

HSBC Global Services Limited
Registered No: 5639234

Annual report and financial statements for the year ended 31 December 2017



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Contents	Page
Strategic Report	1
Report of the Directors	3
Independent Auditors' Report to the member of HSBC Global Services Limited	6
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 priorities of the HSBC Group

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

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

The Company is the Holding Company for the ServCo Group and therefore this initiative involves transferring critical services not currently undertaken by the Company and its Subsidiaries, from HSBC Subsidiary Banks into the ServCo Group.

Principal activities

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

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

Principal Place of Business

The Company is incorporated and domiciled in United Kingdom. Its registered office is 8 Canada Square, London, E14 5HQ. The Company is a wholly owned subsidiary of HSBC Holdings plc.

Review of the Company's business

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

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

Performance

The Company's results for the year under review are as detailed in the income statement shown on page 9 of these financial statements.

The results of the Company show a profit before tax of US\$20 million (2016: US\$29 million). During the year, the Company earned dividend income from its Subsidiaries of US\$20 million (2016: US\$28 million).

The Company had a total equity position of US\$358 million for 2017 (2016: US\$340 million).

Investment in Subsidiaries had decreased by US\$4 million, to US\$223 million for 2017 (2016: US\$227 million). The decrease was attributable to impairment loss recognised for HSBC Electronic Data Service Delivery (Egypt) S.A.E. In 2017, there is an acquisition of new subsidiary, HSBC Global Services (HK) Limited for US\$1 thousand.

Principal risks and uncertainties

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

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

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

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

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

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

On behalf of the Board



Andrew Mitchell Maguire
Director

3 April 2018

Registered Office
8 Canada Square
London E14 5HQ

Report of the Directors

Directors

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

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

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. All Directors have the benefit of Directors' and officers' liability insurance.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017 (2016: nil).

Significant events since the end of the financial year

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

Future developments

No change in the Company's activities is expected.

Going concern basis

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

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 16 of the Notes on the Financial Statements.

Report of the Directors

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 and the recruitment, training, career development and promotion of disabled persons is based on the aptitudes and abilities of the individual. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

Employment policy

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

Overseas branches

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

Independent Auditors

PricewaterhouseCoopers LLP ('PwC') are external auditors to the Company. PwC has expressed their willingness to continue in office and the Board recommends PwC be re-appointed as the Company's auditors.

Disclosure of Information to the Auditor and Statement of Directors' Responsibilities

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

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

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.

On behalf of the Board



Andrew Mitchell Maguire
Director

2 April 2018

Registered Office
8 Canada Square
London E14 5HQ

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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; 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 for opinion

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

Independence

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

Conclusions relating to going concern

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

- 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.

Reporting on other information

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

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

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

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

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 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' Responsibilities Statement set out on page 5, 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.

Independent Auditors' Report to the member of HSBC Global Services Limited (continued)

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.

H Varley

Heather Varley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

2 April 2018

HSBC Global Services Limited

Financial Statements

Income statement for year ended 31 December 2017

	<i>Note(s)</i>	2017 US\$'000	2016 US\$'000
Revenue	18	1,192,993	1,038,387
Cost of services purchased	18	(1,190,506)	(1,026,042)
Gross profit		2,487	12,345
Dividend income	3	20,217	28,424
Other operating income		12	645
Administrative expenses	4 - 6	(3,526)	(8,545)
Impairment loss	10	(4,000)	-
Exchange gain/(loss)		3,941	(4,083)
Operating profit		19,131	28,786
Finance income		764	354
Profit before tax		19,895	29,140
Tax expense	7	(2,980)	(2,662)
Profit for the year		16,915	26,478

Statement of comprehensive income for the year ended 31 December 2017

Total comprehensive income for the year	2017 US\$'000	2016 US\$'000
Profit for the year	16,915	26,478
Other comprehensive income/(expense), net of tax		
Foreign currency translation differences for foreign operations	654	(256)
Other comprehensive income/(expense) for the year, net of tax	654	(256)
Total comprehensive income for the year	17,569	26,222

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

HSBC Global Services Limited

Financial Statements

Balance sheet as at 31 December 2017

	Note	2017 US\$'000	2016 US\$'000
Assets			
Cash and cash equivalents with HSBC undertakings	18	240,689	203,327
Receivables due from related parties	18	282,834	215,040
Other receivables	9	168	69
Current tax assets		9	1
Deferred tax assets	8	58	59
Property and equipment	11	-	249
Investments in subsidiaries	10	222,882	226,881
Total assets		746,640	645,626
Liabilities and equity			
Liabilities			
Payables due to related parties	18	385,540	302,175
Accruals and other liabilities		2,691	3,029
Other financial liabilities	12	-	72
Current tax liabilities		588	98
Total liabilities		388,819	305,374
Equity			
Called up share capital	14	*-	*-
Share premium	14	175,356	175,356
Retained earnings		183,818	166,903
Translation reserve	14	(1,354)	(2,008)
General reserve	14	1	1
Total equity		357,821	340,252
Total liabilities and equity		746,640	645,626

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

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

The financial statements from page 9 to 32 were approved by the Board of Directors on 3 April 2018 and were signed on its behalf by:



Andrew Mitchell Maguire
Director

Financial Statements

Statement of cash flows for the year ended 31 December 2017

	Note	2017 US\$'000	2016 US\$'000
Cash flows from operating activities			
Profit before tax		19,895	29,140
Adjustments for:			
Dividend income from subsidiaries		(20,217)	(28,424)
Equity-settled share-based payment transactions		-	36
Depreciation of property and equipment		270	66
Finance income		(764)	(354)
Loss/(Gain) on disposal of property and equipment		4	(31)
Impairment loss on investments in subsidiaries		4,000	-
Unrealised foreign exchange differences		628	(248)
Operating cash flows before changes in working capital		3,816	185
Change in receivables due from related parties		(67,794)	(38,839)
Change in other receivables, deposits and prepayments		(99)	35
Change in payables due to related parties		83,365	43,404
Change in accruals and other liabilities		(338)	1,828
Change in other financial liabilities		(72)	(331)
Cash generated from operations		18,878	6,282
Tax paid		(2,495)	(2,719)
Net cash generated from operating activities		16,383	3,563
Cash flow from investing activities			
Investments in subsidiaries		(1)	(21,646)
Proceeds from disposal of property and equipment		2	53
Acquisition of property and equipment		(3)	(3)
Dividend income received		20,217	28,424
Bank interest received		764	354
Net cash generated from investing activities		20,979	7,182
Net increase in cash and cash equivalents		37,362	10,745
Cash and cash equivalents at 1 January		203,327	192,582
Cash and cash equivalents at 31 December	18	240,689	203,327

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

Financial Statements

Statement of changes in equity for the year ended 31 December 2017

	Called up share capital US\$'000	Share premium US\$'000	Retained Earnings US\$'000	Translation reserve US\$'000	General Reserve US\$'000	Total equity US\$'000
At 1 January 2017	*-	175,356	166,903	(2,008)	1	340,252
Profit for the year	-	-	16,915	-	-	16,915
Other comprehensive income net of tax						
- Foreign currency translation differences for foreign operations	-	-	-	654	-	654
Total comprehensive income for the year	-	-	16,915	654	-	17,569
Transactions with owners, recorded directly in equity						
Equity-settled share-based payment transactions	-	-	-	-	-	-
At 31 December 2017	*-	175,356	183,818	(1,354)	1	357,821

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

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

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

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

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

There were no unendorsed standards effective for the year ended 31 December 2017 affecting these financial statements and the Company's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

Standards adopted during the year ended 31 December 2017

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and
- Disclosure initiative – amendments to IAS 7.

The Company also elected to adopt the following amendments early:

- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2, and
- Annual Improvements to IFRS Standards 2014-2016 Cycle.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods. However, had the amendments to IFRS 2 not been adopted in the current period, there would have been a small increase in the share-based payment expense and an associated reduction in tax expense. Future profits could also be affected through the requirement to remeasure the proportion of the share-based payment that would have had to be accounted for as cash-settled under the old rules.

The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities. As the Company has no liability arising from financing activities, no additional disclosure is required.

(b) Future accounting developments

Major new IFRSs

The IASB has published IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'. IFRS 9, IFRS 15 and IFRS 16 have been endorsed for use in the EU.

IFRS 9 'Financial Instruments'

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

Notes on the Financial Statements

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the Company's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. In addition, on transition to IFRS 9 entities are required to revoke previous designations of financial assets and financial liabilities measured at fair value through profit or loss where the accounting mismatch no longer exists and are permitted to revoke such designations where accounting mismatches continue to exist.

Impairment

The impairment requirements apply to financial assets measured at amortised cost, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge will tend to be more volatile. IFRS 9 will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39. The Company has assessed the impact of IFRS 9 and expects that the standard will have no significant effect, when applied, on the financial statements of the Company.

IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers' and it is effective for annual periods beginning on or after 1 January 2018. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for performance obligations as they are satisfied. The Company will adopt the standard on its mandatory effective date, and the standard will be applied on a modified retrospective basis, recognising the cumulative effect, if any, of initially applying the standards as an adjustment to the opening balance of retained earnings. The Company has assessed the impact of IFRS 15 and expects that the standard will have no significant effect, when applied, on the financial statements of the Company.

Notes on the Financial Statements

IFRS 16 'Leases'

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Mandatory for financial years commencing on or after 1 January 2019. The Company has assessed the impact of IFRS 16 and expects that the standard will have no significant effect, when applied, on the financial statements of the Company.

(c) Foreign currencies

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

(d) Presentation of information

The functional currency of the Company is USD, which is also the presentation currency of the financial statements of the Company. All amounts have been rounded to the nearest thousands unless otherwise stated.

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

(e) Basis of measurement

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

- *Financial Instruments*

(f) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items highlighted as the critical accounting estimates and judgements in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which Directors' estimates are based, resulting in materially different conclusions from those reached by management for the purposes of these Financial Statements. Directors' selection of the Company's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

(g) Going concern

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

Notes on the Financial Statements

1.2 Significant accounting policies

(a) Investments in subsidiaries

The Company classifies investments in entities which it controls as subsidiaries. Where an entity 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 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 Company's investments in subsidiaries are stated at cost less impairment losses.

Critical accounting estimates and judgements

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired. Impairment testing involves significant judgement in determining the value in use, and in particular estimating the present values of cash flows expected to arise from continuing to hold the investment and the rates used to discount these cash flows.

(b) Financial instruments

Initial recognition and measurement

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

Financial instrument categories and subsequent measurement

The Company categorises financial assets as loans and receivables. Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables category comprises receivables and cash and cash equivalents. Financial assets categorised as loan and receivables are subsequently measured at amortised cost using the effective interest method. All financial assets are subject to review for impairment (see note 1.2(a)).

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

Derecognition

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

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

(c) Employee compensation and benefits

Share-based payments

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

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

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

Post-employment benefit plans

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

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

(d) Tax

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

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

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

Current and deferred tax is calculated based on tax rates and laws enacted, or substantively enacted, by the end of reporting period.

(e) 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.

Notes on the Financial Statements

(f) Property and equipment

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

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property 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 the end of each reporting period.

(g) Income

Operating income

Interest income

Interest income for all financial instruments excluding those classified as held for trading or designated at fair value is recognised in 'Finance income' as it accrues, in the income statement using the effective interest method.

Non-interest income

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

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.

2 Share-based payments

HSBC share award plans

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

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 Share Match Scheme

The HSBC Holdings Restricted Share Plan is 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 plc 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.

Notes on the Financial Statements

Movement on HSBC share awards

	2017 Number	2016 Number
Restricted share awards outstanding at 1 January	4	23
Additions during the year	-	4
Vested during the year	(2)	(23)
Restricted share awards outstanding at 31 December	2	4
	2017 US\$'000	2016 US\$'000
Compensation cost recognised during the year	9	13

The weighted average purchase price for all shares purchased by the Company for awards under the Restricted Share Plan and Share Match Scheme during 2017 is nil (2016: nil). The closing price of the HSBC share at 31 December 2017 was £7.67 (2016: £6.57). The weighted average remaining vesting period as at 31 December 2017 was 2.93 year (2016: 3.52 year).

HSBC share option plans

Plans	Policy
Savings-related share option plans ('Sharesave')	<ul style="list-style-type: none"> Two plans: the UK plan and the International Plan. The last grant of options under the International Plan was in 2012. Eligible employees can save up to £250 per month with the option to use the savings to acquire shares. Exercisable within six months following either the third or fifth anniversaries of the commencement of a three-year or five-year contract, respectively. The exercise price is set at a 20% (2016: 20%) discount to the market value immediately preceding the date of invitation.

(b) *Saving-Related Share Option Schemes*

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

Calculation of fair values

The fair values of share options are calculated using a Black-Scholes model. The fair value of a share award is based on the share price at the date of the grant.

HSBC Global Services Limited

Notes on the Financial Statements

Movement on HSBC share option plans

	2017 Number	WAEP ¹ US\$	2016 Number	WAEP ¹ US\$
Outstanding at 1 January	- ²	7.25	- ²	7.25
Vested during the year	-	-	-	-
Outstanding at 31 December	- ²	7.25	- ²	7.25

¹ Weighted average exercise price

² Represents 278 shares

	2017 US\$'000	2016 US\$'000
Compensation cost recognised during the year	-	-

The weighted average fair value of options granted during 2017 was nil (2016: nil). The weighted average contractual life for the share options is 0.1 year (2016: 1.1 year)

3 Dividend income

	2017 US\$'000	2016 US\$'000
Dividend income from subsidiaries	20,217	28,424

4 Remuneration of Directors

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

5 Auditors' remuneration

	2017 US\$'000	2016 US\$'000
Audit fees for HSBC Global Services Limited statutory audit:		
- Fees relating to current year	20	20
Fees for other services provided to the Company		
- Other services (Non-audit fee)	3	3
Year ended 31 December	23	23

Notes on the Financial Statements

6 Employee compensation and benefits

The aggregate payroll costs of these persons were as follows:

	2017 US\$'000	2016 US\$'000
Wages, salaries and others	2,222	2,928
Social security costs	4	5
Share-based payment	7	13
Other pension costs	225	274
Year ended 31 December	2,458	3,220
	2017	2016
Monthly average number of persons (located in Malaysia) employed by the Company during the year	32	44

7 Tax Expense

Tax expense

	2017 US\$'000	2016 US\$'000
Current tax		
UK Corporation tax		
- on current year profit	586	-
- Adjustments in respect of prior years	2	(110)
Overseas tax		
- On current year profit	26	34
- Withholding tax suffered	2,364	2,684
	2,978	2,608
Deferred tax		
- Origination and reversal of temporary differences	11	38
- Effect of changes in tax rates	-	3
- Adjustments in respect of prior years	(9)	13
Total deferred tax	2	54
Total tax charge	2,980	2,662

The UK corporation tax rate applying to the Company was 19.25% (2016: 20.00%).

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

Notes on the Financial Statements

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:

	2017 US\$'000	Percentage of overall profit before tax	2016 US\$'000	Percentage of overall profit before tax
Profit before tax	19,895		29,140	
Tax at 19.25% (2016: 20.00%)	3,830	19.25	5,828	20.00
Adjustments in respect of prior years	(7)	(0.04)	(97)	(0.33)
Withholding tax suffered	2,364	11.88	2,684	9.21
Non-deductible expenses (Permanent disallowables)	94	0.47	71	0.24
Impact due to changes in tax rates	-	-	3	0.01
Income not taxable for tax purposes (Non-taxable income and gains)	(3,892)	(19.56)	(5,685)	(19.51)
Other items	591	2.97	(142)	(0.49)
Total tax charge	2,980	14.97	2,662	9.13

8 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:

	2017 US\$'000	2016 US\$'000
At 1 January	59	118
Charged to Income Statement	(1)	(54)
Transfer to reserves	-	(5)
At 31 December	58	59
Deferred tax assets	2017 US\$'000	2016 US\$'000
Property and equipment	54	53
Share-based payment	4	6
	58	59

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.

9 Other receivables

	2017 US\$'000	2016 US\$'000
Trade		
Other receivables	166	-
Non-trade		
Other receivables	2	69
	168	69

HSBC Global Services Limited

Notes on the Financial Statements

10 Investments in subsidiaries

	Unlisted shares at carrying value US\$'000
Unlisted share at carrying value	
At 1 January 2017	226,881
Capital injection to subsidiary	1
Impairment loss in subsidiary	(4,000)
At 31 December 2017	222,882

The subsidiary undertakings of the Company at 31 December 2017 are:

	Country of incorporation or registration	Principal activity	Issued and paid up capital 2017	Issued and paid up capital 2016
HSBC Electronic Data Processing (Guangdong) Limited	People's Republic of China	Data Processing	US\$ 48.8m	US\$ 48.8m
HSBC Electronic Data Processing (Philippines) Inc.	Philippines	Data Processing	US\$ 30m	US\$ 30m
HSBC Electronic Data Processing (Malaysia) Sdn. Bhd.	Malaysia	Data Processing	US\$ 39.1m	US\$ 39.1m
HSBC Electronic Data Processing Lanka (Private) Limited	Sri Lanka	Data Processing	US\$ 22.7m	US\$ 22.7m
HSBC Service Delivery (Polska) Sp z.o.o	Poland	Data Processing	US\$ 23.7m	US\$ 23.7m
HSBC Electronic Data Service Delivery (Egypt) S.A.E.	Egypt	Data Processing	US\$ 9m	US\$ 9m
HSBC Global Services (UK) Limited	United Kingdom	Service Company	US\$30.4m	US\$30.4m
HSBC Group Management Services Limited	United Kingdom	Service Company	US\$23.1m	US\$23.1m
HSBC Global Services (Hong Kong) Limited	Hong Kong	Dormant Company	*-	-

*Represents 1 ordinary share of HK\$10,000.

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\$4 million (2016: increased by US\$22 million). The decrease was attributable to impairment loss recognised for HSBC Electronic Data Service Delivery (Egypt) S.A.E.. In 2017, there is an acquisition of new subsidiary, HSBC Global Services (HK) Limited for US\$1 thousand.

Impairment testing of investment in subsidiaries

At each reporting period end, the Company reviews investments in subsidiaries for indicators of impairment. 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 and is based on 20-year forecast growth rates.

Notes on the Financial Statements

- 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.

There is impairment loss recognised in investment in subsidiaries for HSBC Electronic Data Service Delivery (Egypt) S.A.E. of US\$ 4 million in 2017.

11 Property and equipment

	Motor vehicles US\$'000	Office equipment US\$'000	Computer equipment US\$'000	Fixtures and fittings US\$'000	Telecom equipment US\$'000	Leasehold improvements US\$'000	Total US\$'000
Cost							
At 1 Jan 2017	-	2	112	47	279	555	995
Addition	-	-	-	-	3	-	3
Disposals	-	(2)	(118)	(49)	(298)	(582)	(1,049)
Other movements	-	-	6	2	16	27	51
As at 31 Dec 2017	-	-	-	-	-	-	-
Accumulated depreciation							
At 1 Jan 2017	-	2	107	45	277	315	746
Charge for the year	-	-	4	1	2	263	270
Disposals	-	(2)	(117)	(48)	(294)	(582)	(1,043)
Other movements	-	-	6	2	15	4	27
As at 31 Dec 2017	-	-	-	-	-	-	-
Net book value							
At 31 Dec 2016	-	-	5	2	2	240	249
As at 31 Dec 2017	-	-	-	-	-	-	-

HSBC Global Services Limited

Notes on the Financial Statements

	Motor vehicles US\$'000	Office equipment US\$'000	Computer equipment US\$'000	Fixtures and fittings US\$'000	Telecom equipment US\$'000	Leasehold improvements US\$'000	Total US\$'000
Cost							
At 1 Jan 2016	107	2	128	47	302	576	1,162
Additions	-	-	-	2	1	-	3
Disposals	(113)	-	(12)	-	(13)	-	(138)
Other movements	6	-	(4)	(2)	(11)	(21)	(32)
As at 31 Dec 2016	-	2	112	47	279	555	995
Accumulated depreciation							
At 1 Jan 2016	83	2	106	46	296	288	821
Charge for the year	7	-	13	1	5	40	66
Disposals	(95)	-	(8)	-	(13)	-	(116)
Other movements	5	-	(4)	(2)	(11)	(13)	(25)
As at 31 Dec 2016	-	2	107	45	277	315	746
Net book value							
At 31 Dec 2015	24	-	22	1	6	288	341
As at 31 Dec 2016	-	-	5	2	2	240	249

12 Other financial liabilities

	2017		2016	
	Contract/ notional amount US\$'000	Liabilities US\$'000	Contract/ notional amount US\$'000	Liabilities US\$'000
At fair value				
Foreign exchange related contracts:				
- Forwards (<i>Less than one year</i>)	-	-	750	72
Total	-	-	750	72

13 Commitment and contingencies

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

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

	2017 US\$'000	2016 US\$'000
Foreign exchange related contracts:		
- Less than one year	-	750
Total	-	750

Notes on the Financial Statements

14 Capital and Reserves

(a) Share Capital

	2017 Number of shares	2017 US\$
Share Capital:		
Ordinary shares of US\$1 each	100	100
	<u> </u>	<u> </u>
Allotted, called-up and fully paid share capital:		
Ordinary shares of US\$1 each	8	8
	<u> </u>	<u> </u>
	2016	2016
	Number of shares	US\$
Share Capital:		
Ordinary shares of US\$1 each	100	100
	<u> </u>	<u> </u>
Allotted, called-up and fully paid share capital:		
Ordinary shares of US\$1 each	8	8
	<u> </u>	<u> </u>

The holder 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.

(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. 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.

Notes on the Financial Statements

15 Financial instruments

Determination of fair value

Fair values are determined according to the following hierarchy:

- (a) Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that the Company can access at the measurement date.
- (b) Level 2 - valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- (c) Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using models where one or more significant inputs are unobservable.

The table below provides an analysis of financial instruments categorised as loan and receivables ('L&R'), financial liabilities at amortised cost ('FL') or financial liabilities at fair value through profit or loss ('FVTPL').

At 31 December 2017	Carrying Value US\$'000	L&R US\$'000	FL US\$'000	FVTPL US\$'000
Financial Assets				
Cash and cash equivalents	240,689	240,689	-	-
Receivables due from related companies	282,834	282,834	-	-
Other receivables	168	168	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial Liabilities				
Payables due to companies	385,540	-	385,540	-
Accruals, deferred income and other liabilities	2,691	-	2,691	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 At 31 December 2016	 Carrying Value US\$'000	 L&R US\$'000	 FL US\$'000	 FVTPL US\$'000
Financial Assets				
Cash and cash equivalents	203,327	203,327	-	-
Receivables due from related companies	215,040	215,040	-	-
Other receivables	69	69	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial Liabilities				
Payables due to companies	302,175	-	302,175	-
Accruals, deferred income and other liabilities	3,029	-	3,029	-
Other financial liabilities	72	-	-	72
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

Notes on the Financial Statements

16 Management of financial risk

All of the Company's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which 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.

(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.

	2017 US\$'000	2016 US\$'000
Past due but not impaired:		
0 - 30 days	229,655	182,637
31 - 60 days	31,318	19,141
61 - 90 days	7,245	8,521
More than 90 days	14,616	4,741
Total receivables due from related parties	282,834	215,040

(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.

2017	CNY US\$'000	EUR US\$'000	GBP US\$'000	HKD US\$'000	MYR US\$'000	Total US\$'000
Cash and cash equivalents	4,994	11,405	50,321	12,100	5,091	83,911
Receivables due from related parties	22,948	2,189	19,416	2,160	-	46,713
Payables due to related parties	37,180	6,821	30,565	1,625	-	76,191
2016						
Cash and cash equivalents	9,538	9,953	41,851	7,950	6,036	75,328
Receivables due from related parties	14,879	1,633	16,120	2,270	18	34,920
Payables due to related parties	33,055	4,708	24,665	1,229	16	63,673

Sensitivity analysis

A 5 percent strengthening of the following currencies against the United States Dollars at 31 December 2017 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) 2017 US\$'000	2016 US\$'000
CNY	(486)	(455)
EUR	356	362
GBP	2,062	1,753
HKD	665	473
MYR	268	318

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 2017 would have had the opposite effect of approximately the same amounts as shown above, assuming that all other variables remain constant.

Notes on the Financial Statements

(c) Liquidity and cash flow risk

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

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

	Within 3 months US\$'000	> 3 - 12 months US\$'000
2017		
Payables due to related parties	385,540	-
Accruals and other liabilities	2,691	-
2016		
Payables due to related parties	302,175	-
Accruals and other liabilities	3,029	-
Other financial liabilities	43	29

(d) Market risk

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

17 Capital commitments

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

18 Related party transactions

The following transactions were carried out with related parties:

Immediate parent

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

	2017 US\$'000	2016 US\$'000
Assets		
Receivables due from immediate parent	44,449	40,730
Liabilities		
Payables due to immediate parent	146	286

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 2017 amounted to nil (2016: nil).

Revenue earned of US\$ 164 million (2016: US\$124 million) and receivables due from immediate parent are for services billed (services of providing business processing and knowledge processing services) to HSBC Holdings plc. The outstanding balances arose from the ordinary course of business and on substantially the same terms as for comparable transactions with third party counterparts.

Notes on the Financial Statements

Other related parties

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

	2017 US\$'000	2016 US\$'000
Assets		
Cash and cash equivalents	240,689	203,327
Receivable due from other related parties	237,850	174,218
Total related party assets	478,539	377,545
Liabilities		
Payables due to other related parties	226,899	167,941
Total related party liabilities	226,899	167,941

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\$764,000 (2016: US\$354,000) was earned on these accounts.

Revenue earned of US\$ 795 million (2016: US\$914 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\$ 622 million (2016: US\$504 million) and payables due to other HSBC Group Company are for services purchased (services of providing business processing and knowledge processing services) from other HSBC Group Company. The outstanding balances arose from the ordinary course of business and on substantially the same terms as for comparable transactions with third party counterparts.

Subsidiaries

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

	2017 US\$'000	2016 US\$'000
Assets		
Receivable due from subsidiaries	535	92
Liabilities		
Payables due to subsidiaries	158,495	133,948

During 2017, the Company received dividend income from subsidiaries of US\$ 20 million (2016: US\$28 million).

Revenue earned of US\$ 234 million (2016: US\$1 million) 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.

Cost of services purchased of US\$569 million (2016: US\$522 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.

19 Parent undertakings

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

The immediate parent undertaking is HSBC Holdings plc. All companies are registered in United Kingdom.

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

HSBC Holdings plc
8 Canada Square
London E14 5HQ

20 Events after the balance sheet date

There are no significant events after the balance sheet date.