HSBC Investment Company Limited

Registration No: 4308091

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

HSBC

Strategic Report

Principal activities

HSBC Investment Company Limited ('the Company') is domiciled and incorporated in England and Wales as a private company, limited by shares. Its trading address is 8 Canada Square, United Kingdom, London E14 5HQ.

During the year ended 31 December 2020, HSBC Investment Company Limited continued to be an investment holding company.

Review of the Company's business

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

During the year ended 31 December 2020, the Company continued to be an investment holding company.

The reserves available for distribution as at 31 December 2020 are $52m (2019: $68m).

Performance

The performance and position of the Company for the year ended 31 December 2020 and the state of the Company's financial affairs at that date are set out on pages 7 to 17.

The net asset value of the Company as at 31 December 2020 amounts to $52.4m (2019: $68.2m).

The results of the Company show a loss before tax of $16m for the year (2019: loss before tax of $15m). During the year, the Company recognised an impairment charge of $15.9m on its investment of Serai Limited (2019: $16.4m).

The Company received no dividends from other group undertakings during 2020 and 2019.

Section 172 statement

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

The Board considers its stakeholders to be the people who work for us, invest with us, own us, regulate us and live in the societies we serve. During 2020, the directors gave careful consideration to the factors set out above in discharging their duties under section 172. The Board recognises that building strong relationships with our stakeholders will help deliver the Company's strategy in line with its long-term values, and operate the Company business in a sustainable way.

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

As an investment holding company, the company does not carry out any investment business on its own behalf, however, its principal activity is to provide seed capital investment. In addition to this, the Board seeks to understand the interests and views of the Group's stakeholders by engaging with them directly as appropriate.

The majority of decisions made by the Board during the year are deemed to be routine in nature and are taken on a cyclical basis. The Board keeps the Company's strategy under regular review and being an investment holding subsidiary of the HSBC Holdings plc, takes into account the HSBC Group strategic priorities, as appropriate. The Board approved the payment of dividends to its shareholder during 2020, the timing of which required engagement with and consideration of shareholder interests and the longer term interests of the company. The decisions on dividends were taken after careful consideration of the financial position of the company, its obligations under Companies Act and the need to consider its longer term relationship with its ultimate shareholder, HSBC Holdings plc.

Stakeholder engagement

The Board understands the importance of effective engagement with all of its stakeholders to the long-term success of the Company. For further information on the Company's key stakeholders and the manner in which the Board takes their interests into consideration when making decisions, see the section 172 statement above.

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 HSBC Holdings plc. Ongoing review of the performance of the Company is carried out by monitoring the subsidiary performance, including cash flows to and from each subsidiary.

Principal risks and uncertainties

The principal financial 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 on the financial statements.

Being an investment holding company, the Company is subject to the risks of the performance of its subsidiaries which could result in impairment of these investments. The Company's accounting policy for impairment of investments in subsidiaries is set out in Note 1.2 on the Financial Statements.

The Company's exposures to credit, liquidity and market risks (including foreign currency risks and interest rate risk) are limited due to the nature of its business, which is predominantly investing in or financing of subsidiaries. These transactions are generally funded by way of capital or debt obtained from the parent or other group companies.

On behalf of the Board

J Bingham

J Bingham
Director

29 July 2021

8 Canada Square
London E14 5HQ
United Kingdom

Report of the Directors

Directors

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

Name	Appointed	Resigned
G A Francis	1 September 2014	26 June 2020
R J Hennity	30 September 2011	31 March 2020
I F MacKinnon	16 September 2011	8 February 2021
J Bingham	26 June 2020	
R Boyns	26 June 2020	
D Millar	26 June 2020	

The Articles of Association of the Company contain a qualifying third-party indemnity provision, which entitles Directors and other officers 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 up to the date of approval of the financial statements but have not been utilised by the Directors. Additionally, all Directors have the benefit of Directors' and officers' liability insurance.

Dividends

No dividends were declared or paid during the year (2019:nil).

Significant events since the end of the financial year

In April 2021, the Company made a further investment of $15m in Serai Limited.

No other 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, including future projections of profitability, cash flows and capital resources.

These considerations reflect the increasing uncertainty that the global Covid-19 pandemic has had on HSBC operations, as well as considering potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity.

Financial risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 11 of the Notes on 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

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP ('PwC') will therefore continue in office.

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 also 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 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 Directors' Report 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 Bingham
Director
29 July 2021

8 Canada Square
United Kingdom
London E14 5HQ

Independent auditors' report to the members of HSBC Investment Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, HSBC Investment Company 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 loss 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, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis of opinion

We conducted our audit in accordance with International Standards 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 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 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 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 posted that have greater risk of fraud such as those backdated for over 30 days, posted by senior management, prepared and approved by the same users or those posted outside normal working practices. We also incorporated an element of unpredictability into our testing.
- Considering management bias relating to key judgements and assumptions used by management for developing accounting estimates.

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 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.

Timothy Lawrence

Timothy Lawrence (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 July 2021

Financial statements

Income statement for the year ended 31 December 2020

	Notes	2020 $'000	2019 $'000
Interest income		**136**	64,873
Interest expense		**–**	(63,448)
Net interest income		**136**	1,425
Dividend income		**–**	–
Net operating income		**136**	1,425
General and administrative expenses		**(1)**	(2)
Impairment charge on investment in subsidiaries	8	**(15,889)**	(16,356)
Total operating expenses		**(15,890)**	(16,358)
Loss before tax		**(15,754)**	(14,933)
Tax expense	5	**(26)**	(270)
Loss for the year		**(15,780)**	(15,203)

Statement of comprehensive income for the year ended 31 December 2020

All operations are continuing. There has been no comprehensive income or expense other than the profit/(loss) for the year as shown above (31 December 2019: nil).

Balance sheet at 31 December 2020
Registration No: 4308091

	Notes	2020 $'000	2019 $'000
Assets			
Cash and cash equivalents	6	**39,729**	49,752
Investments in subsidiaries	8	**12,995**	18,884
Total assets		**52,724**	68,636
Liabilities and equity			
Liabilities			
Accruals, deferred income and other liabilities		**270**	158
Current tax liabilities		**26**	270
Total liabilities		**296**	428
Equity			
Called up share capital[1]	10	**—**	—
Retained earnings		**52,428**	68,208
Total equity		**52,428**	68,208
Total liabilities and equity		**52,724**	68,636

1 *Called up share capital is $28 (2019: $28) (Note 10) but has been rounded down to nil in the disclosure above, which displays all balances in $000s.*

The financial statements and its accompanying notes on pages 11 to 17 were approved by the Board of Directors on 29 July 2021 and signed on its behalf by:

J Bingham
Director

Statement of cash flows for the year ended 31 December 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Loss before tax		**(15,754)**	(14,933)
Adjustments for:			
Non-cash items included in loss before tax		**15,889**	16,356
Tax paid		**(158)**	(22)
Net cash (used in)/generated from operating activities		**(23)**	1,401
Cash flows from investing activities			
Net loans and advances from other group undertakings		**–**	5,005
Increase in investments in subsidiaries	8	**(10,000)**	(35,240)
Net cash used in investing activities		**(10,000)**	(30,235)
Cash flows from financing activities			
Loan repayments to other group undertakings		**–**	(7,238)
Net cash generated from/(used in) financing activities		**–**	(7,238)
Net decrease in cash and cash equivalents		**(10,023)**	(36,072)
Cash and cash equivalents brought forward		**49,752**	85,824
Cash and cash equivalents carried forward	6	**39,729**	49,752

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

				Other reserves	
	Called up share capital	Share Premium	Retained earnings	Capital contribution reserve	Total equity
	$'000	$'000	$'000	$'000	$'000
At 01 Jan 2020	–	–	68,208	–	68,208
Loss for the year	–	–	(15,780)	–	(15,780)
Total comprehensive expense for the year	–	–	(15,780)	–	(15,780)
At 31 Dec 2020	–	–	52,428	–	52,428

				Other reserves	
	Called up share capital	Share Premium	Retained earnings	Capital contribution reserve	Total equity
	$'000	$'000	$'000	$'000	$'000
At 01 Jan 2019	–	–	83,411	–	83,411
Loss for the year	–	–	(15,203)	–	(15,203)
Total comprehensive expense for the year	–	–	(15,203)	–	(15,203)
At 31 Dec 2019	–	–	68,208	–	68,208

Called up share capital

Called up share capital is $28 (2019: $28) (Note 10) but has been rounded down to nil in the disclosure above, which displays all balances in $'000s.

Equity is wholly attributable to equity shareholders of HSBC Investment Company Limited.

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

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. These financial statements are also prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRSs as issued by the IASB for the periods presented. 'Interest Rate Benchmark Reform – Phase 2' which amends IFRS 9, IAS 39 'Financial Instruments', IFRS 7 'Financial Instruments' was adopted for use in the UK and EU in January 2021 and has been early adopted as set out below. Therefore, 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

IFRS adoptions

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 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.

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.

These amendments apply from 1 January 2021 with early adoption permitted. Company has adopted the amendments from 1 January 2020 and has made the additional disclosures as required by the amendments

(b) Future accounting developments

Minor amendments to IFRSs

The IASB has not published any minor amendments 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. Company expects they will have an insignificant effect, when adopted, on the financial statements of the Company.

New IFRSs

There are no new IFRSs published by the IASB effective from 1 January 2021 that will have an impact on the financial statements of the Company

(c) Foreign currencies

The functional currency of the Company is US dollars, which is also the presentational currency of the financial statements of the Company. Unless otherwise specified, all $ symbols represent US dollars.

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

(d) Presentation of information

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

The financial statements have been prepared on the historical cost basis, modified by the revaluation of financial assets designated fair value.

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

(e) Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates and judgements about future conditions which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(f) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company have 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, capital requirements and capital resources. These considerations reflect the increasing uncertainty that the global Covid-19 pandemic has had on HSBC operations, as well as considering potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity

1.2 Summary of significant accounting policies

(a) Income and expense

Interest income and expense

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Non-interest income and expense

Dividend income

Dividend income is recognised when the right to receive a payment is established.

(b) Investments in subsidiaries

The Company classifies investments in entities 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.

Critical accounting estimates and judgements

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired, which involves estimations of value in use reflecting management's best estimate of the future cash flows of the investment and the rates used to discount these cash flows, *or fair value less cost to sell. Both of which are subject to uncertain factors as follows:*

Judgements	Estimates
• The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. Where such circumstances are determined to exist, management re-tests for impairment more frequently than once a year when indicators of impairment exist. This ensures that the assumptions on which the cash flow forecasts are based continue to reflect current market conditions and management's best estimate of future business prospects	• The future cash flows of each investment are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they reflect management's view of future business prospects at the time of the assessment • The rates used to discount future expected cash flows can have a significant effect on their valuation, and are based on the costs of capital assigned to the investment. The cost of capital percentage is generally derived from a capital asset pricing model, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond management's control • Fair value is based on the best information available to reflect the amount that an entity could obtain at the reporting date from the sale of the assets in an arm's length transaction between two knowledgeable, willing parties, after deducting costs of disposal • Key assumptions used in estimating impairment in subsidiaries are described in Note 8

(c) Tax

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

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

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

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

(d) 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.

(e) Cash and cash equivalents

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

2 Employee compensation and benefits

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

3 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.

4 Auditors' remuneration

Certain expenses including auditors' remuneration have been borne by HSBC Holdings plc and are therefore not charged in arriving at profit before tax. Audit fees are disclosed in the financial statements of HSBC Holdings plc. The amount incurred in respect of the audit of these financial statements was $ 8k (2019: $8k).

There were no other audit procedures, tax and non-audit services provided where fees were incurred during the year (2019: nil).

5 Tax expense

Tax expense

	2020	2019
	$'000	$'000
Current tax		
- For this year	26	270
Total tax charge	**26**	270

The UK corporation tax rate applying to the Company was 19.00% (2019: 19%).

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% would not occur and the UK Corporation Tax Rate would instead remain at 19%. Subsequently, in the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023.

Tax reconciliation

	2020		2019	
	$'000	(%)	$'000	(%)
Profit before tax	(15,754)		(14,933)	
Tax at 19.00% (2019: 19.00%)	(2,993)	19.00	(2,837)	19.00
Non-taxable income and gains	3,019	(19.00)	3,107	(19.00)
Total tax charge	**26**	–	270	–

6 Reconciliation of profit before tax to net cash flow from operating activities

	2020	2019
	$'000	$'000
(Loss)/profit before tax	**(15,754)**	(14,933)
Non-cash item included in profit and loss		
Impairment of investments in subsidiaries	15,889	16,356
	15,889	16,356
Cash and cash equivalents comprise		
Cash and balances held with other group undertakings	39,729	49,752
Interest and dividends		
Interest paid	–	(56,210)
Interest received	136	69,878
Dividends received	–	–

7 Analysis of financial assets and liabilities by measurement basis

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

At 31 Dec 2020	Amortised cost $'000	Total $'000
Assets		
Cash and cash equivalents	39,729	39,729
Total financial assets	39,729	39,729
Total non-financial assets		12,995
Total assets		52,724
Liabilities		
Total financial liabilities	–	–
Total non-financial liabilities		296
Total liabilities		296

At 31 Dec 2019	Amortised cost $'000	Total $'000
Assets		
Cash and cash equivalents	49,752	49,752
Total financial assets	49,752	49,752
Total non-financial assets		18,884
Total assets		68,636
Liabilities		
Total financial liabilities	–	–
Total non-financial liabilities		428
Total liabilities		428

8 Investments in subsidiaries

Movements on investments

	2020 $'000	2019 $'000
Cost		
At 1 Jan	35,240	–
Additions	10,000	35,240
At 31 Dec	45,240	35,240
Accumulated impairment		
At 1 Jan	16,356	–
Impairment loss	15,889	16,356
At 31 Dec	32,245	16,356
Net book/carrying value at 31st Dec	12,995	18,884

Additions to investments

During the year, the Company made investments of $10m in Serai Limited (2019: $35m).

In 2019, the Company invested $0.12m in HSBC Insurance SAC 1 (Bermuda) Limited and $0.12m in HSBC Insurance SAC 2 (Bermuda) Limited respectively.

Disposals of investments

There were no disposals of investments during the year.

Impairment testing of investment in subsidiaries

The carrying amount of investments in subsidiaries are assessed annually for any indication of impairment. Impairment would be recognised where the recoverable amount of the investment is determined to be less than the carrying amount.

Fair value less costs to sell

For the purpose of determining fair value, management have utilised external third parties to determine the amount they could obtain from the disposal of the assets in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

The valuation techniques used, consider the outcome of recent transactions for similar assets within the same industry.

Costs of disposal are incremental costs directly attributable to the disposal of the assets, which would typically include legal costs and other costs necessary to prepare the assets for sale.

Serai Limited

At 31 December 2020, the recoverable amount of Serai Limited was determined based on its fair value less costs to sell, calculated as $12.8m (2019: $18.6m), representing the tangible net assets held in Serai Limited. This has led to an impairment of $15.9m (2019: $16.4m).

The principal subsidiary undertakings of the Company as at 31 December 2020 and 31 December 2019 are set out below.

	Country of incorporation	Interest in equity capital (%)	Share class
HSBC Insurance SAC 1 (Bermuda) Limited	**Bermuda**	**100.00**	–
HSBC Insurance SAC 2 (Bermuda) Limited	**Bermuda**	**100.00**	–
Serai Limited	**Hong Kong**	**100.00**	–

Details of all subsidiaries, as required under section 409 of Companies Act 2006, are set in Note 15.

9 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	Due within 3 months	Due between 3 - 12 months	Due between 1 - 5 years	Due after 5 years	Undated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and cash equivalents	**39,729**	–	–	–	–	–	**39,729**
Non-financial assets	–	–	–	–	–	**12,995**	**12,995**
At 31 Dec 2020	**39,729**	–	–	–	–	**12,995**	**52,724**
Liabilities and Equity							
Accruals and other financial liabilities	–	**270**	–	–	–	–	**270**
Non financial liabilities	–	–	**26**	–	–	–	**26**
Equity	–	–	–	–	–	**52,428**	**52,428**
At 31 Dec 2020	–	**270**	**26**	–	–	**52,428**	**52,724**

	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 - 5 years	Due after 5 years	Undated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and cash equivalents	49,752	–	–	–	–	–	49,752
Non-financial assets	–	–	–	–	–	18,884	18,884
At 31 Dec 2019	49,752	–	–	–	–	18,884	68,636
Liabilities and Equity							
Accruals and other financial liabilities	–	158	–	–	–	–	158
Non financial liabilities	–	–	270	–	–	–	270
Equity	–	–	–	–	–	68,208	68,208
At 31 Dec 2019	–	158	270	–	–	68,208	68,636

10 Called up share capital

			2020	2019
	Nominal value per share $	Number of issued and fully paid shares	**Issued share capital**	Issued share capital
			$'000	$'000
Ordinary shares of $1 each	1	28	–	–
Balance as at 31 Dec		28	–	–

Called up share capital is $28 (2019: $28) but has been rounded down to nil in the disclosure above, which displays all balances in $000s.

11 Management of financial risk

Systems and procedures are in place in the HSBC Group to identify, control and report on the major risks associated with financial instruments which include credit, liquidity and market risk. A Risk Management Meeting of the Group Management Board, chaired by the Group Chief Risk Officer, is held each month to address asset, liability and risk management issues for the HSBC Group. Exposure to these risks is monitored by HSBC Holdings plc's Asset and Liability Committee.

Credit risk management

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

Credit risk is managed within the overall framework of HSBC policy, with an established risk management process encompassing credit approvals, the control of exposures (including those to borrowers in financial difficulty), credit policy direction to business units and the monitoring and reporting of exposures both on an individual and portfolio basis. The Directors are responsible for the quality of credit portfolios and follow a credit process involving delegated approval authorities and credit procedures, the objective of which is to build and maintain risk assets of high quality.

Regular reviews are undertaken to assess and evaluate levels of risk concentration, including those to individual industry sectors and products. Credit risk is managed at a group level by business sector, rather than in respect of individual undertakings and it is therefore not considered appropriate to disclose quantitative data about exposure to that risk.

The Company exposure to credit risk in relation to cash and cash equivalents to group undertakings that 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 arising from default on other loans is not expected to have a material impact on the Company's net assets.

Maximum exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

	2020		
	Maximum exposure	Offset	Net
	$'000	$'000	$'000
Cash and cash equivalents	39,729	–	39,729
At 31 Dec	**39,729**	**–**	**39,729**

	2019		
	Maximum exposure	Offset	Net
	$'000	$'000	$'000
Cash and cash equivalents	49,752	–	49,752
At 31 Dec	49,752	–	49,752

Liquidity risk management

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

The Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from group undertakings. The Company also has a line of credit with HSBC Bank plc which can be used for liquidity purposes.

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

	On Demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Accruals, deferred income and other liabilities	–	270	–	–	–	270
At 31 Dec 2020	**–**	**270**	**–**	**–**	**–**	**270**

	On Demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Accruals, deferred income and other liabilities	–	158	–	–	–	158
At 31 Dec 2019	–	158	–	–	–	158

Market risk management

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will reduce income values. Exposure to these risks arises from short-term cash balances and funding positions with other group undertakings. The objective of the Company risk management strategy is to reduce exposure to these risks and minimise volatility in economic income, cash flows and distributable reserves. The principal tool for managing this is sensitivity analysis of changes in profit before tax to future changes in the exchange rates or interest rate.

Foreign exchange risk

The Company has no significant exposure to foreign currency risk on assets and liabilities that are denominated in a currency other than the US dollars.

Interest rate risk

The Company held assets of $39.7m (2019: $49.8m) that are sensitive to interest rate movements. If all other variables are held constant the effect of a 100 basis points increase/(decrease) in LIBOR on these net liabilities would be a (decrease)/increase of profit before tax of $0.4m (2019: $0.5m).

12 Related party transactions

Transaction with other related parties

Balances and transactions with other related parties can be summarised as follows:

	2020		2019	
	Highest balance during the year	Balance at 31 December	Highest balance during the year	Balance at 31 December
	$'000	$'000	$'000	$'000
Assets				
Cash and cash equivalents[1]	49,752	39,729	85,824	49,752
Loans and advances to other group undertakings[1]	–	–	2,705,094	–
Liabilities				
Loans from other group undertakings[2]	–	–	2,705,094	–
Accruals, deferred income and other liabilities	270	270	158	158

	2020 $'000	2019 $'000
Income statement		
Interest income[1]	**136**	64,873
Interest expense[2]	**–**	(63,448)

1 These balances are with other related parties comprising of other HSBC Group Companies which are not a parent nor subsidiary of the Company.
2 These balances are with the parent of the Company.

The above outstanding balances arose in the ordinary course of business and are on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

13 Parent undertakings

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

HSBC Holdings plc is incorporated in England and Wales.

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

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

14 Events after the balance sheet date

In April 2021, the Company made a further investment of $15m in Serai Limited.

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

15 HSBC Investment Company Limited's subsidiary undertakings

In accordance with section 409 of the Companies Act 2006 a list of the Company's subsidiaries, the country of incorporation and the effective percentage of equity owned at 31 December 2020 and 31 December 2019 is disclosed below.

Subsidiaries	Interest (%)	Footnotes
HSBC Insurance SAC 1 (Bermuda) Limited	100	1,4
HSBC Insurance SAC 2 (Bermuda) Limited	100	2,5
Serai Limited	100	3,6

Reference	Description of Shares
1	Ordinary Shares
2	Ordinary Shares
3	Ordinary Shares
Reference	**Registered Office**
4	37 Front Street Hamilton Bermuda HM 11
5	37 Front Street Hamilton Bermuda HM 11
6	1 Queen's Road Central Hong Kong