HSBC Insurance Services Holdings Limited

Registration No: 2884575

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

HSBC

HSBC Insurance Services Holdings Limited

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Contents

Strategic Report

Principal activities

HSBC Insurance Services Holdings Limited ('the Company') is domiciled and incorporated in England and Wales as a private company, limited by shares.

The Company continues to be an investment holding company.

The Company has provided indemnities as part of the historical sale of the company's former subsidiaries in Note 14, whereby the Company could be liable for future cost.

Review of the Company's business

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

The reserves available for distribution as at 31 December 2021 are £2,889k (2020: £2,771k).

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 19.

As a holding company, the Company's performance is based on gains and losses associated with its own activities. During the year the Company received no dividends.

The net asset value of the Company as at 31 December 2021 amounts to £2,889k (2020: £2,771k).

The results of the Company show a profit before tax of £122k for the year (2020: profit before tax £424k).

Section 172 statement

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, amongst other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

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

As an investment holding company, the principal stakeholder of the Company is the Company's parent entity.

No decisions were taken by the Board during the year other than those of a routine nature.

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 18 of 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.

Douglas Clow

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On behalf of the Board

D A Clow
Director

23 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
D A Clow	31 May 2010	
Christopher Knight	14 June 2022	
D R Patterson	27 August 2020	13 June 2022

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

No Dividends were declared and paid during the year (2020: NIL).

Events after the balance sheet date

There has been a dividend payment to the parent HSBC Bank plc (UK) of 1.8m GBP on 13 July 2022.

There are no other significant events after the balance sheet date.

Future developments

No change in the Company's activities is expected.

Going concern basis

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

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

Financial risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 18 of the Notes on the financial statements.

Capital management

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

The Company defines capital as total shareholders' equity. It is 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 the financial statements in accordance with applicable law and regulation.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the of the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps 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

Douglas Clow

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D A Clow
Director
23 September 2022

Registered office
8 Canada Square
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United Kingdom

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

Report on the audit of the financial statements

Opinion

In our opinion, HSBC Insurance Services 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 profit 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.

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 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
23 September 2022

Financial statements

Income statement for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Interest income		1	20
Net interest income		1	20
Release of provisions	2	130	405
Foreign exchange (loss)/gain		(3)	5
Net operating income		128	430
General and administrative expenses		(6)	(6)
Total operating expenses		(6)	(6)
Operating profit		122	424
Profit before tax		122	424
Tax expense	6	(4)	(70)
Profit for the year		118	354

Statement of comprehensive income for the year ended 31 December 2021

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

Balance sheet at 31 December 2021
Registration No: 2884575

	Notes	2021 £'000	2020 £'000
Assets			
Cash and cash equivalents		**3,326**	3,319
Deferred tax assets	7	**80**	63
Total assets		**3,406**	3,382
Liabilities and equity			
Liabilities			
Trade and other payables	12	**64**	–
Accruals	13	**382**	372
Current tax liabilities		**21**	58
Provisions	14	**50**	181
Total liabilities		**517**	611
Equity			
Called up share capital	16	**1,000**	1,000
Retained earnings		**1,889**	1,771
Total equity		**2,889**	2,771
Total liabilities and equity		**3,406**	3,382

The accompanying notes on pages 11 to 19 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 September 2022 and signed on its behalf by:

Douglas Clow

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D A Clow
Director

Statement of cash flows for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit before tax		**122**	424
Adjustments for:			
Non-cash items included in profit before tax	8	**(121)**	(405)
Change in operating liabilities	8	**64**	(716)
Tax paid		**(58)**	–
Net cash generated from/(used in) operating activities		**7**	(697)
Cash flows from investing activities			
Proceeds from disposal of subsidiary		**–**	217
Net cash generated from investing activities		**–**	217
Cash flows from financing activities			
Net cash generated from financing activities		**–**	–
Net increase/(decrease) in cash and cash equivalents		**7**	(480)
Cash and cash equivalents brought forward		**3,319**	3,799
Cash and cash equivalents carried forward		**3,326**	3,319

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

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 Jan 2021	**1,000**	**1,771**	**2,771**
Profit for the year	–	118	118
Total comprehensive income for the year	**–**	**118**	**118**
Dividends to shareholders	–	–	–
At 31 Dec 2021	**1,000**	**1,889**	**2,889**

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 Jan 2020	1,000	1,417	2,417
Profit for the year	–	354	354
Total comprehensive income for the year	–	354	354
Dividends to shareholders	–	–	–
At 31 Dec 2020	1,000	1,771	2,771

Dividend per share

Dividend per share for the year was Nil (2020: Nil).

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 Company is earning interest on bank balance and term deposits at a fixed rate issued by UK Governing body.

(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 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 new IFRSs published by the IASB which are effective from 1 January 2022 that are expected to 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.

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 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. The Company is not required to prepare consolidated financial statements by virtue of the exemption conferred by section 400 of the Companies Act 2006.

(e) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, highlighted as the 'critical accounting estimates and judgements' in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements.

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.

(f) Going concern

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

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

1.2 Summary of significant accounting policies

(a) Income and expense

Interest income and expense

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

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

Interest on 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.

Non-interest income and expense

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

(c) 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.

(d) Financial instruments measured at amortised cost

Loans and advances

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include most loans and advances to banks and customers and some debt securities. In addition, most financial liabilities are measured at amortised cost. The Company accounts for regular way amortised cost financial instruments using trade date accounting. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income.

The Company may commit to underwriting loans on fixed contractual terms for specified periods of time. When the loan arising from the lending commitment is expected to be held for trading, the commitment to lend is recorded as a derivative. When the Company intends to hold the loan, a provision on the loan commitment is only recorded where it is probable that the Company will incur a loss.

Loans and advances to other group undertakings are those that have not been classified either as held-for-trading or designated at fair value. These loans are recognised when cash is advanced and are derecognised when the undertakings repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses

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.

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

(e) Impairment of amortised cost and assets

Expected credit losses ('ECL') are recognised for loans and advances to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at FVOCI, and certain loan commitments and financial guarantee contracts). At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months or less, where the remaining life is less than 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ('POCI') are treated differently as set out below.

Credit-impaired (stage 3)

The Company determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay, such as when a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due, even where regulatory rules permit default to be defined based on 180 days past due. Therefore the definitions of credit-impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit-impaired.

(f) 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.

(g) Accruals, provisions, contingent liabilities and guarantees

Accruals

Accruals are recognised when it is certain 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.

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.

Critical accounting estimates and judgements

The recognition and measurement of provisions requires the Company to make a number of judgements, assumptions and estimates. The most significant are set out below:

Judgements	Estimates
• Determining whether a present obligation exists. Professional advice is taken on the assessment of litigation, property (including onerous contracts) and similar obligations. • Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better defined set of possible outcomes.	• Provisions for legal proceedings and regulatory matters remain very sensitive to the assumptions used in the estimate. There could be a wider range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved. More information about these assumptions is included in Note 14.

Contingent liabilities, contractual commitments and guarantees

Contingent liabilities

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

(h) 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.

(i) 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 Release of provisions

	2021 £'000	2020 £'000
Movement in provisions for claims arising from indemnities	**130**	405
	130	405

Claims arising from indemnities represents the movement in provisions for claims against indemnities issued following the sale of its subsidiaries HSBC Actuaries and Consultants Limited in December 2009 and HSBC Insurance Brokers Limited in March 2010.

3 Employee compensation and benefits

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

4 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.

5 Auditors' remuneration

	2021 £'000	2020 £'000
Audit fees for statutory audit		
- Fees relating to current year	**6**	6

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

6 Tax Expense

Tax expense

	2021 £'000	2020 £'000
Current tax		
- For this year	**21**	64
- Adjustments in respect of prior years	**—**	—
Total current tax	**21**	64
Deferred tax		
- For this year	**—**	14
- Origination and reversals of temporary differences	**2**	—
- Effects of changes in tax rates	**(19)**	(8)
Total deferred tax	**(17)**	6
Year ended 31 Dec	**4**	70

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

Tax reconciliation

	2021 £'000	2021 (%)	2020 £'000	2020 (%)
Profit before tax	**122**		424	
Tax at 19.00% (2020: 19.00%)	**23**	**19.00**	81	19.00
Expenses not deductible	**—**	**—**	(3)	(0.62)
Impact due to changes in tax rates	**(19)**	**(15.81)**	(8)	(1.90)
Year ended 31 Dec	**4**	**3.19**	70	16.47

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:

	2021 £'000	2020 £'000
At 1 Jan	**63**	69
Origination and reversals of temporary differences	**(2)**	—
Income statement charge	**—**	(6)
Effects of changes in tax rates	**19**	—
At 31 Dec	**80**	63

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 this rate in full unless a specific unwind profile for a particular DTA/DTL is known (e.g., IFRS9 transition adjustments) and the amount is significant.

8 Details of cash flow generated from operating activities

	2021 £'000	2020 £'000
Non-cash item included in profit and loss		
Accruals	**6**	6
Elimination for exchange differences	**3**	(6)
Release of Provisions (Note 2)	**(130)**	(405)
	(121)	(405)
Change in operating liabilities		
Change in accruals and deferred income	**—**	(53)
Change in trade and other payables	**64**	(533)
Change in provisions	**—**	(130)
	64	(716)

9 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	**3,326**	**3,326**
Total financial assets	**3,326**	**3,326**
Total non-financial assets		**80**
Total assets		**3,406**
Liabilities		
Trade and other payables	**64**	**64**
Accruals	**382**	**382**
Total financial liabilities	**446**	**446**
Total non-financial liabilities		**71**
Total liabilities		**517**

At 31 Dec 2020	Amortised cost £'000	Total £'000
Assets		
Cash and cash equivalents	3,319	3,319
Total financial assets	3,319	3,319
Total non-financial assets		63
Total assets		3,382
Liabilities		
Trade and other payables	—	—
Accruals	372	372
Total financial liabilities	372	372
Total non-financial liabilities		239
Total liabilities		611

10 Loans and advances

	2021 £'000	2020 £'000
Amount due to third party	**—**	—
Impairment of loans and advances	**—**	—
At 31 Dec	**—**	—

	2021 £'000	2020 £'000
At 1 Jan	**—**	1,284
Write off during the year	**—**	(1,284)
At 31 Dec	**—**	—

11 Investments in subsidiaries

Movements on investments

	2021 £'000	2020 £'000
Cost		
At 1 Jan	–	299
Write off	–	(82)
Repayment of capital from Subsidiaries	–	(217)
At 31 Dec	–	–
Accumulated impairment		
At 1 Jan	–	(82)
Write off	–	82
At 31 Dec	–	–
Net book/carrying value at 31st Dec	–	–

Repayment of capital

During the year 2021, the Company received Nil amount (2020: £217k), in relation to liquidation of its subsidiary, HSBC Global Shared Services (India) Private Limited. The capital reduction was completed in 2020 but the subsidiary is still in the process of liquidation at 31 December 2021.

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

		2020	2021	
	Country of Incorporation	Interest in equity capital (%)	Interest in equity capital (%)	Share class
HSBC Global Shared Services (India) Private Limited (in liquidation)	**India**	**100.00**	**100.00**	**Ordinary shares**

Details of the Company's subsidiaries, as required under section 409 of the Companies Act 2006, are set out in Note 22.

12 Trade and other payables

	2021 £'000	2020 £'000
Amounts owed to parent undertaking	**64**	–
At 31 Dec	**64**	–

Amounts owed to parent undertaking are non-interest bearing amounts.

The fair value of the amounts owed to parent undertaking is not significantly different to the carrying value in the balance sheet as they are short-term in nature.

13 Accruals

	2021 £'000	2020 £'000
Accruals	**382**	372
At 31 Dec	**382**	372

14 Provisions

	2021 £'000	2020 £'000
At 1 Jan	**181**	716
Indemnity provision release	**(130)**	(405)
Indemnity provision utilised	–	(130)
Non indemnity related provision movements	**(1)**	–
At 31 Dec	**50**	181

In December 2021, an amount of £130k was released, keeping £50k as provision for future remaining expected indemnity costs.

The timing of when the outstanding claims will be finalised remains uncertain and is not pre-defined. However, based on recent experience and correspondence with claimants, management expects all provisions to be resolved within the next two years.

15 Maturity analysis of assets and liabilities

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

	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 - 5 years	Due after 5 years	Undated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Cash and cash equivalents	3,326	–	–	–	–	–	3,326
Non-financial assets	–	–	–	–	–	80	80
At 31 Dec 2021	3,326	–	–	–	–	80	3,406
Liabilities and Equity							
Trade and other payables	–	–	64	–	–	–	64
Accruals	–	–	382	–	–	–	382
Non-financial liabilities	–	–	–	–	–	71	71
Equity	–	–	–	–	–	2,889	2,889
At 31 Dec 2021	–	–	446	–	–	2,960	3,406

	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 - 5 years	Due after 5 years	Undated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Cash and cash equivalents	3,319	–	–	–	–	–	3,319
Non-financial assets	–	–	–	–	–	63	63
At 31 Dec 2020	3,319	–	–	–	–	63	3,382
Liabilities and Equity							
Trade and other payables	–	–	–	–	–	–	–
Accruals	–	–	372	–	–	–	372
Non-financial liabilities	–	–	–	–	–	239	239
Equity	–	–	–	–	–	2,771	2,771
At 31 Dec 2020	–	–	372	–	–	3,010	3,382

16 Called up share capital

	2021		2020	
	Number	£'000	Number	£'000
Issued, allotted and fully paid up				
Ordinary shares of £0.10 each	10,000,000	1,000	10,000,000	1,000
As at 1 Jan and 31 Dec	10,000,000	1,000	10,000,000	1,000

17 Contingent liabilities, contractual commitments and guarantees

There were no contingent liabilities at 31 December 2021 (2020: nil).

18 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.

The Company's exposure to credit risk in relation to cash held with other group entities relates to group undertakings that are wholly-owned subsidiaries of HSBC Holdings plc. Such counterparties have no history of default and have been able to meet their liabilities as they fall due. On this basis the Company considers the amounts due to be fully recoverable.

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

Maximum exposure to credit risk

	2021		
	Maximum exposure	Allowance	Net
	£'000	£'000	£'000
Cash and cash equivalents	3,326	–	3,326
At 31 Dec	3,326	–	3,326

	2020		
	Maximum exposure	Allowance	Net
	£'000	£'000	£'000
Cash and cash equivalents	3,319	–	3,319
At 31 Dec	3,319	–	3,319

Liquidity risk management

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

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

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

	On Demand	**Due between 3-12 months**	**Undated**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Trade and other payables	–	**64**	–	**64**
Accruals	–	–	**382**	**382**
Provisions	–	–	**71**	**71**
At 31 Dec 2021	–	**64**	**453**	**517**

	On Demand	Due within 3 months	Undated	Total
	£'000	£'000	£'000	£'000
Accruals	–	–	372	372
At 31 Dec 2020	–	–	372	372

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 £3,326k (2020: £3,319k) 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 before tax of £17k (2020: £17k) and after tax of £13k (2020: £13k).

Foreign exchange risk

The Company is exposed to foreign currency risk on monetary assets and liabilities that are denominated in a currency other than Sterling. The currencies giving rise to this risk are US Dollars of $500k net liabilities (2020: $500k).

The Company's profit before tax would increase by £55k (2020: increase by £55k) and profit after tax by £45k (2020: profit after tax by £44k) if the US Dollar foreign exchange rate weakened by 15 per cent relative to Sterling.

Foreign currency rate sensitivity analysis has been performed on the net assets foreign exchange risk exposure as at the reporting date. An upward/downward movement in the GBP: USD rate of 15 per cent has been assumed. If all other variables are held constant, the information above presents the likely impact on the Company's profit.

19 Related party transactions

Transactions with other related parties

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

	2021		2020	
	Highest balance during the year	**Balance at 31 December**	Highest balance during the year	Balance at 31 December
	£'000	**£'000**	£'000	£'000
Assets				
Cash and cash equivalents[1]	**3,326**	**3,326**	3,799	3,319
Trade and other receivables	–	–	1,385	–
Liabilities				
Trade and other payables[1]	**64**	**64**	533	–
Accruals, deferred income and other liabilities	**382**	**382**	425	372

	2021 £'000	2020 £'000
Income statement		
Interest income[1]	1	20

1 These balances are with HSBC Bank plc, the parent of the Company.

The above outstanding balance 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.

20 Parent undertakings

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

The immediate parent undertaking is HSBC Bank plc. All companies are registered in England and Wales.

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

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

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

21 Events after the balance sheet date

There has been a dividend payment to the parent HSBC Bank plc (UK) of 1.8m GBP on 13 July 2022.

There are no other significant events after the balance sheet date.

22 Subsidiary undertakings

In accordance with section 409 of the Companies Act 2006 a list of the Company's subsidiaries, the country of incorporation and the effective percentage of equity owned at 31 December 2021 and 31 December 2020 is disclosed below.

	2021	2020	
Subsidiaries	**Interest (%)**	**Interest (%)**	**Footnotes**
HSBC Global Shared Services (India) Private Limited (in liquidation)	100	100	1,2

Reference	Description of shares
1	Ordinary shares

Reference	Registered office
2	5260, M G Road, Mumbai, Maharashtra, 400001, India