

HSBC Global Services Limited

Registration No: 5639234

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



MONDAY



R96SUG2I

RM

08/06/2020

#28

COMPANIES HOUSE

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

Contents

	Page
Strategic Report	1
Report of the Directors	4
Independent auditors' report to the members of HSBC Global Services Limited	7
Income statement	9
Statement of comprehensive income	9
Balance sheet	10
Statement of cash flows	11
Statement of changes in equity	12
Notes on the financial statements	13

Strategic Report

Principal activities

HSBC Global Services Limited ('the Company') is incorporated and domiciled in England and Wales with registration number 5639234. Its registered office address is 8 Canada Square, London, E14 5HQ, United Kingdom. The Company is a wholly-owned subsidiary of HSBC Holdings plc.

To ensure operational continuity in resolution, HSBC Holdings plc has sought to remove operational dependencies that exist between different subsidiary banking entities within the HSBC Group (where one subsidiary bank provides critical services to another) by transferring critical services from the subsidiary banks to a separately incorporated group of service companies ('ServCo group'). The ServCo group is separately capitalized and funded to ensure continuity of services in resolution.

The principal activities of the Company are to hold investments in, finance and oversee the operations of ServCo group, including the provision of corporate governance advice, direction and a framework within which services are provided by its subsidiaries to other HSBC Group entities.

The Company seeks to optimise the capacity and capability of its subsidiaries, ensuring consistency, service quality control and the promotion of best practice.

The Company oversees the operations of its subsidiaries, which are located in Asia, North America, Middle East, the United Kingdom and Continental Europe, providing input to strategic and business continuity planning, the alignment to the functional blueprint through Business Services, appropriate capacity planning and providing leadership and management oversight.

Review of the Company's business

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

During 2019, the transfer of critical services from HSBC operating banks to subsidiaries of the Company continued.

Investment in subsidiaries have increased by \$480m to \$1,268m in 2019 (2018: \$788m). The Company increased its investment in HSBC Global Services (Hong Kong) Limited by \$480m. In addition, as part of the establishment of the Servco Group the ownership of HSBC Finance Transformation (UK) Limited was purchased from HSBC Holdings plc with the issuance of one ordinary share at \$1 as consideration.

Performance

The Company's results for the year under review are as detailed in the income statement shown on page 9 of these financial statements. The results of the Company show a pre-tax profit of \$168m in 2019 (2018: \$105m).

During the year, the Company earned the following dividend income from its subsidiaries.

	2019	2018
	\$m	\$m
Ordinary shares		
HSBC Electronic Data Processing (Guangdong) Limited	65.0	2.0
HSBC Group Management Services Limited	64.9	3.2
HSBC Electronic Data Processing (Philippines) Inc.	20.0	19.7
HSBC Electronic Data Processing (Malaysia) Sdn. Bhd.	14.1	11.2
HSBC Electronic Data Processing Lanka (Private) Limited	3.4	31.6
HSBC Electronic Data Service Delivery (Egypt) S.A.E.	1.0	—
HSBC Global Services (UK) Limited	—	37.9
Year ended 31 December	168.4	105.6

The Company had a total equity position of \$1,400m for 2019 (2018: \$915m). Additional equity injections of \$480m has been received during the year, which were used to enable investment in subsidiaries. The Company entered into a settlement agreement with HSBC Holding plc for the new share subscription of \$480m into HSBC Global Services Limited, and for the share subscription of \$480m into HSBC Global Services (Hong Kong) Limited such that the proceeds were settled between HSBC Holdings plc and HSBC Global Services (Hong Kong) Limited reflecting the onwards investment by the Company to the subsidiary.

In addition, as part of the establishment of the Servco Group the ownership of HSBC Finance Transformation (UK) Limited was purchased from HSBC Holdings plc with the issuance of one ordinary share at \$1 as consideration.

Key performance indicators

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

The COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many other countries to protect their economies. The COVID-19 outbreak is not considered to have a significant impact on the principal risks facing the Company.

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 13 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, errors, 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.

The UK left the EU on 31 January 2020 and entered a transition period until 31 December 2020, during which negotiations will take place on the future relationship between the UK and the EU. At this stage it remains unclear what that relationship will look like, potentially leaving firms with little time to adapt to changes, which may enter into force on 1 January 2021.

Our programme to manage the impact of the UK leaving the EU has now been largely completed. It is based on the assumption of a scenario whereby the UK exits the transition period without the existing passporting or regulatory equivalence framework that supports cross-border business. Our focus has been on four main components: legal entity restructuring; product offering; customer migrations; and employees.

The COVID-19 outbreak has had, and continues to have, a material impact on businesses around the world which is resulting in increased volatility in the economic environments in which they operate. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company and its clients, the Directors have considered the impact when carrying out an assessment of the principal risks facing the Company. The COVID-19 outbreak has resulted in increased market volatility, however this is not considered to have a significant impact on the principal risks facing the Company, with operational risks appropriately mitigated through the implementation of business continuity plans.

Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. As part of the Company's deliberations and decision making process, the Board also takes into account the (i) likely consequences of any decision in the long term; (ii) the interests of the company's employees; (iii) the need to foster the company's business relationships with suppliers, customers and others; (iv) the impact of the company's operations on the community and the environment; and (v) the desirability of the company maintaining a reputation for high standards of business conduct.

The Board considers its stakeholders to be the people who work for us, invest with us, own us, regulate us and live in the societies we serve. During 2019, the directors gave careful consideration to the factors set out above in discharging their duties under section 172. The Board recognises that building strong relationships with our stakeholders will help deliver the Company's strategy in line with its long-term values, and operate the Company's business in a sustainable way.

The Board is committed to effective engagement with all of its stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of the Company's engagement with stakeholders, the Board seeks to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision-making. The Board acknowledges however, that not every decision it makes will necessarily result in a positive outcome for all stakeholders.

During the year, the Board has received management reports and presentations on issues concerning customers, the environment, communities, suppliers, employees, regulators, governments and investors. These are taken into account in the Board's discussions and decision-making process.

HSBC Global Services Limited

The majority of decisions made by the Board during the year are deemed to be routine in nature and are taken on a cyclical basis. The Board approved the payment of a dividend to its parent company, HSBC Holdings plc, during 2019, the timing of which required engagement with and consideration of parent company's interests and the longer term interests of the company. The decisions on dividends were taken after careful consideration of the financial position of the company, its obligations under Companies Act and the need to consider its longer term relationship with its parent company.

As a result of these activities, the Board believes it has demonstrated compliance with their legal duty under s. 172 of the Companies Act 2006.

Stakeholder engagement

The Board understands the importance of effective engagement with all of its stakeholders to the long-term success of the Company. The size and distribution of our stakeholders, particularly customers, means that stakeholder engagement often takes place at an operational level.

On behalf of the Board



Maria Andrea Colin
Director

May 28, 2020

8 Canada Square
London, E14 5HQ
United Kingdom

Report of the Directors

Directors

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

Name	Appointed	Resigned
Richard John Hennity	07/04/2017	22/05/2019
Menasey Marc Moses	15/12/2014	31/01/2020
Andrew Mitchell Maguire	15/12/2014	31/01/2020
Iain Francis Mackinnon	20/03/2017	
Helen Ruth Horgan	07/04/2017	
Maria Andrea Colin	16/06/2017	
Michael Stewart Henley	16/04/2018	
Chieh Huey, Gan	29/08/2019	
John Hinshaw	24/02/2020	
Manveen Pam Kaur	24/02/2020	

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

Since the end of the previous financial year, the Company paid an interim dividend of \$157m on 9 Dec 2019 in respect of the year ended 31 December 2019 (2018: \$86m).

Significant events since the end of the financial year

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many other countries to protect their economies. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company and its clients, the COVID-19 outbreak is not considered to have a significant impact on the principal risks facing the Company, and it is considered a non-adjusting post balance sheet event for the purposes of the financial statements.

Future developments

No change in the Company's activities is expected.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the impact of the COVID-19 outbreak referred to above, together with future projections of profitability, cash flows and capital resources.

Financial risk management

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 13 of the Notes on the financial statements.

Engagement with employees and diversity

Building a more diverse and inclusive workforce is critical to developing a sustainable and successful business. Our approach aims to increase and leverage diversity of thought to improve workforce agility, enhance our risk management capability, drive innovation and grow markets. Our diversity and inclusion ambitions are focused on attracting, developing and retaining talent that reflects our customers and the communities where we do business, and deploying that talent effectively to anticipate and address expectations. A number of global employees networks support this strategy.

Employment of people with a disability

The Company is committed to providing equal opportunities to employees. The employment of people with a disability is included in this commitment. The recruitment, training, career development and promotion of people with a disability are based on the aptitudes and abilities of the individual. Should employees become disabled during employment with us, efforts are made to continue their employment and, if necessary, appropriate training, reasonable equipment and facilities are 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. The involvement of employees in the performance of the Company is further encouraged through a profit participation scheme.

Capital management

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

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.

In line with HSBC Group's policy, the Company is to maintain a strong capital base to support the development of its business. 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.

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.

Overseas branches

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

Independent auditors

PricewaterhouseCoopers LLP ('PwC') is external auditor to the Company. PwC has expressed its willingness to continue in office and the Board recommends that PwC be re-appointed as the Company's auditor.

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities set out in their report on page 8, is made with a view to distinguish the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are responsible for preparing the *Annual Report and Financial Statements*, in accordance with applicable law and regulations.

Company law requires the Directors to prepare a Strategic Report, a Report of the Directors and Financial Statements for each financial year. The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU').

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 for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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 a 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 have responsibility for ensuring that sufficient 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. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditors

In accordance with section 418 of the Companies Act 2006, the Directors' report includes a statement, in the case of each Director in office as at the date the Report of the Directors is approved, that:

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

On behalf of the Board



Maria Andrea Colin
Director
May 28, 2020

8 Canada Square
London, E14 5HQ
United Kingdom

Independent auditors' report to the members of HSBC Global Services Limited

Report on the audit of the financial statements

Opinion

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

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

We have audited the financial statements, included within the Annual Report and Financial Statements (the "*Annual Report*"), which comprise: the balance sheet at 31 December 2019; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis of opinion

We conducted our audit in accordance with International Standards of Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the *Annual Report* other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

HSBC Global Services Limited

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibility statement set out on page 6, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

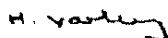
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Heather Varley (Senior Statutory Auditor)
for and on behalf of **PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
Birmingham
May 28, 2020

Financial statements

Income statement for the year ended 31 December 2019

		2019	2018
	Notes	\$'000	\$'000
Revenue	15	1,449,382	1,232,399
Cost of services purchased	15	(1,405,280)	(1,230,793)
Gross profit		44,102	1,606
Dividend income	8	168,358	105,604
Other operating income		23	3
Net operating income		212,483	107,213
Administrative expenses	2,3,4,5	(43,917)	(1,532)
Exchange gain/(loss)		(237)	(1,378)
Impairment gain/(loss)	11	—	(800)
Total operating expenses		(44,154)	(3,710)
Operating profit		168,329	103,503
Finance income		140	1,392
Profit before tax		168,469	104,895
Tax expense	6	(7,362)	(2,865)
Profit for the year		161,107	102,030

Statement of comprehensive income for the year ended 31 December 2019

	2019	2018
	\$'000	\$'000
Profit for the year	161,107	102,030
Other comprehensive income/(expense) net of tax		
- Foreign currency translation differences for foreign operations	77	(133)
Total comprehensive income for the year	161,184	101,897

Balance sheet at 31 December 2019

Registration No: 5639234

	Notes	2019 \$'000	2018 \$'000
Assets			
Cash and cash equivalents with HSBC undertakings	15	127,166	124,670
Receivables due from related parties	15	189,880	251,964
Other receivables	10	1	4
Current tax assets		230	101
Investments in subsidiaries	11	1,267,841	787,841
Deferred tax assets	7	114	118
Total assets		1,585,232	1,164,698
Liabilities and equity			
Liabilities			
Payables due to related parties	15	155,963	248,265
Accruals and other liabilities		29,649	397
Current tax liabilities		7	602
Total liabilities		185,619	249,264
Equity			
Called up share capital	12	**	*
Share premium	12	1,197,071	717,071
Translation reserve	12	(1,410)	(1,487)
Retained earnings		203,952	199,850
Total equity		1,399,613	915,434
Total liabilities and equity		1,585,232	1,164,698

* Represent 11 ordinary shares at US\$1 each.

** Represent 13 ordinary shares at US\$1 each.

The accompanying notes on pages 13 to 25 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on May 28, 2020 and signed on its behalf by:



Maria Andrea Colin
Director

Statement of cash flows for the year ended 31 December 2019

	2019	2018
Notes	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	168,469	104,895
Adjustments for:		
Unrealised foreign exchange differences	82	(133)
Dividend income from subsidiaries	(168,358)	(105,604)
Impairment loss on investments in subsidiaries	—	800
Finance income	(140)	(1,392)
Equity-settled share based payment transactions	2	4
Operating cash flows before change in working capital	55	(1,430)
Change in receivables due from related parties	62,084	31,036
Change in other receivables	3	(2)
Change in payables due to related parties	(92,310)	(137,279)
Change in accruals and other liabilities	29,252	(2,294)
Cash used in operations	(916)	(109,969)
Tax paid	(8,086)	(3,002)
Net cash used in operating activities	(9,002)	(112,971)
Cash flows from investing activities		
Investments in subsidiaries	11 —	(66,044)
Dividend income received	168,358	105,604
Bank interest received	140	1,392
Net cash generated from investing activities	168,498	40,952
Cash flows from financing activities		
Issue of ordinary share capital	11 —	42,000
Dividends paid	(157,000)	(86,000)
Net cash used in financing activities	(157,000)	(44,000)
Net increase/(decrease) in cash and cash equivalents	2,496	(116,019)
Cash and cash equivalents brought forward	124,670	240,689
Cash and cash equivalents carried forward	15 127,166	124,670

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

	Called up share capital	Share Premium	Retained earnings	Other reserves		Total equity
	\$'000	\$'000	\$'000	Translation reserve	General reserve	\$'000
At 1 Jan 2019	*.	717,071	199,850	(1,487)	—	915,434
Profit for the year	—	—	161,107	—	—	161,107
Other comprehensive losses / income (net of tax)						
- Foreign currency translation differences for foreign operations	—	—	—	77	—	77
Total comprehensive income/(expense) for the year	—	—	161,107	77	—	161,184
Issue of share capital	**.	480,000	—	—	—	480,000
Dividends to shareholders	—	—	(157,000)	—	—	(157,000)
Equity-settled share-based payment transactions	—	—	(5)	—	—	(5)
At 31 Dec 2019	***.	1,197,071	203,952	(1,410)	—	1,399,613

	Called up share capital	Share Premium	Retained earnings	Other reserves		Total equity
	\$'000	\$'000	\$'000	Translation reserve	General reserve	\$'000
As at 31 Dec 2017	****.	175,356	183,818	(1,354)	1	357,821
Impact on transition to IFRS 9	—	—	—	—	—	—
At 1 Jan 2018	****.	175,356	183,818	(1,354)	1	357,821
Profit for the year	—	—	102,030	—	—	102,030
Other comprehensive losses / income (net of tax)						
- Foreign currency translation differences for foreign operations	—	—	—	(133)	—	(133)
Total comprehensive income/(expense) for the year	—	—	102,030	(133)	—	101,897
Issue of share capital	*****.	541,715	—	—	—	541,715
Dividends to shareholders	—	—	(86,000)	—	—	(86,000)
Net impact of equity-settled share-based payments	—	—	2	—	(1)	1
At 31 Dec 2018	*.	717,071	199,850	(1,487)	—	915,434

*Represent 11 ordinary shares at US\$1 each.

**Represent 2 ordinary shares at US\$1 each.

***Represent 13 ordinary shares at US\$1 each.

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

*****Represent 3 ordinary shares at US\$1 each.

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

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ('IFRSs'). The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU').

At 31 December 2019, there were no unendorsed standards effective for the year ended 31 December 2019 affecting these financial statements, and the Company application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

Standards adopted during the year ended 31 December 2019

IFRS 16 'Leases'

On 1 January 2019, the Company adopted the requirements of IFRS 16 retrospectively. At 1 January 2019, the entity does not hold any leases and therefore no impact is expected from this standard.

Amendment to IAS 12 'Income Taxes'

An amendment to IAS 12 was issued in December 2017 as part of the annual improvement cycle. The amendment clarifies that a Company should recognise the tax consequences of dividends where the transactions or events that generated the distributable profits are recognised. This amendment was applied on 1 January 2019 and had no material impact. Comparatives have not been restated.

Mandatory to implement for financial years commencing on or after 1 January 2019. The Company has assessed the impact of amendments to IAS 12 'Income Taxes' and expects that the standard will have no significant effect, when applied, on the financial statements of the Company.

(b) Future accounting developments

Minor amendments to IFRSs

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

Major new IFRSs

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' was issued in May 2017, and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. IFRS 17 is currently effective from 1 January 2021. However, the IASB is considering delaying the mandatory implementation date by one year and may make additional changes to the standard. The Company is in the process of implementing IFRS 17. Industry practice and interpretation of the standard is still developing and there may be changes to it, therefore the likely impact of its implementation remains uncertain.

The Company has assessed the impact of IFRS 17 'Insurance Contracts' and expects that the standard will have no significant effect, when applied, on the financial statements of the Company.

HSBC Global Services Limited

(c) Foreign currencies

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

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

(d) Presentation of information

The financial statements 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 financial statements are prepared on the historical cost basis except for the financial assets and financial liabilities, as disclosed in the respective accounting policy notes.

(e) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions.

These are no accounting policies or estimates that are deemed critical to the Company's results and financial position, in terms of materiality of the items to which the policies applied, which involve a high degree of judgement and estimation.

(f) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the impact of the COVID-19 outbreak, together with future projections of profitability, cash flows and capital resources.

1.2 Summary of significant accounting policies

(a) Income and expense

Interest income

Interest income for all financial instrument is recognised in 'Finance income' as it accrues, in the income statement using the effective interest method.

Non-interest income

The Company provides business processing and knowledge processing services on a cost plus mark-up basis. Revenue is recognised over the period when the services are rendered to the related companies. Revenue from business processing and knowledge processing services constitutes as a single performance obligation. Accordingly, the transaction price will be based on cost plus mark-up basis. No element of financing deemed present as the revenue are made with a credit term of 30 days.

Dividend income is recognised when the right to receive a payment is established. This is usually the date when the shareholders approve the dividend for unlisted equity securities.

HSBC Global Services Limited

(b) Investments in subsidiaries

The Company classifies investments in entities which it controls as subsidiaries. Where a 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.

(c) Financial instruments

Classification

The Company classifies its financial instruments at amortised cost.

Recognition and derecognition

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. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

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

Measurement

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. In addition, financial liabilities are measured at amortised cost.

Impairment

Expected credit losses ("ECL") are recognised for receivables due from related parties and other financial assets held at amortised cost. The Company applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all receivables due from related companies and other receivables. The expected loss rates are based on the payment profiles of sales over a 60 months period before reporting date and the corresponding historical credit loss experienced within this period.

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery.

(d) Employee compensation and benefits

Share-based payments

The Company enters into equity-settled share-based payment arrangements with its employees as compensation for the provision of their services.

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.

Post-employment benefit plans

The HSBC group operates a number of pension schemes including defined benefit, defined contribution, and post-employment benefit schemes.

Payments to defined contribution schemes are charged as an expense as the employees render service.

HSBC Global Services Limited

(e) Tax

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

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

(f) Provisions

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

(g) Called up share capital

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

(h) Cash and cash equivalents

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

2 Employee compensation and benefits

Total employee compensation

	2019	2018
	\$'000	\$'000
Wages, salaries and others	764	942
Social security costs	2	2
Share-based payment	2	4
Other pension costs	93	103
Year ended 31 Dec	861	1,051

	2019	2018
Monthly average number of persons (located in Malaysia) employed by the Company during the year	10	12
Year ended 31 Dec	10	12

3 Share-based payments

HSBC share award plans

Plans	Policy
Restricted share awards (including annual incentive awards delivered in shares) and Group Performance Share Plan ('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. Awards granted to Material Risk Takers from 2016 onwards are subject to clawback post vesting.
International Employee Share Purchase Plan ('ShareMatch')	<ul style="list-style-type: none"> The plan was first introduced in Hong Kong in 2013 and now includes employees based in 25 jurisdictions. Shares are purchased in the market each quarter up to a maximum value of £750, or the equivalent in local currency. 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.

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

	2019 Number	2018 Number
Restricted share awards outstanding at 1 Jan	687	2,248
Additions during the year	411	339
Vested during the year	(576)	(1,618)
Forfeited during the year	—	—
Transferred in during the year	—	—
Transferred out during the year	—	(282)
Restricted share awards outstanding at 31 Dec	522	687
	2019	2018
	\$'000	\$'000
Compensation cost recognised during the year	2	4
Year ended 31 Dec	2	4

The weighted average purchase price for all shares purchased by the Company for awards under the Restricted Share Plan and Share Match Scheme during 2019 is nil (2018: nil). The closing price of the HSBC share at 31 December 2019 was 5.94 (2018: £6.47). The weighted average remaining vesting period as at 31 December 2019 was 1.73 year (2018: 3.01 year).

HSBC Global Services Limited

4 Directors' emoluments

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 Limited.

5 Auditors' remuneration

	2019	2018
	\$'000	\$'000
Audit fees for HSBC Global Services Limited statutory audit:		
- Fees relating to current year	41	41
Year ended 31 Dec	41	41

6 Tax

Tax expense

	2019	2018
	\$'000	\$'000
Current tax		
UK Corporation tax		
- For this year	(104)	(99)
- Adjustments in respect of prior years	(28)	13
Overseas tax		
- For this year	64	73
- For prior year	(29)	5
- withholding tax suffered	7,455	2,933
Total current tax	7,358	2,925
Deferred tax		
- Origination and reversals of temporary differences	4	(60)
Total deferred tax	4	(60)
Year ended 31 Dec	7,362	2,865

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

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will not occur and the UK corporation tax rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances at 31 December 2019 continue to reflect the planned rate reduction. If the deferred tax asset at 31 December 2019 were re-measured at 19%, it would increase by \$7,000.

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:

	2019		2018	
	\$'000	(%)	\$'000	(%)
Profit before tax	168,469		104,895	
Tax at 19% (2018: 19.00%)	32,009	19.00	19,930	19.00
Adjustment in respect of prior years	(28)	(0.02)	(13)	(0.01)
Non-deductible expenses (Permanent disallowable)	18	0.01	20	0.02
Deferred tax assets written off	4	0.01		
Income not taxable for tax purposes (Non-taxable income and gains)	(31,988)	(18.99)	(20,065)	(19.13)
Withholding tax suffered	7,455	4.43	2,933	2.80
Other items	(108)	(0.06)	60	0.06
Year ended 31 Dec	7,362	4.37	2,865	2.74

7 Deferred tax

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

	Property and equipment \$'000	Share-based payments \$'000	Others \$'000	Total \$'000
At 1 Jan 2019	57	1	60	118
Income statement (charge)/credit	7	—	(11)	(4)
Foreign exchange and other	—	—	1	1
Transfer to reserves	—	(1)	—	(1)
At 31 Dec 2019	64	—	50	114

	Property and equipment \$'000	Share-based payments \$'000	Other temporary differences \$'000	Total \$'000
At 1 Jan 2018	54	4	—	58
Income statement credit/(charge)	3	(2)	60	61
Transfer to reserves	—	(1)	—	(1)
At 31 Dec 2018	57	1	60	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.

8 Dividend income

	2019 \$'000	2018 \$'000
Dividend income from subsidiaries	168,358	105,604
Year ended 31 Dec	168,358	105,604

9 Analysis of financial assets and liabilities by measurement basis

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

The table below provides an analysis of financial instruments categorised as financial assets ('FA') and financial liabilities ('FL') at amortised cost.

	Carrying Value \$'000	Financial assets and (liabilities) at amortised costs \$'000
At 31 Dec 2019	\$'000	\$'000
Assets		
Cash and cash equivalents	127,166	127,166
Receivables due from related parties	189,880	189,880
Other receivables	1	1
Total financial assets	317,047	317,047
Liabilities		
Payables due to related parties	(155,963)	(155,963)
Accruals, deferred income and other liabilities	(29,649)	(29,649)
Total financial liabilities	(185,612)	(185,612)

HSBC Global Services Limited

	Carrying Value	Financial assets and (liabilities) at amortised costs
At 31 Dec 2018	\$'000	\$'000
Assets		
Cash and cash equivalents	124,670	124,670
Receivables due from related parties	251,964	251,964
Other receivables	4	4
Total financial assets	376,638	376,638
Liabilities		
Payables due to related parties	(248,265)	(248,265)
Accruals, deferred income and other liabilities	(397)	(397)
Total financial liabilities	(248,662)	(248,662)

Financial instruments not carried at fair value are typically short term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value.

10 Other receivables

	2019 \$'000	2018 \$'000
Non-trade-other receivables	1	4
At 31 Dec	1	4

11 Investments in subsidiaries

	2019 \$'000	2018 \$'000
Cost		
At 1 Jan	792,641	226,882
Capital injection	480,000	565,759
At 31 Dec	1,272,641	792,641
Accumulated impairment		
At 1 Jan	4,800	4,000
Impairment loss	—	800
At 31 Dec	4,800	4,800
Carrying value at 1st Jan	787,841	222,882
Carrying value at 31st Dec	1,267,841	787,841

The subsidiary undertakings of the Company at 31 December 2019 are:

	Country of incorporation	Issued and paid up capital 2019	Issued and paid up capital 2018
HSBC Electronic Data Processing (Guangdong) Limited	People's Republic of China	\$48.8m	\$48.8m
HSBC Electronic Data Processing (Philippines) Inc.	Philippines	\$30.0m	\$30.0m
HSBC Electronic Data Processing (Malaysia) Inc.	Malaysia	\$39.1m	\$39.1m
HSBC Electronic Data Processing Lanka (Private) Limited	Sri Lanka	\$22.7m	\$22.7m
HSBC Electronic Data Processing Delivery (Egypt) S.A.E	Egypt	\$9.0m	\$9.0m
HSBC Service Delivery (Polska) Sp Z.o.o	Poland	\$23.7m	\$23.7m
HSBC Global Management Services Limited	United Kingdom	\$23.1m	\$23.1m
HSBC Global Services (UK) Limited	United Kingdom	\$220.2m	\$220.2m
HSBC Global Services (Hong Kong) Limited	Hong Kong	\$790.0m	\$310.0m
HSBC Global Services (Canada) Limited	Canada	\$22.4m	\$22.4m
HSBC PB Services (Suisse) SA.	Switzerland	\$43.6m	\$43.6m
HSBC Finance Transformation (UK) Limited	United Kingdom	—	—

*Represents \$1.

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

HSBC Global Services Limited

Investment in Subsidiaries have increased by \$480m to \$1,268m for 2018 (2017: \$788m). The Company increased its investment in HSBC Global Services (Hong Kong) Limited by \$480m. The Company entered into a settlement agreement with HSBC Holding plc for the new share subscription of \$480m into HSBC Global Services Limited, and for the share subscription of \$480m into HSBC Global Services (Hong Kong) Limited such that the proceeds were settled between HSBC Holdings plc and HSBC Global Services (Hong Kong) Limited reflecting the onwads investment by the Company to the subsidiary.

In addition, as part of the establishment of the Servco Group the ownership of HSBC Finance Transformation (UK) Limited was purchased from HSBC Holdings plc for \$1. The Company entered into a settlement agreement with HSBC Holding plc for the new share subscription of \$1 into HSBC Global Services Limited, and for the purchase of ownership of HSBC Finance Transformation (UK) Limited at \$1.

Impairment testing of investment in subsidiaries

At each reporting period end, the Company reviews investments in subsidiaries for indicators of impairment. Where these are identified an impairment review is performed. An impairment is recognised when the carrying amount exceeds the recoverable amount of that investment.

The recoverable amount is the higher of the investment's fair value less costs of disposal and its value in use. The value in use is calculated by discounting management's cash flow projections for the investment.

- The cash flow projections for each investment are based on the latest approved plans and a long-term growth rate is used to extrapolate the cash flows in perpetuity.
- The growth rate reflects GDP and inflation for the country within which the investment operates.
- The rate used to discount cash flows is based on the cost of capital assigned to each investment, which is derived using a capital asset pricing model ('CAPM'). CAPM depends on a number of inputs reflecting financial and economic variables, including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management judgement. In addition, for the purposes of testing investments for impairment, management supplements this process by comparing the discount rates derived using the internally generated CAPM, with cost of capital rates produced by external sources for businesses operating in similar markets.

The following table shows the key assumption in the VIU calculation for subsidiaries with indicators of impairment:

	Discount rate	Terminal growth/ Inflation rate
	(%)	(%)
HSBC Electronic Data Processing Lanka (Private) Limited	9.5%	5.5%
HSBC Electronic Data Processing (Malaysia) Sdn. Bhd.	9.5%	1.4%
HSBC Electronic Data Service Delivery (Egypt) S.A.E.	9.5%	7.1%
HSBC Global Services (Hong Kong) Limited	9.5%	2.6%
HSBC PB Services (Suisse) SA	9.5%	0.6%
HSBC Global Services (Canada) Limited	9.5%	2%

12 Called up share capital and Reserves

(a) Share capital

	2019		2018	
	Number	\$	Number	\$
Issued, allotted and fully paid up				
Ordinary shares of \$1 each				
At 1 Jan	11	11	8	8
Shares issued	2	2	3	3
At 31 Dec	13	13	11	11
Authorised				
Ordinary shares of \$1 each	100	100	100	100

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 the reserves

- Share premium reserve
The application of the share premium account is governed by Section 610 (2-3) of the Companies Act 2006.
- Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.
- General reserve
The general reserve comprises deferred tax through reserve arising from share-based payment.

13 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 comprises credit risk, liquidity risk and market risk. The management of financial risk and consideration of profitability, cash flows and capital resources form a key element in the Directors' assessment of the Company as a going concern.

Credit risk management

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

Credit risk 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. However, there is no ECL allowance recognised during the financial year.

(a) Measurement of ECL (Simplified approach)

The expected loss rates are based on the payment profiles of sales over a period of 60 months before reporting date and the corresponding historical credit losses experienced within this period. There is no historical credit losses experienced by the Company in the last 60 months before reporting date, hence no expected credit loss is recognised. The disclosure below presents the gross carrying/nominal amount of financial instruments to which the impairment requirements of IFRS 9 are applied.

	2019		2018	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	127,166	—	124,670	—
Receivables due from related parties	189,880	—	251,964	—
Other receivables	1	—	4	—
Total gross carrying amount on balance sheet	317,047	—	376,638	—
At 31 Dec	317,047	—	376,638	—

(b) Maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets:

At 31 Dec 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	—	—	—	—	—
Receivables due from related parties	188,539	161	120	1,060	189,880
Loss allowance	—	—	—	—	—
Carrying amount (net of loss allowance)	188,539	161	120	1,060	189,880

At 31 Dec 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Receivables due from related parties	191,759	29,163	12,834	18,208	251,964
Loss allowance	—	—	—	—	—
Carrying amount (net of loss allowance)	191,759	29,163	12,834	18,208	251,964

HSBC Global Services Limited

The credit risk exposure of financial instruments of the Company consist mainly on receivables due from related companies. No ECL allowance is recognised as there were no historical credit losses experienced by the Company in the past.

Market risk management

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.

	CNY	Euro	GBP	HKD	MYR	Total
At 31 Dec 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	560	191	32,289	3,045	6,560	42,645
Receivables due from related parties	3,460	1,178	11,893	54	—	16,585
Total assets	4,020	1,369	44,182	3,099	6,560	59,230
Payables due to related parties	4,235	1,113	2,815	42	5	8,210
Total liabilities and equity	4,235	1,113	2,815	42	5	8,210
Net exposure	(215)	256	41,367	3,057	6,555	51,020

	CNY	Euro	GBP	HKD	MYR	Total
At 31 Dec 2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	20,097	10,919	30,995	4,818	6,524	73,353
Receivables due from related parties	23,059	3,746	29,949	1,190	—	57,944
Total assets	43,156	14,665	60,944	6,008	6,524	131,297
Payables due to related parties	53,334	6,794	16,388	836	—	77,352
Total liabilities and equity	53,334	6,794	16,388	836	—	77,352
Net exposure	(10,178)	7,871	44,556	5,172	6,524	53,945

Sensitivity analysis

A 5% strengthening of the United States Dollars against the following currencies as at 31 December 2019 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)	
	2019	2018
	\$'000	\$'000
CNY	10	485
EUR	(12)	(375)
GBP	(1,970)	(2,122)
HKD	(146)	(246)
MYR	(312)	(311)

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. A 5% weakening of the United States Dollars against the above currencies as at 31 December 2019 would have had the opposite effect of approximately the same amounts as shown above, assuming that all other variables remain constant.

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

Liquidity risk management

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

The Company monitors 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.

HSBC Global Services Limited

The following is an analysis of undiscounted cash flows payable under various financial liabilities by remaining contractual maturities at the balance sheet date:

	Due within 3 months \$'000	Total \$'000
Payables due to related parties	155,963	155,963
Accruals and other liabilities	29,649	29,649
At 31 Dec 2019	185,612	185,612

	Due within 3 months \$'000	Total \$'000
Payables due to related parties	248,265	248,265
Accruals and other liabilities	397	397
At 31 Dec 2018	248,662	248,662

14 Capital commitments

The Company does not have any capital commitment as of end of the reporting date.

15 Related party transactions

Transaction with other related parties

Transactions detailed below include amounts due to/from HSBC Holdings plc

	2019 Balance at 31 December \$'000	2018 Balance at 31 December \$'000
Assets		
Receivables due from immediate parent	15,918	18,040
Liabilities		
Payables due to immediate parent	131	156

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 2019 amounted to nil (2018: nil).

Revenue earned of \$132m (2018: \$108m) 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. The average credit period is 30 days.

Transactions detailed below include amounts due to/from other related parties

	2019 Balance at 31 December \$'000	2018 Balance at 31 December \$'000
Assets		
Cash and cash equivalents	127,166	124,670
Receivables due from other related parties	110,258	153,925
Liabilities		
Payable due to other related parties	72,838	81,528

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 \$0.1m (2018: \$1.4m) was earned on these accounts.

HSBC Global Services Limited

Revenue earned of \$833m (2018: \$776m) 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. The average credit period is 30 days.

Cost of services purchased of \$743m (2018: \$635m) and payables due to other HSBC Group companies are for services purchased (services of providing business processing and knowledge processing services) from other HSBC Group companies. The outstanding balances arose from the ordinary course of business and on substantially the same terms as for comparable transactions with third party counterparts. The average credit period is 30 days.

Transactions detailed below include amounts due to/from subsidiaries

	2019 Balance at 31 December \$'000	2018 Balance at 31 December \$'000
Assets		
Receivable due from subsidiaries	63,704	79,999
Liabilities		
Payables due to subsidiaries	82,994	166,581

During 2019, the Company received dividend income from subsidiaries of \$168m (2018: \$106m).

Revenue earned of \$484m (2018: \$348m) and receivables due from subsidiaries are for services billed (services of providing business processing and knowledge processing services) to 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. The average credit period is 30 days.

Cost of services purchased of \$662m (2018: \$596m) 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. The average credit period is 30 days.

16 Parent undertakings

The ultimate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest group to consolidate these financial statements. HSBC Holdings plc is 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
United Kingdom
www.hsbc.com

17 Events after the balance sheet date

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many other countries to protect their economies. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company and its clients, the COVID-19 outbreak is not considered to have a significant impact on the principal risks facing the Company.