

HSBC Global Services Limited

Registration No: 5639234

**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

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Strategic Report

Principal activities

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

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

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

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

Review of the Company's business

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

Investment in subsidiaries have increased by \$106m to \$1,374m in 2020 (2019: \$1,268m). The Company increased its investment in HSBC Global Services (Hong Kong) Limited by \$100m. In addition, as part of the establishment of the Servco Group, the Company acquired ownership for 13.8m shares of Electronic Data Process México, S.A. de C.V. at \$6m as consideration.

Performance

The Company's results for the year under review are as detailed in the income statement shown on page 10 of these financial statements. The results of the Company show a pre-tax profit of \$256m in 2020 (2019: \$168m).

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

	2020 \$m	2019 \$m
Ordinary shares		
HSBC Group Management Services Limited	110.3	64.9
HSBC Global Services (UK) Limited	72.7	—
HSBC Electronic Data Processing (Guangdong) Limited	31.0	65.0
HSBC Electronic Data Processing (Malaysia) Sdn. Bhd.	12.1	14.1
HSBC Service Delivery (Polska) Sp z o.o	16.0	—
HSBC Electronic Data Processing (Philippines) Inc.	8.3	20.0
HSBC Electronic Data Processing Lanka (Private) Limited	4.4	3.4
HSBC Electronic Data Service Delivery (Egypt) S.A.E.	1.5	1.0
Year ended 31 December	256.3	168.4

The Company total equity has increased by \$108m to \$1,508m for 2020 (2019: \$1,400m), post the additional equity injections of \$100m by HSBC Holding Plc. The purpose of the injection is to provide funding for the share subscription of \$100m into the subsidiary, HSBC Global Services (Hong Kong) Limited. With that, the Company entered into a settlement agreement between HSBC Holding plc and the subsidiary for the proceeds to be settled between HSBC Holdings plc and HSBC Global Services (Hong Kong) Limited for reflecting the onwads investment by the Company to the subsidiary.

In addition, as part of the establishment of the Servco Group, the Company acquired ownership for 13.8m shares of Electronic Data Process México, S.A. de C.V. at \$6m as consideration.

Key performance indicators

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

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Principal risks and uncertainties

The principal financial risks and uncertainties facing the Company are credit risk, market risk, liquidity risk and funding risk. These risks, the exposure to such risks and management of risk are set out in Note 13 of the financial statements.

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

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

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

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

The EU and the UK agreed a Trade and Cooperation Agreement just before the end of the transition period on 31 December 2020. The agreement mainly focuses on goods and services but also covers a wide range of other areas, including competition, state aid, tax, fisheries, transport, data and security. It addressed financial services in a limited manner and, as a result, did not change HSBC's planning in relation to the UK's withdrawal from the EU.

The EU and UK agreed through a joint declaration to establish structured regulatory cooperation on financial services, with the aim of establishing a durable and stable relationship between autonomous jurisdictions.

Bilateral discussions to agree a memorandum of understanding to establish the framework for this cooperation have now concluded at a technical level and will be formalised in due course.

Once approved, the memorandum of understanding is expected to create the framework for voluntary regulatory cooperation in financial services between the UK and EU through the establishment of a Joint UK-EU Financial Regulatory Forum, which will provide a platform within which both parties will be able to discuss financial services-related issues including future equivalence determinations.

Our global presence and diversified customer base should help mitigate the direct impacts on our financial position of the absence of a comprehensive agreement on financial services between the UK and EU. Our existing wholesale and markets footprint in the EU, provides a strong foundation for us to build upon. Over the medium to long term the UK's withdrawal from the EU may impact markets and increase economic risk, particularly in the UK, which could adversely impact our profitability and prospects for growth in this market.

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

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's business in a sustainable way.

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

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During the year, the Board has received management reports, internal communications and presentations on issues concerning customers, the environment, communities, suppliers, employees, regulators and in particular matters regarding Recovery and Resolution Planning and Operational Continuity in Resolution, governments and investors. These are taken into account in the Board's discussions and decision-making process.

The majority of decisions made by the Board during the year are deemed to be routine in nature and are taken on a cyclical basis. The Board approved the payment of a dividend to its parent company, HSBC Holdings plc, during 2020, the timing of which required engagement with and consideration of parent company's interests and the longer term interests of the company. The decisions on dividends were taken after careful consideration of the financial position of the company, its obligations under Companies Act and the need to consider its longer term relationship with its parent company.

Furthermore, in careful consideration of its objectives regarding recovery and resolution, the Board approved the transfer of a number of resources out of its UK subsidiaries to other entities in the HSBC Group, in order to improve cost transparency and reduce complexity. As a result of these activities, the Board believes it has demonstrated compliance with their legal duty under section 172 of the Companies Act 2006.

Stakeholder engagement

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

On behalf of the Board



Chieh Huey, Gan
Director

13 September 2021

8 Canada Square
London, E14 5HQ

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
Helen Ruth Horgan	7 April 2017	29 July 2020
Maria Andrea Colin	16 June 2017	24 November 2020
Michael Stewart Henley	16 April 2018	13 November 2020
Iain Francis Mackinnon	20 March 2017	8 February 2021
Chieh Huey, Gan	29 August 2019	
John Hinchaw	24 February 2020	
Manveen Pam Kaur	24 February 2020	
Colin William Bell	21 September 2020	
Stacey Renee Alioto	24 November 2020	
Carlo Pellerani	29 March 2021	

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

Dividends

Since the end of the previous financial year, the Company paid an interim dividend of \$244m on 11 Dec 2020 in respect of the year ended 31 December 2020 (2019: \$157m).

Future developments

No change in the Company's activities is expected.

Going concern basis

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

Financial risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required under Part 1 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, are set out in Note 13 of the Notes on the financial statements.

Engagement with employees and diversity

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

Employment of people with a disability

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

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Employment policy

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

Capital management

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

The Company is not subject to externally imposed capital requirements and is dependent on the HSBC Group to provide necessary capital resources which are therefore managed on a group basis.

In line with HSBC Group's policy, the Company is to maintain a strong capital base to support the development of its business. The Company recognises the impact on shareholder returns on the level of equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity.

An annual Group capital plan is prepared and approved by the Board of HSBC Holdings plc. The Company manages its own capital within the context of the plan, which determines an appropriate amount and mix of capital required to support planned business growth. As part of HSBC's capital management policy, capital generated in excess of planned requirements is returned to shareholders, normally by way of dividends.

The principal forms of capital are included in the following balances on the balance sheet: called up share capital, share premium account and retained earnings.

Overseas branches

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

Independent auditors

PricewaterhouseCoopers LLP ('PwC') is external 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 auditors.

Directors' responsibility statement

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

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs; and
- prepare the financial statements on a going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The Directors have responsibility for ensuring that sufficient accounting records are kept that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditors

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

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

On behalf of the Board



Chieh Huey, Gan
Director
13 September 2021

8 Canada Square
London, E14 5HQ

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 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 at 31 December 2020; 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.

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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 Directors' responsibility statement, 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 Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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.

HSBC Global Services Limited

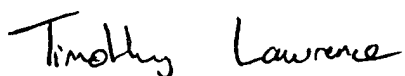
Other required reporting

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.



Timothy Lawrence (Senior Statutory Auditor)
for and on behalf of **PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
London
14 September 2021

Financial statements

Income statement for the year ended 31 December 2020

		2020	2019
		\$'000	\$'000
Revenue	15	1,461,333	1,449,382
Cost of services purchased	15	(1,382,828)	(1,405,280)
Gross profit		78,707	44,102
Dividend income	8	256,257	168,358
Other operating income		25	23
Net operating income		334,989	212,483
Administrative expenses	2,3,4,5	(76,801)	(43,917)
Exchange loss		(1,793)	(237)
Total operating expenses		(78,594)	(44,154)
Operating profit		256,395	168,329
Finance income		73	140
Profit before tax		256,468	168,469
Tax expense	6	(3,738)	(7,362)
Profit for the year		252,732	161,107

Statement of comprehensive income for the year ended 31 December 2020

	2020	2019
	\$'000	\$'000
Profit for the year	252,732	161,107
Other comprehensive (expense)/income net of tax		
Items that will be reclassified subsequently to profit and loss when specific conditions are met:		
- Foreign currency translation differences for foreign operations	(145)	77
Total comprehensive income for the year	252,587	161,184

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Balance sheet at 31 December 2020 Registration No: 5639234

		2020	2019
		\$'000	\$'000
Assets	<i>Note</i>		
Cash and cash equivalents with HSBC undertakings	15	171,268	127,166
Receivables due from related parties	15	110,607	189,880
Other receivables	10	60	1
Current tax assets		311	230
Investments in subsidiaries	11	1,374,225	1,267,841
Deferred tax assets	7	80	114
Total assets		1,656,551	1,585,232
Liabilities and equity			
Liabilities			
Payables due to related parties	16	127,701	155,963
Accruals and other liabilities		20,646	29,649
Current tax liabilities		—	7
Total liabilities		148,347	185,619
Equity			
Called up share capital	12	**	*
Share premium	12	1,297,071	1,197,071
Translation reserve	12	(1,555)	(1,410)
Retained earnings		212,688	203,952
Total equity		1,508,204	1,399,613
Total liabilities and equity		1,656,551	1,585,232

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

** Represent 14 ordinary shares at US\$1 each.

The accompanying notes on pages 14 to 26 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 13 September 2021 and signed on its behalf by:



Chieh Huey, Gan
Director

HSBC Global Services Limited

Statement of cash flows for the year ended 31 December 2020

	2020	2019
	\$'000	\$'000
<i>Note</i>		
Cash flows from operating activities		
Profit before tax	256,468	168,469
Adjustments for:		
Unrealised foreign exchange differences	(145)	82
Dividend income from subsidiaries	(256,257)	(168,358)
Finance income	(73)	(140)
Equity-settled share based payment transactions	2	2
Operating cash flows before change in working capital	(5)	55
Change in receivables due from related parties	79,273	62,084
Change in other receivables	(58)	3
Change in payables due to related parties	(28,262)	(92,310)
Change in accruals and other liabilities	(9,003)	29,252
Cash generated from/(used in) operations	41,945	(916)
Tax paid	(3,789)	(8,086)
Net cash generated from/(used in) operating activities	38,156	(9,002)
Cash flows from investing activities		
Investments in subsidiaries	(6,384)	—
Dividend income received	256,257	168,358
Bank interest received	73	140
Net cash generated from investing activities	249,946	168,498
Cash flows from financing activities		
Dividends paid	(244,000)	(157,000)
Net cash used in financing activities	(244,000)	(157,000)
Net increase in cash and cash equivalents	44,102	2,496
Cash and cash equivalents brought forward	127,166	124,670
Cash and cash equivalents carried forward	171,268	127,166

HSBC Global Services Limited

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

	Called up share capital	Share Premium	Retained earnings	Other reserves	Total equity
	\$'000	\$'000	\$'000	Translation reserve \$'000	\$'000
At 1 Jan 2020	*	1,197,071	203,952	(1,410)	1,399,613
Profit for the year	—	—	252,732	—	252,732
Other comprehensive expense (net of tax)			0		
- Foreign currency translation differences for foreign operations	—	—		(145)	(145)
Total comprehensive income for the year	—	—	252,732	(145)	252,587
Issue of share capital	**	100,000	—	—	100,000
Dividends to shareholders	—	—	(244,000)	—	(244,000)
Equity-settled share-based payment transactions	—	—	4	—	4
At 31 Dec 2020	***	1,297,071	212,688	(1,555)	1,508,204

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

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

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

***Represent 14 ordinary shares at US\$1 each.

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

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

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

Notes on the financial statements

1 Basis of preparation and significant accounting policies

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

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee. These financial statements are also compliant with IFRSs adopted by the European Union as there are no applicable differences from IFRSs as issued by the IASB for the periods presented.

At 31 December 2020, there were no unendorsed standards effective for the year ended 31 December 2020 affecting these financial statements, and the Company's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

(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.

(c) Foreign currencies

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

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

(d) Presentation of information

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

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

Capital disclosures under IAS1 'Presentation of Financial Statements' ('IAS1') have been included in the section of the 'Report of the Directors: Capital Management' on page 5.

(e) 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, both of which are subject to uncertain factors as follows:

Judgements	Estimates
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. Key assumptions used in estimating impairment in subsidiaries are described in Note 11.

(f) Going concern

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

1.2 Summary of significant accounting policies

(a) Income and expense

Interest income

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

Revenue

The Company provides business processing and knowledge processing services on a cost plus mark-up basis. Revenue is recognised over the period when the services are rendered to the related companies. No element of financing deemed present as the revenue are made with a credit term of 30 days.

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

(b) Investments in subsidiaries

The Company classifies investments in entities which it controls as subsidiaries. Where a Company is governed by voting rights, the Company consolidates when it holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities and whether power is held as agent or principal.

The Company's investments in subsidiaries are stated at cost less impairment losses.

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(c) Financial instruments measured at amortised cost

Financial assets

Cash and cash equivalents, trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is uncollectable, it is written off against trade receivables and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited to the income statement.

Financial liabilities

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.

Impairment

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

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

(d) Employee compensation and benefits

Share-based payments

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

The vesting period for these schemes may commence before the legal grant date if the employees have started to render services in respect of the award before the legal grant date, where there is a shared understanding of the terms and conditions of the arrangement. Expenses are recognised when the employee starts to render service to which the award relates.

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

Post-employment benefit plans

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

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

(e) Tax

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

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

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

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

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(f) Provisions

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

(g) Called up share capital

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

(h) Cash and cash equivalents

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

2 Employee compensation and benefits

Total employee compensation

	2020	2019
	\$'000	\$'000
Wages, salaries and others	784	764
Social security costs	2	2
Share-based payment	2	2
Other pension costs	52	93
Year ended 31 Dec	840	861

	2020	2019
	Number	Number
Monthly average number of persons (located in Malaysia) employed by the Company during the year	9	10
Year ended 31 Dec	9	10

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3 Share-based payments

The Company participated in the following equity settled share compensation plans operated by the HSBC Group for the acquisition of HSBC Holdings plc shares.

HSBC share award plans

Plans	Policy
Restricted share awards (including annual incentive awards delivered in shares) and Group Performance Share Plan ('GPSP')	<ul style="list-style-type: none"> An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted. Deferred awards generally require employees to remain in employment over the vesting period and are not subject to performance conditions after the grant date. Deferred share awards generally vest over a period of three years and GPSP awards vest after five years. Vested shares may be subject to a retention requirement post-vesting. GPSP awards are retained until cessation of employment. Awards granted from 2010 onwards are subject to malus provision prior to vesting. Awards granted to Material Risk Takers from 2016 onwards are subject to clawback post vesting.
International Employee Share Purchase Plan ('ShareMatch')	<ul style="list-style-type: none"> The plan was first introduced in Hong Kong in 2013 and now includes employees based in 25 jurisdictions. Shares are purchased in the market each quarter up to a maximum value of £750, or the equivalent in local currency. Matching awards are added at a ratio of one free share for every three purchased. Matching awards vest subject to continued employment and the retention of the purchased shares for a maximum period of two years and nine months.

Movement on HSBC share awards

	2020 Number	2019 Number
Restricted share awards outstanding at 1 Jan	522	687
Additions during the year	92	411
Vested during the year	(355)	(576)
Restricted share awards outstanding at 31 Dec	259	522

	2020 \$'000	2019 \$'000
Compensation cost recognised during the year	2	2
Year ended 31 Dec	2	2

The weighted average purchase price for all shares purchased by the Company for awards under the Restricted Share Plan and Share Match Scheme during 2020 is nil (2019: nil). The closing price of the HSBC share at 31 December 2020 was 3.78 (2019: 5.94). The weighted average remaining vesting period as at 31 December 2020 was 1.42 year (2019: 1.73 year).

4 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 consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

5 Auditors' remuneration

	2020 \$'000	2019 \$'000
Audit fees for HSBC Global Services Limited statutory audit:		
- Fees relating to current year	45	41
- Fees relating to previous year	28	—
Year ended 31 Dec	73	41

6 Tax expense

Tax expense

	2020	2019
	\$'000	\$'000
Current tax		
UK Corporation tax		
- For this year	(166)	(104)
- Adjustments in respect of prior years	(31)	(28)
Overseas tax		
- For this year	31	64
- For prior year	1	(29)
- withholding tax suffered	3,866	7,455
Total current tax	3,701	7,358
Deferred tax		
- Origination and reversals of temporary differences	35	4
Total deferred tax	35	4
Total tax charge	3,736	7,362

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

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% 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. As substantive enactment will be after the balance sheet date, deferred tax balances as at 31 December 2020 are measured at 19%. If the amended tax rate had been used, the deferred tax asset would have been \$16,000 higher.

Tax reconciliation

The tax charged to the income statement differs to the tax charge that would apply if all profits had been taxed at the UK Corporation tax rate as follows:

	2020		2019	
	\$'000	(%)	\$'000	(%)
Profit before tax	256,468		168,469	
Tax at 19% (2019: 19.00%)	48,729	19	32,009	19
Adjustment in respect of prior years	(31)	—	(28)	—
Non-deductible expenses (Permanent disallowable)	10	—	18	—
Deferred tax assets written off	35	—	4	—
Income not taxable for tax purposes (Non-taxable income and gains)	(48,689)	(19)	(31,988)	(19)
Withholding tax suffered	3,866	1	7,455	4
Other items	(184)	—	(108)	—
Total tax charge	3,736	1	7,362	4

7 Deferred tax assets

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

	Property and equipment \$'000	Share-based payments \$'000	Others \$'000	Total \$'000
At 1 Jan 2020	64	—	50	114
Income statement charge	(12)	—	(23)	(35)
Foreign exchange and other	—	—	1	1
Transfer to reserves	—	—	—	—
At 31 Dec 2020	52	—	28	80

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

8 Dividend income

	2020 \$'000	2019 \$'000
Dividend income from subsidiaries	256,257	168,358
Year ended 31 Dec	256,257	168,358

9 Analysis of financial assets and liabilities by measurement basis

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

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

	Carrying Value \$'000	AC/(FL) \$'000
At 31 Dec 2020		
Assets		
Cash and cash equivalents	171,268	171,268
Receivables due from related parties	110,607	110,607
Other receivables	60	60
Total financial assets	281,935	281,935
Liabilities		
Payables due to related parties	127,701	127,701
Accruals and other liabilities	20,646	20,646
Total financial liabilities	148,347	148,347

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9 Analysis of financial assets and liabilities by measurement basis (continued)

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

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

10 Other receivables

	2020	2019
	\$'000	\$'000
Non-trade-other receivables	60	1
At 31 Dec	60	1

11 Investments in subsidiaries

	2020	2019
	\$'000	\$'000
Cost		
At 1 Jan	1,272,641	792,641
Capital injection	106,384	480,000
At 31 Dec	1,379,025	1,272,641
Accumulated impairment		
At 1 Jan	4,800	4,800
At 31 Dec	4,800	4,800
Carrying value at 1st Jan	1,267,841	787,841
Carrying value at 31st Dec	1,374,225	1,267,841

The subsidiary undertakings of the Company at 31 December 2020 are:

	Country of incorporation	Issued and paid up capital 2020	Issued and paid up capital 2019
HSBC Electronic Data Processing (Guangdong) Limited	People's Republic of China	\$48.8m	\$48.8m
HSBC Electronic Data Processing (Philippines) Inc.	Philippines	\$30.0m	\$30.0m
HSBC Electronic Data Processing (Malaysia) Inc.	Malaysia	\$39.1m	\$39.1m
HSBC Electronic Data Processing Lanka (Private) Limited	Sri Lanka	\$22.7m	\$22.7m
HSBC Electronic Data Processing Delivery (Egypt) S.A.E	Egypt	\$9.0m	\$9.0m
HSBC Service Delivery (Polska) Sp Z.o.o	Poland	\$23.7m	\$23.7m
HSBC Global Management Services Limited	United Kingdom	\$23.1m	\$23.1m
HSBC Global Services (UK) Limited	United Kingdom	\$220.2m	\$220.2m
HSBC Global Services (Hong Kong) Limited	Hong Kong	\$890.0m	\$790.0m
HSBC Global Services (Canada) Limited	Canada	\$22.4m	\$22.4m
HSBC PB Services (Suisse) SA.	Switzerland	\$43.6m	\$43.6m
Electronic Data Process México, S.A. de C.V.	Mexico	\$6.4m	—
HSBC Finance Transformation (UK) Limited	United Kingdom	—	—

*Represents \$1.

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

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Investment in Subsidiaries have increased by \$106m to \$1,374m in 2020 (2019: \$1,268m). The Company increased its investment in HSBC Global Services (Hong Kong) Limited by \$100m. In addition, as part of the establishment of the Servco Group, the Company acquired ownership for 13.8m shares of Electronic Data Process México, S.A. de C.V. at \$6m as consideration.

Impairment testing of investment in subsidiaries

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

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

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

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

	2020		2019	
	Discount rate	Inflation rate	Discount rate	Inflation rate
	(%)	(%)	(%)	(%)
HSBC Electronic Data Processing Lanka (Private) Limited	21.3 %	4.2 %	9.5 %	5.5 %
HSBC Electronic Data Processing (Malaysia) Sdn. Bhd.	11.6 %	(1.7)%	9.5 %	1.4 %
HSBC Electronic Data Service Delivery (Egypt) S.A.E.	21.1 %	5.43 %	9.5 %	7.1 %
HSBC Global Services (Hong Kong) Limited	10 %	0.3 %	9.5 %	2.6 %
HSBC PB Services (Suisse) SA	8.9 %	(0.8)%	9.5 %	0.6 %
HSBC Global Services (Canada) Limited	10.3 %	0.6 %	9.5 %	2 %

12 Called up share capital and Reserves

(a) Share capital

	2020		2019	
	Number	\$	Number	\$
Issued, allotted and fully paid up				
Ordinary shares of \$1 each				
At 1 Jan	13	13	11	11
Shares issued	1	1	2	2
At 31 Dec	14	14	13	13
Authorised				
Ordinary shares of \$1 each	100	100	100	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

b) Nature and purpose of the reserves

- Share premium reserve

The application of the share premium account is governed by Section 610 (2-3) of the Companies Act 2006.

- Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

13 Management of financial risk

All of the Company's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which comprises credit risk, liquidity risk and market risk. The management of financial risk and consideration of profitability, cash flows and capital resources form a key element in the Directors' assessment of the Company as a going concern.

Credit risk management

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

Credit risk exists on receivables due from related parties. The maximum exposure to credit risk is represented by the carrying amount of these receivables. There were no significant concentrations of credit risk at the end of the reporting period. The average credit period is 30 days. However, there is no ECL allowance recognised during the financial year.

Within the overall framework of the HSBC Group policy, the balances are primarily with other companies within the HSBC Group and have low credit risk

(a) Measurement of ECL (Simplified approach)

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

	2020		2019	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	171,268	—	127,166	—
Receivables due from related parties	110,607	—	189,880	—
Other receivables	60	—	1	—
Total gross carrying amount on balance sheet	281,935	—	317,047	—
At 31 Dec	281,935	—	317,047	—

(b) Maximum exposure to credit risk

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

At 31 Dec 2020					Total
	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	
Expected loss rate	—	—	—	—	—
Receivables due from related parties	105,930	3,501	511	665	110,607
Loss allowance	—	—	—	—	—
Carrying amount (net of loss allowance)	105,930	3,501	511	665	110,607

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

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

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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 parent undertakings.

The Company retains adequate liquid assets at all times and its liquidity management processes include assessing cash flow under various stress scenarios and considering the level of liquid assets in relation to these.

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

	Due within 3 months \$'000	Total \$'000
Payables due to related parties	127,701	127,701
Accruals and other liabilities	20,646	20,646
At 31 Dec 2020	148,347	148,347
	Due within 3 months \$'000	Total \$'000
Payables due to related parties	155,963	155,963
Accruals and other liabilities	29,649	29,649
At 31 Dec 2019	185,612	185,612

Market risk management

Foreign currency risk

The Company's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments.

	CNY \$'000	Euro \$'000	GBP \$'000	HKD \$'000	MYR \$'000	Total \$'000
At 31 Dec 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	2	152	9,956	112	512	10,734
Receivables due from related parties	3,759	—	21,560	—	—	25,319
Total assets	3,761	152	31,516	112	512	36,053
Payables due to related parties	3,750	—	18,414	—	—	22,164
Total liabilities and equity	3,750	—	18,414	—	—	22,164
Net exposure	11	152	13,102	112	512	13,889
	CNY \$'000	Euro \$'000	GBP \$'000	HKD \$'000	MYR \$'000	Total \$'000
At 31 Dec 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	560	191	32,289	3,045	6,560	42,645
Receivables due from related parties	3,460	1,178	11,893	54	—	16,585
Total assets	4,020	1,369	44,182	3,099	6,560	59,230
Payables due to related parties	4,235	1,113	2,815	42	5	8,210
Total liabilities and equity	4,235	1,113	2,815	42	5	8,210
Net exposure	(215)	256	41,367	3,057	6,555	51,020

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Sensitivity analysis

A 5% strengthening of the United States Dollars against the following currencies as at 31 December 2020 would have increased/ (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

	Profit or (Loss)	
	2020	2019
	\$'000	\$'000
CNY	(1)	10
EUR	(7)	(12)
GBP	(624)	(1,970)
HKD	(5)	(146)
MYR	(24)	(312)

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. A 5% weakening of the United States Dollars against the above currencies as at 31 December 2020 would have had the opposite effect of approximately the same amounts as shown above, assuming that all other variables remain constant.

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

14 Capital commitments

The Company does not have any capital commitment as of end of the reporting date (2019: nil).

15 Related party transactions

Transaction with other related parties

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

	2020	2019
	Balance at 31 December	Balance at 31 December
	\$'000	\$'000
Assets		
Receivables due from immediate parent	8,782	15,918
Liabilities		
Payables due to immediate parent	129	131

Revenue earned of \$154m (2019: \$132m) and receivables due from immediate parent are for services billed (services of providing business processing and knowledge processing services) to HSBC Holdings plc. The outstanding balances arose from the ordinary course of business and on substantially the same terms as for comparable transactions with third party counterparts. The average credit period is 30 days.

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

	2020	2019
	Balance at 31 December	Balance at 31 December
	\$'000	\$'000
Assets		
Cash and cash equivalents	171,268	127,166
Receivables due from other related parties	51,903	110,258
Liabilities		
Payable due to other related parties	76,248	72,838

Other related parties comprise other HSBC Group companies.

The cash and cash equivalents consist of bank balances with HSBC Bank plc and HSBC Bank Malaysia Berhad. During the year, interest of \$0.1m (2019: \$0.1m) was earned on these accounts.

Revenue earned of \$851m (2019: \$833m) and receivables due from other related parties are for services billed (services of providing business processing and knowledge processing services) to other HSBC Group entities. The outstanding balances arose from the ordinary course of business and on substantially the same terms as for comparable transactions with third party counterparts. The average credit period is 30 days.

Cost of services purchased of \$688m (2019: \$743m) and payables due to other HSBC Group companies are for services purchased (services of providing business processing and knowledge processing services) from other HSBC Group companies. The outstanding balances arose from the ordinary course of business and on substantially the same terms as for comparable transactions with third party counterparts. The average credit period is 30 days.

HSBC Global Services Limited

Transactions detailed below include amounts due to/from subsidiaries

	2020	2019
	Balance at 31 December	Balance at 31 December
	\$'000	\$'000
Assets		
Receivable due from subsidiaries	49,922	63,704
Liabilities		
Payables due to subsidiaries	51,324	82,994

During 2020, the Company received dividend income from subsidiaries of \$256m (2019: \$168m).

Revenue earned of \$456m (2019: \$484m) and receivables due from subsidiaries are for services billed (services of providing business processing and knowledge processing services) to subsidiaries. The outstanding balances arose from the ordinary course of business and on substantially the same terms as for comparable transactions with third party counterparts. The average credit period is 30 days.

Cost of services purchased of \$695m (2019: \$662m) and payables due to subsidiaries are for services purchased (services of providing business processing and knowledge processing services) from the subsidiaries. The outstanding balances arose from the ordinary course of business and on substantially the same terms as for comparable transactions with third party counterparts. The average credit period is 30 days.

16 Parent undertakings

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

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

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

17 Approval of financial statements

The financial statements on pages 10 to 26 were approved by the Board of Directors on 13 September 2021.