
(Decrease) in accruals	(2,020)	(20,608)
(Decrease) in other liabilities and other financial liabilities	-	(256)
Cash generated from/(used in) operations	47,233	(4,205)
Tax paid	(3,392)	(7,948)
Net cash generated from/(used in) operating activities	43,841	(12,153)
Cash flow from investing activities		
Investment in subsidiaries	-	(8,500)
Distribution of liquidation balance	1,061	-
Proceeds on disposal of plant and equipment	-	139
Acquisition of plant and equipment	(19)	(59)
Dividend income received	13,788	2,175
Bank interest received	264	242
Net cash generated from/(used in) investing activities	15,094	(6,003)
Net increase/(decrease) in cash and cash equivalents	58,935	(18,156)
Cash and cash equivalents at 1 January	96,924	115,080
Cash and cash equivalents at 31 December	155,859	96,924

The notes on pages 13 to 32 form part of these financial statements.

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 issued by the International Accounting Standards Board ('IASB') and as endorsed by the EU.

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

The financial statements have been prepared on the historical cost basis other than as disclosed in note 2. 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. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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(g)). 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 trade and other receivables, trade and other payables and cash and cash equivalents.

Trade and other receivables

Trade and other receivables are recognised initially at fair value plus and directly attributable transaction costs. 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.

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.

NOTES *(continued)*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Plant and equipment

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

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) 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.

NOTES *(continued)*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) 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.

(i) Revenue recognition

(i) Revenue

Revenue from business processing and knowledge processing services is recognised when the services are rendered.

(ii) Dividend income

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

NOTES *(continued)*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) 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.

(l) 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.

NOTES *(continued)*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Share-based payments (continued)

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'.

(m) Income tax

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

Current tax comprises the expected tax or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences related to investment in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date , to recover or settle the carring amount of its assets and liabilities.

NOTES *(continued)*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax (continued)

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.

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.

(n) 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 translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate 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 at the exchange rate 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 at the exchange rate when the fair value was determined. Any resulting exchange differences are recognised in the statement of comprehensive income.

(o) 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.

NOTES *(continued)*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Future accounting developments

In addition to the projects to complete financial instrument accounting, discussed below, the IASB is continuing to work on projects on revenue which could represent significant changes to accounting requirements in the future.

Amendments issued by the IASB but not endorsed by the EU

During 2012 and 2013, the IASB issued various amendments to IFRS that are effective from 1 January 2014 and which are expected to have an insignificant effect on the financial statements of the Company.

In November 2012, the IASB issued proposed amendments to IFRS9 in respect of classification and measurement. Since the final requirements for classification and measurement are uncertain, it remains impracticable to quantify the effect of IFRS 9 as at the date of the publication of these financial statements.

The second phase in the IASB's project to replace IAS 39 will address the impairment of financial assets. It is proposed to replace the 'incurred loss' approach to the impairment of financial assets carried at amortised cost in IAS 39 with an expected credit loss approach, and require that the expected credit loss approach be applied to other categories of financial instrument, including loan commitment and financial guarantees. The final requirements for impairment of financial assets are expected to be published in 2014.

The third phase of the project addresses general hedge accounting. Macro hedging is not included in the IFRS 9 project and will be considered separately. In November 2013, the IASB issued amendments to IFRS 9 in respect of the general hedge accounting requirements, transition and effective date. As a result of these amendments, it is confirmed that all phases of IFRS 9 (except for changes to the presentation of gains and losses for certain liabilities measured at fair value) must be applied from the same effective date. This effective date has not yet been set by the IASB but is not expected to be earlier than 1 January 2018. The revised hedge accounting requirements are applied prospectively and the Company is currently assessing the impact they may have on the financial statements.

NOTES ***(continued)***

3. DIVIDEND INCOME

	2013 US$'000	2012 US$'000
Dividend income from subsidiaries	13,788	2,175

4. DIRECTORS' REMUNERATION

No employee received remuneration as a Director of the Company during the year ended 2013.

5. AUDITOR'S REMUNERATION

	2013 US$'000	2012 US$'000
Audit of these financial statements	25	30

6. EMPLOYEE COMPENSATION AND BENEFITS

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

	2013	2012
Director	-	-
Others	39	41
	39	41

The aggregate payroll costs of these persons were as follows:

	2013 US$'000	2012 US$'000
Wages and salaries	2,487	2,575
Share based payment	42	356
Social security costs	6	6
Pension costs	291	220
	2,826	3,157

NOTES *(continued)*

7. TAX EXPENSE

	2013 US$'000	2012 US$'000
Current tax		
UK corporation tax		
- on current year profit	(184)	7,928
- adjustments in respect of prior year	(413)	(737)
Overseas tax		
- on current year profit	51	49
- withholding tax suffered on dividends received	379	217
	(167)	7,457
Deferred tax		
Origination and reversal of temporary differences	758	628
Effect of changes in tax rates	33	-
Adjustments in respect of prior year	(790)	811
	1	1,439
Tax income/expense	(166)	8,896

The UK corporation tax rate to HSBC Global Operations Company Limited *(formerly known as HSBC Global Resourcing (UK) Limited)* was 23.25% (2012: 24.5%).

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

	2013 US$'000	%	2012 US$'000	%
Profit on ordinary activities before tax	14,208		34,898	
Taxation at UK corporation tax rate of 23.25% (2012: 24.5%)	3,303	23.3	8,550	24.5
Changes in tax rates	33	0.002	-	-
Adjustments in respect of prior period liabilities	(1,203)	(8.5)	74	0.2
Withholding tax suffered on dividends received	379	2.7	217	0.6
Non deductible expenses	11	0.01	588	1.7
Income not taxable for tax purposes	(3,199)	(22.5)	(533)	(1.5)
Other items	510	3.6	-	
Overall tax income/expense	(166)	(1.2)	8,896	25.5

The UK Government announced that the main rate of corporation tax for the year beginning 1 April 2013 will reduce from 24% to 23%, to be followed by a further 2% reduction to 21% for the year beginning 1 April 2014, and a further 1% reduction to 20% for the year beginning 1 April 2015. The reduction in the corporation tax rate to 23% was enacted through the 2012 Finance Act and this results in a weighted average rate of 23.25% for 2013 (2012: 24.5%). The reductions of 21% and 20% that were announced in the 2012 Autumn Statement and 2013 Budget respectively became enacted through the 2013 Finance Act on 17 July 2013.

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 2013	199	4	226	108	468	756	1,761
Additions	-	-	12	6	1	-	19
Disposal	-	-	-	(1)	-	-	(1)
Other movements	(50)	1	(14)	(8)	(34)	(58)	(163)
Balance at 31 December 2013	149	5	224	105	435	698	1,616
Depreciation and impairment							
Balance at 1 January 2013	128	4	192	103	394	249	1,070
Depreciation charge for the year	29	-	9	3	30	49	120
Disposal	-	-	-	(1)	-	-	(1)
Other movements	(14)	1	(15)	(5)	(19)	(12)	(64)
Balance at 31 December 2013	143	5	186	100	405	286	1,125
Net book value							
At 1 January 2013	71	-	34	5	74	507	691
At 31 December 2013	**6**	**-**	**38**	**5**	**30**	**412**	**491**

	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 2012	507	4	188	103	425	729	1,956
Additions	-	-	31	1	27	-	59
Disposal	(320)	-	-	-	-	-	(320)
Other movements	12	-	7	4	16	27	66
Balance at 31 December 2012	199	4	226	108	468	756	1,761
Depreciation and impairment							
Balance at 1 January 2012	256	3	167	82	301	191	1,000
Depreciation charge for the year	74	1	18	18	81	50	242
Disposal	(208)	-	-	-	-	-	(208)
Other movements	6	-	7	3	12	8	36
Balance at 31 December 2012	128	4	192	103	394	249	1,070
Net book value							
At 1 January 2012	251	1	21	21	124	538	956
At 31 December 2012	**71**	**-**	**34**	**5**	**74**	**507**	**691**

During the year ended 31 December 2013, the Company revised the expected useful life for computer equipment from 3 years to 4 years to be consistent with the HSBC Group policy. The change in the depreciation rate resulted in a decrease in depreciation charge of USD9,741 for the year ended 31 December 2013.

Included in 'Other movements' is immaterial representation adjustments for foreign exchange movements.

NOTES *(continued)*

9. INVESTMENTS IN SUBSIDIARIES

	Unlisted shares at carrying value
Unlisted share at carrying value	US$'000
At 1 January 2013	179,318
Distribution of liquidation balance	(1,061)
At 31 December 2013	178,257

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

	Country of incorporation	Principal Activity	Issued and paid up capital 2013	Issued and paid up capital 2012
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$ 44.9m	US$ 44.9m
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$ 13.8m	US$ 13.8m
HSBC Service Delivery (Czech Republic) s.r.o.	Czech Republic	Data Processing	-	US$ 17m
HSBC Electronic Data Service Delivery (Egypt) S.A.E.	Egypt	Data Processing	US$ 9m	US$ 9m

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

Investment in subsidiaries had decreased by US$1.1 million. The decrease was attributable to distribution of liquidation balance from HSBC Service Delivery (Czech Republic) s.r.o upon the completion of the winding-up process in July 2013.

10. DEFERRED TAXATION

The following table shows the gross deferred tax assets and liabilities recognised in the balance sheet and the related amounts recognised in the income statement, other comprehensive income and directly in equity.

	2013 US$'000	2012 US$'000
At 1 January 2012	336	1,775
Statement of comprehensive income credit/(debit)	(1)	(1,439)
At 31 December 2012	335	336

NOTES *(continued)*

10. DEFERRED TAXATION (CONTINUED)

The amount of deferred taxation accounted for in the balance sheet:

Deferred tax assets	2013 US$'000	2012 US$'000
Property, plant and equipment	65	75
Share-based payment	150	232
Other temporary differences	120	29
	335	336

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.

11. CAPITAL AND RESERVES

(a) Share Capital

	31 December 2013 Number of shares	31 December 2013 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 2012 Number of shares	31 December 2012 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.

NOTES *(continued)*

11. CAPITAL AND RESERVES (CONTINUED)

(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.

12. 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 2013 US$'000	31 December 2012 US$'000
Assets		
Receivables due from ultimate parent	13,660	5,081
Liabilities		
Payables due to ultimate parent	1,960	2,487

NOTES *(continued)*

12. RELATED PARTY TRANSACTIONS (CONTINUED)

Immediate and Ultimate parent (continued)

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 2013 amounted to NIL (2012: NIL).

Revenue earned of US$36 million (2012: US$19 million) and receivables due from ultimate 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.

Other related parties

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

	31 December 2013 US$'000	31 December 2012 US$'000
Assets		
Cash and cash equivalents	155,859	96,924
Receivable due from other related parties	212,019	136,300
Total related party assets	367,878	233,224
Liabilities		
Payables due to other related parties	147,069	88,154
Total related party liabilities	147,069	88,154

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$264,000 (2012: US$242,000) was earned on these accounts.

Revenue earned of US$773 million (2012: US$755 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$365 million (2012: US$373 million) and payables due to other HSBC Group entity 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 *(continued)*

12. RELATED PARTY TRANSACTIONS (CONTINUED)

Subsidiaries

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

	31 December 2013 US$'000	31 December 2012 US$'000
Assets		
Receivable due from subsidiaries	275	79
Liabilities		
Payables due to subsidiaries	159,916	83,997

During 2012, the Company received dividend income from subsidiaries of US$14 million (2012: US$2 million).

Cost of services purchased of US$430 million (2012: US$359 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.

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.

13. OTHER RECEIVABLES

	31 December 2013 US$'000	31 December 2012 US$'000
Non- trade		
Other receivables	137	105
Deposits	38	52
Prepayments	17	57
	192	214

NOTES *(continued)*

14. FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as loan and receivables ("L&R") or other liabilities ("OL"). The carrying amounts of these financial instruments reasonably approximate their fair values due to their relatively short term nature.

	Carrying Value USD$'000	L&R USD$'000	OL USD$'000
2013			
Financial assets			
Cash and cash equivalents	155,859	155,859	-
Receivables due from related companies	225,954	225,954	-
Other receivables	192	192	-
Financial liabilities			
Payables due to companies	308,945	-	308,945
Accruals	3,900	-	3,900

	Carrying Value USD$'000	L&R USD$'000	OL USD$'000
2012			
Financial assets			
Cash and cash equivalents	96,924	96,924	-
Receivables due from related companies	141,460	141,460	-
Other receivables	214	214	-
Financial liabilities			
Payables due to companies	174,638	-	174,638
Accruals	5,920	-	5,920

The Company has exposure to the 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 at the end of the reporting period. The average credit period is 30 days.

NOTES *(continued)*

14. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

31 December 2013	CNY USD$'000	EUR USD$'000	GBP USD$'000	HKD USD$'000	MYR USD$'000	Total USD$'000
Cash and cash equivalents	6,632	5,691	30,337	25,249	6,148	74,057
Amount due from related companies	17,455	2,294	29,709	3,782	2	53,242
Amount due to related companies	36,302	4,750	40,372	1,656	23	83,103

31 December 2012	CNY USD$'000	EUR USD$'000	GBP USD$'000	HKD USD$'000	MYR USD$'000	Total USD$'000
Cash and cash equivalents	-	-	27,325	35,297	10,926	73,548
Amount due from related companies	-	-	14,616	13,794	2	28,412
Amount due to related companies	-	-	22,671	14,902	1	37,574

Sensitivity analysis

A 5 percent strengthening of the following currencies against the United States Dollars at 31 December 2013 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)	
	2013 USD'000	2012 USD'000
CNY	(643)	-
EUR	170	-
GBP	1,035	1,014
HKD	1,441	1,799
MYR	322	575

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 2013 would have had the opposite effect of approximately the same amounts as shown above, assuming that all other variables remain constant.

NOTES *(continued)*

14. FINANCIAL INSTRUMENTS (CONTINUED)

(c) 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 2013

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	-	308,945	-	-

31 Dec 2012

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	-	174,638	-	-

(d) Market risk

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

15. CAPITAL COMMITMENTS

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

16. 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.

NOTES *(continued)*

16. EQUITY-BASED COMPENSATION (CONTINUED)

a. Restricted Share Plan and others (continued)

	2013 Number ('000)	2012 Number ('000)
Outstanding at 1 January	712	730
(Reductions) / Additions during the year	(53)	375
Vested during the year	(277)	(393)
Outstanding at 31 December	382	712

	2013 US$'000	2012 US$'000
Compensation cost recognised during the year	28	342

The weighted average purchase price for all shares purchased by the Company for awards under the Restricted Share Plan during 2013 is NIL (2012: NIL). The closing price of the HSBC share at 31 December 2013 was £6.62 (2012: £6.47). The weighted average remaining vesting period as at 31 December 2013 was 0.6 year (2012: 1 year).

b. 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:

	2013 Number ('000)	Weighted average exercise price US$	2012 Number ('000)	Weighted average exercise price US$
Outstanding at 1 January	21	6.27	38	5.51
Granted in the year	-	-	3	7.25
Lapsed in the year	(1)	8.33	-	-
Vested during the year	(2)	8.20	(18)	4.99
Transfers	(3)	5.97	(2)	5.03
Outstanding at 31 December	15	5.38	21	6.27

	2013 US$'000	2012 US$'000
Compensation cost recognised during the year	14	14

The weighted average fair value of options granted during 2013 was NIL (2012: USD$1.63).