

HSBC Property Funds (Holding) Limited
Registered No: 03335872

Annual Report and Financial Statements for the year ended 31 December 2020



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Annual Report and Financial Statements for the year ended 31 December 2020

Principal activities

HSBC Property Funds (Holding) Limited ('the Company') acts as a holding company for companies established primarily to acquire and actively manage properties. No change in the Company's activities is anticipated.

The Company is a private limited company domiciled and incorporated in the United Kingdom and registered in England and Wales. Its trading address is 8 Canada Square, London E14 5HQ, United Kingdom.

The Company is limited by shares.

Review of the Company's business

During the year the Company continued to act as a holding company for its subsidiary, HSIL Investments Limited. No new investments were made by the Company.

The business is funded by other group undertakings through equity investment and borrowings.

The Company has no employees and all the related services are provided by the parent company. No recharges were made in respect of these services.

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. In doing this, section 172 requires a director to have regard, amongst other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

As a Group, HSBC considers its stakeholders to be the people who work for us, bank with us, own us, regulate us and live in the societies we serve. The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values, and operate the business in a sustainable way.

As a non-trading, investment holding company, the principal stakeholder of the Company is the Company's parent entity. No decisions were taken by the Board during the year other than those of a routine nature.

Performance

The Company's results for the year and financial position as at 31 December 2020 are as detailed in the income statement and the balance sheet on page 8 and page 9 of these financial statements respectively.

No dividends were received during the year ended 31 December 2020 from its subsidiary.

Key performance indicators

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 its ultimate parent, HSBC Holdings plc. Ongoing review of performance of the Company within the overall Principal Investments business is carried out by comparing actual performance against annually set budgets.

HSBC Property Funds (Holding) Limited

Strategic Report

Principal risks and uncertainties

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required under the Companies Act 2006 are set out in Note 11 of the financial statements.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('EU') with the process of the UK leaving the EU commencing on 29 March 2017. The UK left the EU on 31 January 2020 and entered a transition period until 31 December 2020. During the transition period, the UK continued to be bound by EU laws and regulations. A Trade and Cooperation Agreement between the EU and the UK was agreed on 24 December 2020 and ratified by the UK on 30 December 2020. There is no expected impact on the Company's operating model, neither operationally nor financially.

At this stage the ultimate economic effect of the UK leaving the EU remains uncertain and will depend on the outcome of replacement trading arrangements following the separation from the EU. In the meantime, this uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. As described in Note 11, foreign exchange and interest rate risks are managed by the Company in the ordinary course of business and so any increased volatility as a result of the UK leaving the EU is not expected to have a material effect on the results and net assets of the Company. Additionally, any general adverse consequences for credit risk at a UK or EU macroeconomic level that may arise as a consequence of the UK leaving the EU is not expected to translate into a material increase in credit risk for the Company given the nature of the Company's transactions, its counterparties and available security.

In 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 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, the COVID-19 outbreak has not had a significant impact on the principal risks facing the Company and this is not expected to change for the foreseeable future.

On behalf of the Board



J P Marlow
Director

23 September 2021

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

HSBC Property Funds (Holding) Limited

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

J P Marlow
C R J Irvin
J Wilkinson

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 and remain in place but have not been utilised by the Directors. All Directors have the benefit of Directors' and officers' liability insurance.

Significant events since the end of the financial year

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

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: nil).

Future developments

No change in the Company's activities is expected.

Going concern basis

The Company had net current liabilities of £37,207,039 as at 31 December 2020. HSBC Investment Bank Holdings Limited, the intermediate parent undertaking, has committed to ensuring the provision of sufficient funds for a period of not less than twelve months from the date of authorisation of these financial statements, to enable the Company to meet its liabilities as they fall due. As a result of this, together with the considerations referred to the Principal risks and uncertainties section in the Strategic report, the Directors have prepared the financial statements on a going concern basis.

Financial risk management

The principal risks and uncertainties facing the Company, together with its financial risk management objectives and policies, and an analysis of the exposure to such risks, are set out in Note 11 of the financial statements.

Capital management

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.

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

Independent auditors

PricewaterhouseCoopers LLP ('PwC') are external auditors 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 independent auditors.

HSBC Property Funds (Holding) Limited

Report of the Directors

Statement of Directors' Responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation:

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' confirmations

In the case of each Director in office at the date the Report of the Directors is approved:

- 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 that 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



J P Marlow
Director

23 September 2021

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

HSBC Property Funds (Holding) Limited

Independent Auditors' Report to the members of HSBC Property Funds (Holding) Limited

Report on the audit of the financial statements

Opinion

In our opinion, HSBC Property Funds (Holding) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 2020; the income statement, the statement of comprehensive income, the statement of cash flows and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 on, 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.

HSBC Property Funds (Holding) Limited

Independent Auditors' Report to the members of HSBC Property Funds (Holding) Limited

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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 Statement of Directors' Responsibilities in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Identifying and testing journal entries meeting specific fraud criteria; and
- Challenging assumptions made by management in its significant accounting estimates.

HSBC Property Funds (Holding) Limited

Independent Auditors' Report to the members of HSBC Property Funds (Holding) Limited

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

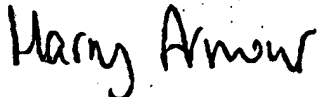
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.



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

23 September 2021

HSBC Property Funds (Holding) Limited
Financial statements

Income statement for the year ended 31 December 2020

	Notes	2020 £	2019 £
Gain on disposal of subsidiary	6	19,531	-
General and administrative (expenses)/ income	4	(2,205)	5,400
		17,326	5,400
Profit before tax		17,326	5,400
Tax expense	5	(2,034)	(1,026)
Profit for the year		15,292	4,374

Statement of comprehensive income for the year ended 31 December 2020

There has been no comprehensive income or expense other than the profit for the year as shown above (2019: nil).

HSBC Property Funds (Holding) Limited **Financial statements**

Balance sheet as at 31 December 2020

	Notes	2020 £	2019 £
Assets			
Cash and cash equivalents		67,818	45,534
Trade and other receivables	7	7,246	
Investments in subsidiaries	6	35,000,001	35,010,001
Total assets		35,075,065	35,055,535
Liabilities and Equity			
Liabilities			
Trade and other payables	8	37,280,069	37,276,839
Current tax liabilities		2,034	1,026
Total liabilities		37,282,103	37,277,865
Equity			
Called up share capital	9	5,000,000	5,000,000
Accumulated losses		(7,207,038)	(7,222,330)
Total equity		(2,207,038)	(2,222,330)
Total liabilities and equity		35,075,065	35,055,535

The accompanying notes on pages 12 to 20 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 September 2021 and signed on its behalf by:



J P Marlow
 Director
 Company Registration Number: 03335872

HSBC Property Funds (Holding) Limited
Financial statements

Statement of cash flows for the year ended 31 December 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit before tax.....	17,326	5,400
Adjustments for non cash items:		
Net gain on investing activities.....	(19,531)	-
Tax (paid)/received	(1,026)	380
Cash (used in)/generated from operating activities	(3,231)	5,780
Cash flows from investing activities		
Proceeds from disposal of subsidiary.....	22,285	-
Cash generated from investing activities	22,285	-
Cash flows from financing activities		
Movements in amounts due to parent undertakings.....	3,230	(14,865)
Cash generated from/(used in) financing activities	3,230	(14,865)
Net increase/(decrease) in Cash and cash equivalents.....	22,284	(9,085)
Cash and cash equivalents brought forward	45,534	54,619
Cash and cash equivalents carried forward	67,818	45,534

The tax paid of £1,026 (2019: tax received of £380) has been paid by a fellow group company. This amount is included within trade and other payables and will be settled with the company as part of inter group financing activities. Consequently, the movement in trade and other payables has been included as part of movements in amounts due to parent undertakings in respect of other financing activities.

HSBC Property Funds (Holding) Limited
Financial statements

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £	Accumulated losses £	Total equity £
2020			
At 1 January 2020.....	5,000,000	(7,222,330)	(2,222,330)
Profit for the year	-	15,292	15,292
Total comprehensive income for the year	-	15,292	15,292
At 31 December 2020	5,000,000	(7,207,038)	(2,207,038)

	Called up share capital £	Accumulated losses £	Total equity £
2019			
At 1 January 2019.....	5,000,000	(7,226,704)	(2,226,704)
Profit for the year	-	4,374	4,374
Total comprehensive income for the year	-	4,374	4,374
At 31 December 2019	5,000,000	(7,222,330)	(2,222,330)

HSBC Property Funds (Holding) Limited

Notes on the financial statements

1 Basis of preparation and significant accounting policies

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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.

There were no unendorsed standards effective for the year ended 31 December 2020 affecting these financial statements.

Standards adopted during the year ended 31 December 2020

Interest Rate Benchmark Reform – Phase 2

Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 issued in August 2020 represents the second phase of the International Accounting Standards Board's ('IASB's') project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of the reform. This has been early adopted during the year ended 31 December 2020. Under these amendments, changes made to a financial instrument measured at other than fair value through profit or loss that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark. In addition, hedge accounting will not be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

The amendments have not had a significant effect on the financial statements of the Company.

Other changes

In addition, the Company has adopted a number of interpretations and amendments to standards, which have had an insignificant effect on the financial statements of the Company.

(b) Future accounting developments

Minor amendments to International Financial Reporting Standards ('IFRS')

The International Accounting Standards Board ('IASB') has not published any minor amendments to IFRSs which are effective from 1 January 2021 that are applicable to the Company. However, the IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2022 and 1 January 2023. The Company expects they will have an insignificant effect, when adopted, on the financial statements.

New IFRSs

IFRS 17 Insurance Contracts

The IASB has published IFRS 17 'Insurance Contracts'. IFRS 17 has not yet been endorsed but is not expected to have an impact on the financial statements of the Company.

(c) Presentation of information

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

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.

HSBC Property Funds (Holding) Limited

Notes on the financial statements

The financial statements have been prepared on the historical cost basis.

(d) 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 to follow, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of these financial statements.

Management's selection of the Company's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

(e) Going concern

The Company had net current liabilities of £37,207,039 as at 31 December 2020. HSBC Investment Bank Holdings Limited, the intermediate parent undertaking, has committed to ensuring the provision of sufficient funds for a period of not less than twelve months from the date of authorisation of these financial statements, to enable the Company to meet its liabilities as they fall due. As a result of this, together with the considerations referred to in the Principal risks and uncertainties section in the Strategic report, the Directors have prepared the financial statements on a going concern basis.

1.2 Significant accounting policies

(a) Income and expense

Operating income

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

(b) Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received).

However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Company recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction either until the transaction matures or is closed out or the valuation inputs become observable.

(c) Investments in subsidiaries

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

For the purpose of determining this classification, the Company is considered to have control of an entity when it is exposed, or has rights to variable returns from its involvements with the entity and has the ability to affect those returns through its power over the entity. The Company's investments in subsidiaries are stated at cost less impairment losses and any return of capital.

HSBC Property Funds (Holding) Limited

Notes on the financial statements

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.

(d) Financial instruments measured at amortised cost

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. Such financial assets include trade and other receivables.

Trade and other receivables

These include trade and other receivables originated by the Company, not classified as held for trading or designated at fair value. They are recognised when cash is advanced to a borrower and are derecognised when either the borrower repays its obligations, or the receivables are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment allowance.

Impairment of trade and other receivables

Expected credit losses ('ECL') are recognised for trade and other receivables and other financial assets held at amortised cost. At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months ('12-month ECL'). In the event of a significant increase in credit risk, 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 considered to be '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'. All of the Company's exposures are with other group undertakings. The credit risk of amounts due from other group undertakings is minimised because such other group undertakings are wholly owned subsidiaries of HSBC Holdings plc. Such counterparties have no history of default and have been able to meet their liabilities as they fall due. On this basis the Company considers the amounts due to be fully recoverable and hence no impairments are required. 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.

Financial liabilities

Amounts owed to other group undertakings represent financial liabilities and are included within trade and other payables. Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised when the Company becomes party to the contractual provision of the instrument. The Company derecognises the financial liability when the Company's obligations specified in the contract expire, are discharged or cancelled. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

(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 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.

HSBC Property Funds (Holding) Limited

Notes on the financial statements

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

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

(f) 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.

(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.

2 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2019: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

3 Employee compensation and benefits

The Company has no employees and hence no staff costs (2019: nil).

4 Auditors' remuneration

The auditors' remuneration borne by the Company amounted to £2,205 (2019: £2,100).

There were no non-audit fees incurred during the year (2019: nil).

5 Tax

Tax expense

	2020 £	2019 £
UK corporation tax		
- for this year.	2,034	1,026
Total current tax	2,034	1,026
Total tax charged to the income statement	2,034	1,026

The UK corporation tax rate applying to the Company was 19% (2019: 19%).

HSBC Property Funds (Holding) Limited
Notes on the financial statements

Tax reconciliation

	2020 £	%	2019 £	%
Profit before tax.....	<u>17,326</u>		<u>5,400</u>	
Tax at 19% (2019: 19%)	3,292	19.0	1,026	19.0
Income not taxable.....	(3,711)	(21.4)	-	-
Chargeable gains.....	<u>2,453</u>	<u>14.2</u>	-	-
Total tax charged to the income statement.....	<u>2,034</u>	<u>11.8</u>	<u>1,026</u>	<u>19.0</u>

6 Investments in subsidiaries

	2020 £	2019 £
Cost		
At 1 January	35,010,001	35,010,001
Disposals.....	(10,000)	-
At 31 December.....	<u>35,000,001</u>	<u>35,010,001</u>
Provision for impairment		
At 1 January	-	-
New releases.....	-	-
At 31 December.....	<u>-</u>	<u>-</u>
Net carrying amount 31 December	<u>35,000,001</u>	<u>35,010,001</u>

On 24 September 2020, CL Residential Limited was liquidated. Cash transferred to HSBC Property Funds (Holding) Limited on liquidation amounted to £22,285 which when offset with the cost of HSBC Property Funds (Holding) Limited's investment of £10,000 in CL Residential Limited resulted in a gain of £12,285.

Additionally, a receivable of £7,246 owed to CL Residential Limited by HSBC Specialist Investments Limited (a Holding Company) as at the liquidation date was transferred to HSBC Property Funds (Holding) Limited, resulting in a further gain of £7,246.

Impairment loss

The Company's accounting policy for impairment of assets (other than financial assets) is described in Note 1.2(c). At each reporting period end, the company reviews its investments in subsidiaries for indicators of impairment. No indicators of impairment were identified at 31 December 2020 and therefore a detailed impairment test was not performed.

HSBC Property Funds (Holding) Limited

Notes on the financial statements

Principal subsidiary undertakings

Details of the Company's subsidiaries, as required under Section 409 of the Companies Act 2006 are set out below.

	Country of incorporation	Interest in equity capital %	Footnotes
HSIL Investments Limited	United Kingdom	100.00(Direct)	1,2

Description of shares:

Footnotes

Ordinary shares

1

Registered offices:

Footnotes

8 Canada Square, London E14 5HQ, United Kingdom

2

7 Trade and other receivables

	2020 £	2019 £
Amounts due from group undertakings	7,246	-
	<u>7,246</u>	<u>-</u>

Amounts due from other group undertakings have no fixed date for repayment and are therefore technically repayable on demand. They are accounted for as financial assets, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value.

8 Trade and other payables

	2020 £	2019 £
Amounts due to other group undertakings	37,280,069	37,276,839
	<u>37,280,069</u>	<u>37,276,839</u>

Amounts due to other group undertakings have no fixed date for repayment and are therefore technically repayable on demand. They are accounted for as financial liabilities, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value.

9 Called up share capital

	2020 £	2019 £
Allotted, called up and fully paid		
5,000,000 (2019: 5,000,000) Ordinary shares of £1 each	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>

10 Analysis of financial assets and liabilities by measurement basis

All financial assets and financial liabilities held by the Company are measured on an ongoing basis at amortised cost.

HSBC Property Funds (Holding) Limited

Notes on the financial statements

11 Management of financial risk

Exposure to liquidity risk and market risk arises in the normal course of the Company's business. The Company's risk management policies are consistent with the HSBC Group's risk management policies.

As part of that process, the Business' management will review the monthly management accounts of the Business.

There were no changes in the Company's approach to risk management during the year.

Credit risk management

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company's main credit exposure is to fellow group companies. The maximum exposure to credit risk is represented by the carrying amount of trade receivables at the balance sheet date. The Credit risk of amounts due from other group undertakings is minimised because such other group undertakings are wholly owned subsidiaries of HSBC Holdings plc. Such counterparties have no history of default and have been able to meet their liabilities as they fall due. On this basis the Company considers the amounts due to be fully recoverable.

Credit risk also arises from cash and cash equivalents, and deposits with banks and financial institutions. Credit risk is managed as only banks and financial institutions with a minimum rating of 'A' are accepted.

Liquidity risk management

The objective of liquidity management is to ensure that all commitments which are required to be funded can be met out of readily available and secure sources of funding.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company does this by monitoring its investment commitments and positions on an ongoing basis within limits set and approved by the HSBC group.

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

2020	Carrying value	Contractual cash flows	On demand
	£	£	£
Trade and other payables	37,280,069	37,280,069	37,280,069
	<u>37,280,069</u>	<u>37,280,069</u>	<u>37,280,069</u>
2019			
Trade and other payables	37,276,839	37,276,839	37,276,839
	<u>37,276,839</u>	<u>37,276,839</u>	<u>37,276,839</u>

Market risk management

Market risk is the risk that changes in the market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income, or the value of its holdings of financial instruments. The objective is to minimise market risk through managing and controlling the risk to acceptable parameters, while optimising the return on risk.

The Company has minimal exposure to market risk.

Interest rate risk

The Company has no exposure to interest rate risks as it does not have any interest bearing borrowings.

Foreign exchange risk management

The Company has no exposure to currency risks as it does not deal in foreign currencies.

HSBC Property Funds (Holding) Limited
Notes on the financial statements

12 Maturity analysis of assets and liabilities

The following is an analysis of assets and liabilities by residual contractual maturities at the balance sheet date.

	On demand £	Undated £	Total £
Assets			
Cash and cash equivalents	67,818	-	67,818
Trade and other receivables	7,246	-	7,246
Non-financial assets	-	35,000,001	35,000,001
At 31 Dec 2020	75,064	35,000,001	35,075,065
Liabilities			
Trade and payables	37,280,069	-	37,280,069
Non-financial liabilities	-	2,034	2,034
At 31 Dec 2020	37,280,069	2,034	37,282,103

	On demand £	Undated £	Total £
Assets			
Cash and cash equivalents	45,534	-	45,534
Non-financial assets	-	35,010,001	35,010,001
At 31 Dec 2019	45,534	35,010,001	35,055,535
Liabilities			
Trade and payables	37,276,839	-	37,276,839
Non-financial liabilities	-	1,026	1,026
At 31 Dec 2019	37,276,839	1,026	37,277,865

13 Fair value of financial assets and liabilities

There are no material differences between the carrying value and the fair value of financial assets and liabilities at 31 December 2020 and 31 December 2019.

14 Related party transactions

Transactions with other related parties:

	2020		2019	
	Highest balance during the year £	Balance at 31 December £	Highest balance during the year £	Balance at 31 December £
Assets				
Cash and cash equivalents ¹	67,818	67,818	54,619	45,534
Trade and other receivables ²	7,246	7,246	-	-
Liabilities				
Trade and other payables ³	37,280,069	37,280,069	37,276,839	37,276,839

¹ These balances are held with an intermediate parent company, HSBC Bank plc.

² These balances are receivable from the parent company, HSBC Specialist Investments Limited.

³ These include GBP37,275,764 (2019: 37,274,739) payable to the parent company, HSBC Specialist Investments Limited and GBP4,305 (2019: GBP2,100) payable to an intermediate parent company, HSBC Bank plc.

HSBC Property Funds (Holding) Limited

Notes on the financial statements

15 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 Bank plc is the parent undertaking of the smallest group to consolidate these financial statements.

The immediate parent undertaking is HSBC Specialist Investments Limited. All companies are registered in England and Wales.

The results of the Company is included in the financial statements of HSBC Holdings plc and HSBC Bank plc.

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

HSBC Holdings plc
8 Canada Square
London E14 5HQ
United Kingdom
www.hsbc.com

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom
www.hsbc.com

16 Events after the balance sheet date

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