HSBC Insurance Holdings Limited

Registration No: 956325

Annual Report and Financial Statements for the year ended 31 December 2021

HSBC

HSBC Insurance Holdings Limited

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Contents

Strategic Report

Principal activities

HSBC Insurance Holdings 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, London E14 5HQ, United Kingdom.

The principal activity of HSBC Insurance Holdings Limited is to recharge costs incurred by the HSBC Insurance Head Office to the appropriate legal entities within the HSBC Group.

During 2020, management commenced winding down activities of the Company with a view to eventually cease all activities and dissolve the Company. There was no new activity in 2021 and plans to dissolve the Company in the forseeable future remain in place.

Review of the Company's business

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

The Company's business is based on its ability to recover costs for services provided to insurance entities in the HSBC Group. However the Company has commenced winding down its activities and stopped incurring and recharging costs within the HSBC Group.

The reserves available for distribution as at 31 December 2021 were £9,456k (2020: £9,475k).

Performance

The performance and position of the Company for the year ended 31 December 2021 and the state of the Company's financial affairs at that date are set out on pages 7 to 18.

The net asset value of the Company as at 31 December 2021 amounts to £48,596k (2020: £48,615k).

The results of the Company show a loss before tax of £23k for the year (2020: £601k).

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

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

The principal stakeholder of the Company is the Company's parent entity.

During 2020, management commenced winding down activities of the Company with a view to eventually cease all activities and dissolve the Company.There was no new activity in 2021 and plans to dissolve the Company in the forseeable future remain in place.

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 financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 14 on the financial statements.

The European Union ('EU') and the UK agreed a Trade and Cooperation Agreement ('TCA') at the end of 2020 following the UK's withdrawal from the EU. The new trading relationship between the UK and the EU, outlined within the TCA, commenced on 1 January 2021 and is taking sometime to settle. Further disputes are expected during 2022 and there is still uncertainty around the ultimate economic effect of the UK leaving the EU. This uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. However, it is considered that there is no significant impact on the Company's operating model, neither operationally nor financially due to the nature of the Company's transactions, its counterparties and available security.

The Covid-19 pandemic has continued to impact the global economy during 2021. Due to the roll-out of vaccines and measures taken by governments and central banks in many countries to protect their economies, there have been positive signs of economic recovery. However, there is still uncertainty remaining in assessing the duration and impact of the Covid-19 outbreak. Renewed outbreaks and new Covid-19 variants could still result in the requirement for future restrictions. Although it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, it is not considered that the Covid-19 outbreak will have a significant impact on its principal risks.

Climate risk developments are managed at HSBC group level across key risk areas, priority regions and business lines. It is not considered that there is any significant risk from climate change to the Company as an individual entity.

The Russian invasion of Ukraine in February 2022 has resulted in the outbreak of war between the two countries. This has resulted in many countries implementing significant sanctions and trade restrictions against Russia in support of Ukraine. This has had repercussions in the global economy creating uncertainty and market volatility. Whilst negotiations are ongoing to seek a resolution, the outcome of the negotiations is unlikely to lead to the resolution of the conflict in the foreseeable future. Consequently, the war is expected to continue for some time into the future with ongoing disruption in UK domestic and global markets. It is not considered that the Russia-Ukraine war will have a significant impact on the principal risks of the Company due to the nature of the Company's transactions.

On behalf of the Board

A J Chamberlain
Director

28 September 2022

Registered Office
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
I W Macalester	08 September 2015	
A J Chamberlain	21 September 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 (2020: nil).

Events occurring after balance sheet date

There are no significant adjusting or non adjusting events after the balance sheet date impacting the Company.

Future developments

During 2020, management commenced winding down activities of the Company with a view to eventually cease all activities and dissolve the Company.

There was no new activity in 2021 and plans to dissolve the Company in the forseeable future remain in place.

Going concern basis

Management do not intend to make any future investments and consequently, the Company will cease all activities in the foreseeable future. As a result, the financial statements have been prepared on a basis other than going concern as it is intended the Company will cease trading and begin the process of liquidation.
As the financial statements have been prepared on a basis other than going concern, all assets have been classed as current. The adoption of the non-going concern basis has not resulted in any significant difference to the carrying amounts or presentation of assets and liabilities due to their short term nature.

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 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.

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 Financial Statements, in accordance with applicable law and regulations.

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 UK-adopted international accounting standards.

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;
- state whether applicable UK-adopted international accounting standards 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 a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Directors' confirmations

In the case of each director in office at the date of the directors's 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 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

A J Chamberlain
Director
28 September 2022

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

Independent auditors' report to the members of HSBC Insurance Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, HSBC Insurance Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 for the year ended 31 December 2021 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2021; the income statement; the statement of comprehensive income; the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1.1(f) to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

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

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

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

Based on 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 2021 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 the posting of inappropriate manual journal entries to manipulate financial performance. Audit procedures performed by the engagement team included:

- identifying and testing a sample of manual journal entries that met specific fraud criteria;
- Incorporating an element of unpredictability into our audit testing procedures.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

William Elliott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 September 2022

Financial statements

Income statement for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Other operating expense		**(28)**	(273)
Net operating expense		**(28)**	(273)
Impairment charges		**—**	(377)
Operating loss		**(28)**	(650)
Interest income		**5**	49
Loss before tax		**(23)**	(601)
Tax credit	5	**4**	29
Loss for the year		**(19)**	(572)

Statement of comprehensive income for the year ended 31 December 2021

There has been no comprehensive income or expense other than the loss for the year as shown above (2020: nil).

Balance sheet at 31 December 2021
Registration No: 956325

	Notes	2021 £'000	2020 £'000
Assets			
Cash and cash equivalents		**50,468**	50,106
Trade and other receivables	9	**47**	–
Current tax assets		**6**	405
Deferred tax assets	6	**6**	7
Total assets		**50,527**	50,518
Liabilities and equity			
Liabilities			
Trade and other payables	10	**1,903**	1,903
Accruals	11	**28**	–
Total liabilities		**1,931**	1,903
Equity			
Called up share capital	13	**14,687**	14,687
Share premium account		**24,453**	24,453
Retained earnings		**9,456**	9,475
Total equity		**48,596**	48,615
Total liabilities and equity		**50,527**	50,518

The accompanying notes on pages 11 to 18 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 28 September 2022 and signed on its behalf by:

A J Chamberlain
Director

Statement of cash flows for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Loss before tax		**(23)**	(601)
Adjustments for:			
Non-cash items included in loss before tax	7	**(5)**	(699)
Change in operating assets	7	**(47)**	45,792
Change in operating liabilities	7	**28**	(25,584)
Tax credit received/(paid)		**404**	(12)
Net cash generated from operating activities		**357**	18,896
Cash flow from financing activities			
Interest received		**5**	49
Net cash generated from financing activities		**5**	49
Net increase in cash and cash equivalents		**362**	18,945
Cash and cash equivalents brought forward		**50,106**	31,161
Cash and cash equivalents carried forward		**50,468**	50,106

Statement of changes in equity for the year ended 31 December 2021

	Called up share capital	Share Premium	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 Jan 2021	**14,687**	**24,453**	**9,475**	**48,615**
Loss for the year	**—**	**—**	**(19)**	**(19)**
Total comprehensive loss for the year	**—**	**—**	**(19)**	**(19)**
At 31 Dec 2021	**14,687**	**24,453**	**9,456**	**48,596**

	Called up share capital	Share Premium	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 Jan 2020	14,687	24,453	10,035	49,175
Loss for the year	—	—	(572)	(572)
Total comprehensive loss for the year	—	—	(572)	(572)
Cost of share based payment arrangements	—	—	12	12
At 31 Dec 2020	14,687	24,453	9,475	48,615

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 comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. There were no unendorsed standards effective for the year ended 31 December 2021 affecting these financial statements.

Standards adopted during the year ended 31 December 2021

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 instruments 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. Instead they require the effective interest rate to updated to reflect the change in the interest rate benchmark. In additions, hedge accounting will be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

The impact of these amendments did not have an impact on the financial statements of the Company.

(b) Future accounting developments

Minor amendments to IFRSs

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

New IFRSs

The IASB has published IFRS 17 'Insurance Contracts'. The Company holds no insurance contracts, there will be no impact on the Company financial statements from the adoption of this standard. There are no other 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 sterling, which is also the presentational currency of the financial statements of the Company. Unless otherwise specified, all £ symbols represent sterling.

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) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. It is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, however here 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.

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

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.

(e) Presentation of information

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

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

The financial statements present information about the Company as an individual undertaking and not about its group.

(f) Going concern

Management do not intend to make any future investments and consequently, the Company will cease all activities in the foreseeable future. As a result, the financial statements have been prepared on a basis other than going concern as it is intended the Company will cease trading and begin the process of liquidation.

As the financial statements have been prepared on a basis other than going concern, all assets have been classified as current. The adoption of the non-going concern basis has not resulted in any significant difference to the carrying amounts or presentation of assets and liabilities due to their short term nature.

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 credit-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.

(b) Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Company recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction either until the transaction matures or is closed out and the valuation inputs become observable or the Company enters into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Company manages a group of financial assets and liabilities according to its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis but the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

(c) Financial instruments

Classification

The Company classifies its financial instruments at amortised cost.

Recognition and derecognition

A financial asset or liability is recognised in the statement of financial position when, and only when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

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

Measurement

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

Impairment

Expected credit losses ("ECL") are recognised for receivables due from related parties and other financial assets held at amortised cost. The Company applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all receivables due from related companies and other receivables.

Financial assets (and the related impairment allowance) are normally written-off in full when there is no realistic prospect of recovery.

(d) 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.

(e) 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.

(f) Cash and cash equivalents

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

2 Employee compensation and benefits

The Company has no employees and hence no staff costs (2020: nil).

3 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2020: 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

	2021	2020
	£'000	£'000
Audit fees for statutory audit		
- Fees relating to current year	28	28

There were no non audit services provided by the Company's statutory auditor to the Company during 2021 (2020: nil).

5 Tax

Tax credit

	2021	2020
	£'000	£'000
Current tax		
- For this year	(6)	(47)
Overseas tax		
- For this year	–	17
Total current tax	(6)	(30)
Deferred tax		
- Origination and reversals of temporary differences	1	2
- Effects of changes in tax rates	–	(1)
- Adjustments in respect of prior years	1	–
Total deferred tax	2	1
Year ended 31 Dec	(4)	(29)

The UK corporation tax rate applying to the Company was 19.00% (2020: 19.00%).

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax asset as at 31 December 2021 has been calculated based on these rates as noted above.

In the Mini Budget announced on 23 September 2022, the Government announced that from 1 April 2023 the corporation tax rate will remain at 19% rather than increasing to 25%. At the balance sheet date, the proposal to decrease the corporation tax rate to 19% had not been substantively enacted and therefore its effects are not included in these financial statements. However, the overall effect of the change, had the change been substantively enacted by the balance sheet date, would not be material to the Company's financial position or performance.

Tax reconciliation

	2021		2020	
	£'000	(%)	£'000	(%)
Loss before tax	(23)		(601)	
Tax at 19.00% (2018: 19.00%)	(4)	19.00	(114)	19.00
Non-taxable income and gains	–	–	72	(11.91)
Local taxes and overseas withholding taxes	–	–	14	(2.29)
Other	–	–	(1)	0.10
Year ended 31 Dec	(4)	19.00	(29)	4.89

In addition to the amount charged to the income statement, the aggregate amount of current and deferred tax relating to items that are credited directly to equity is £Nil (2020:£6k).

6 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, Plant and equipment	Share based payments	Total
	£'000	£'000	£'000
At 1 Jan 2021	7	–	7
Other comprehensive income credit	–	–	–
Origination and reversal of temporary differences	(1)	–	(1)
At 31 Dec 2021	6	–	6

	Property, Plant and equipment £'000	Share based payments £'000	Total £'000
At 1 Jan 2020	9	4	13
Other comprehensive expense charge	–	(1)	(1)
Origination and reversal of temporary differences	(2)	(3)	(5)
At 31 Dec 2020	7	–	7

7 Details of cash flow generated from operating activities

	2021 £'000	2020 £'000
Non-cash item included in profit and loss		
Impairment charges	–	(377)
Foreign exchange	–	(273)
Interest income	**(5)**	(49)
	(5)	(699)
Change in operating assets		
Change in prepayments and accrued income	–	24,551
Change in amounts due from other group undertakings	–	18,548
Change in amounts due from parent undertaking	**(47)**	–
Change in other assets	–	2,693
	(47)	45,792
Change in operating liabilities		
Change in accruals and deferred income	**28**	(2,875)
Change in other liabilities	–	(606)
Change in amounts due to other group undertakings	–	(22,103)
	28	(25,584)

8 Analysis of financial assets and liabilities by measurement basis

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

At 31 Dec 2021	**Amortised cost £'000**	**Total £'000**
Assets		
Cash and cash equivalents	**50,468**	**50,468**
Trade and other receivables	**47**	**47**
Total financial assets	**50,515**	**50,515**
Total non-financial assets		**12**
Total assets		**50,527**
Liabilities		
Trade and other payables	**1,903**	**1,903**
Accruals	**28**	**28**
Total financial liabilities	**1,931**	**1,931**
Total non-financial liabilities		**–**
Total liabilities		**1,931**

At 31 Dec 2020	Amortised cost £'000	Total £'000
Assets		
Cash and cash equivalents	50,106	50,106
Trade and other receivables	–	–
Total financial assets	50,106	50,106
Total non-financial assets		412
Total assets		50,518
Liabilities		
Trade and other payables	1,903	1,903
Accruals	–	–
Total financial liabilities	1,903	1,903
Total non-financial liabilities		–
Total liabilities		1,903

9 Trade and other receivables

	2021 £'000	2020 £'000
Amounts due from parent undertaking	**47**	–
At 31 Dec	**47**	–

10 Trade and other payables

	2021	2020
	£'000	£'000
Amount owed to parent undertakings	**1,903**	1,903
At 31 Dec	**1,903**	1,903

11 Accruals

	2021	2020
	£'000	£'000
Audit fee	**28**	–
At 31 Dec	**28**	–

12 Maturity analysis of assets and liabilities

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

	On demand	**Due within 3 months**	**Due between 3 - 12 months**	**Due between 1 - 5 years**	**Undated**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Assets						
Cash and cash equivalents	**50,468**	**–**	**–**	**–**	**–**	**50,468**
Trade and other receivables	**–**	**47**	**–**	**–**	**–**	**47**
Non-financial assets	**–**	**–**	**6**	**–**	**6**	**12**
At 31 Dec 2021	**50,468**	**47**	**6**	**–**	**6**	**50,527**
Liabilities and Equity						
Trade and other payables	**–**	**1,903**	**–**	**–**	**–**	**1,903**
Accruals	**–**	**28**	**–**	**–**	**–**	**28**
Equity	**–**	**–**	**–**	**–**	**48,596**	**48,596**
At 31 Dec 2021	**–**	**1,931**	**–**	**–**	**48,596**	**50,527**

	On demand	*Due within 3 months*	*Due between 3 - 12 months*	*Due between 1 - 5 years*	*Undated*	*Total*
	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
Cash and cash equivalents	50,106	–	–	–	–	50,106
Non-financial assets	–	–	405	–	7	412
At 31 Dec 2020	50,106	–	405	–	7	50,518
Liabilities and Equity						
Trade and other payables	–	1,903	–	–	–	1,903
Equity	–	–	–	–	48,615	48,615
At 31 Dec 2020	–	1,903	–	–	48,615	50,518

13 Called up share capital

			2021	2020
	Nominal value per share £	Number of Issued and fully paid shares	**Issued share capital**	Issued share capital
Class of shares			**£'000**	£'000
Ordinary shares of £1 each	1	14,687,416	**14,687**	14,687

14 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. The Risk Management Meeting sets processes and limits to be applied by HSBC subsidiaries. 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.

Credit quality

Credit quality of financial instruments

The Company assesses the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point in time assessment of the probability of default of financial instruments, whereas IFRS 9 stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit impaired financial instruments there is no direct relationship between the credit quality assessment and IFRS 9 stages 1 and 2, though typically the lower credit quality bands exhibit a higher proportion in stage 2.

The five credit quality classifications defined below each encompass a range of more granular, internal credit rating grades, as well as external rating:

	Debt Securities and other bills	Lending and derivatives
Quality classification	**External credit rating**	**Internal credit rating**
Strong	**A- and above**	**CRR1 to CRR2**
Good	**BBB+ to BBB-**	**CRR3**
Satisfactory	**BB+ to B and unrated**	**CRR4 to CRR5**
Sub-standard	**B- to C**	**CRR6 to CRR8**
Credit-impaired	**Default**	**CRR9 to CRR10**

The five classifications below describe the credit quality of the Company's lending and derivatives. These categories each encompass a range of more granular, internal credit rating grades assigned to corporate and personal lending business.

Quality classification definitions

'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default.

'Good' exposures demonstrate a good capacity to meet financial commitments, with low default risk.

'Satisfactory' exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.

'Sub-standard' exposures require varying degrees of special attention and default risk is of greater concern.

'Credit-impaired' exposures have been assessed as impaired.

Distribution of financial instruments by credit quality

	Gross carrying/notional amount							
	Strong	**Good**	**Satisfactory**	**Substandard**	**Credit impaired**	**Total**	**Allowance provision for ECL**	**Net**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	**50,468**	**–**	**–**	**–**	**–**	**50,468**	**–**	**50,468**
Trade and other receivables	**47**	**–**	**–**	**–**	**–**	**47**	**–**	**47**
At 31 Dec 2021	**50,515**	**–**	**–**	**–**	**–**	**50,515**	**–**	**50,515**

	Gross carrying/notional amount							
	Strong	Good	Satisfactory	Substandard	Credit impaired	Total	Allowance provision for ECL	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	50,106	–	–	–	–	50,106	–	50,106
At 31 Dec 2020	50,106	–	–	–	–	50,106	–	50,106

Distribution of financial instruments to which the impairment requirements of IFRS 9 are applied by credit quality stage allocation

	Gross carrying/notional amount							
	Strong	**Good**	**Satisfactory**	**Substandard**	**Credit impaired**	**Total**	**Allowance provision for ECL**	**Net**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other receivables	47	–	–	–	–	47	–	47
- stage 1	47	–	–	–	–	47	–	47
- stage 3	–	–	–	–	–	–	–	–
At 31 Dec 2021	**47**	**–**	**–**	**–**	**–**	**47**	**–**	**47**

	Gross carrying/notional amount							
	Strong	Good	Satisfactory	Substandard	Credit impaired	Total	Allowance provision for ECL	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other receivables	–	–	–	–	–	–	–	–
- stage 1	–	–	–	–	–	–	–	–
- stage 3	–	–	–	–	–	–	–	–
At 31 Dec 2020	–	–	–	–	–	–	–	–

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 Business manages liquidity risk for this Company as described above for risks generally.

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 between 3-12 months	Undated	Total
	£'000	£'000	£'000	£'000
Trade and other payables	1,903	–	–	1,903
Accruals	28	–	–	28
At 31 Dec 2021	**1,931**	–	–	**1,931**

	On Demand	Due between 3-12 months	Undated	Total
	£'000	£'000	£'000	£'000
Trade and other payables	1,903	–	–	1,903
Accruals	–	–	–	–
At 31 Dec 2020	1,903	–	–	1,903

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

Interest rate risk

The Company held net assets of £50,468k (2020: £50,106k) that are sensitive to interest rate movements. If all other variables are held constant the effect of a 50 basis points increase/(decrease) in bank interest rate on these net assets would be an increase/(decrease) of profit/(loss) before tax of £252k (2020: £251k) and after tax of £204k (2020: £203k).

Foreign exchange risk

The Company is not exposed to foreign currency risk on assets and liabilities that are denominated in a currency other than Sterling.

15 Related party transactions

Transaction with other related parties

Transactions detailed below include amounts due to/from group undertakings

	2021		2020	
	Highest balance during the year	Balance at 31 December	Highest balance during the year 1	Balance at 31 December
	£'000	£'000	£'000	£'000
Assets				
Cash and cash equivalents[1]	**50,468**	**50,468**	50,106	50,106
Trade and other receivables due from other group undertakings[1]	**47**	**47**	17,787	–
Trade and other receivables due from immediate parent[2]	–	–	24,549	–
Liabilities				
Trade and other payables due to other group undertakings[1]	–	–	23,865	–
Trade and other payables due to immediate parent[2]	**1,903**	**1,903**	1,903	1,903

	2021	2020
	£'000	£'000
Income statement		
Interest income[1,2]	**5**	49

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 HSBC Holdings plc, the ultimate and immediate 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.

The Company has a related party relationship with its parent, with other group undertakings and with its directors. In particular goods and services are provided to the company by other HSBC group undertakings. All banking arrangements are with other HSBC group undertakings. The Company recharges other group undertakings for the support services it provides. All other transactions are with other Group undertakings. These transactions are on standard terms and conditions and are settled in cash.

16 Parent undertakings

The ultimate and 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's consolidated financial statements can be obtained from:

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

17 Events after the balance sheet date

There are no significant adjusting or non adjusting events after the balance sheet date impacting the Company.