HSBC Private Bank (UK) Limited

Registration No: 499482

Annual Report and Financial Statements for the year ended 31 December 2022

HSBC

Annual Report and Financial Statements for the year ended 31 December 2022

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Strategic Report

Principal activities

HSBC Private Bank (UK) Limited ('the Company') is a private Company domiciled and incorporated in England and Wales, United Kingdom. Its trading address is 8 Canada Square, London E14 5HQ.

HSBC Private Bank (UK) Limited is an authorised bank under the Financial Services and Markets Act 2000, authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA'). The Company transferred its business to its parent HSBC UK Bank plc ('HSBC UK') on 1 January 2020 and business related activities have now ceased.

Divisionalisation

Supporting HSBC Holdings plc's ('the Group') strategy to streamline legal structures, the Company transferred its business into HSBC UK Bank plc (HSBC UK), on 1 January 2020 ('Divisionalisation').

Post Divisionalisation, the Company is being maintained with sufficient capital and resources to operate for the foreseeable future. The present intention is for the Company to continue operating until it becomes possible to transfer out certain frozen accounts which are currently subject to legal sanction preventing any dealing in relation to them. At this point it is not possible to estimate the likely timeline for transferring out these frozen accounts. These accounts are subject to a HM treasury freezing order and until that is lifted these accounts will remain in the Company in perpetuity. The freezing order has been in place since 2011 and management does not anticipate that it would be lifted in the 12 month period following the issuance of the Annual Report and Financial Statements.

Performance

The Company's results for the year under review are as detailed in the income statement shown on page 10 of these financial statements. The profit for 2022 is £1,000 (2021: loss £55,000). Revenue in 2022 was nil (2021: nil) as no business was conducted out of the Company following the Divisionalisation in 2020.

Business Position

Under Divisionalisation the Company transferred substantially all of its assets and liabilities to its parent Company, HSBC UK, on 1 January 2020. Following this transfer, the Company no longer houses an operating business. As at 31 December 2022 the Company holds assets of £7,519,000 (2021: £7,519,000), liabilities of £689,000 (2021: £690,000) and equity of £6,830,000 (2021: £6,829,000).

Key performance indicators

Following Divisionalisation the Company does not house an operating business and as such no Key Performance Indicators ('KPIs') are used to monitor the business.

Principal risks and financial risks

Following the Divisionalisation process, where substantially all of the Company's assets and liabilities were transferred to HSBC UK on 1 January 2020, the Company is no longer exposed to market risk and liquidity risk.

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

Losses arising from fraud, unauthorised activities, errors, omission, inefficiency, systems failure or from external events all fall within the definition of operational risk. The objective of the Company's operational risk management is to manage and control operational risk in a cost effective manner within targeted levels of operational risk consistent with the Company's risk appetite.

Financial institutions remain under considerable scrutiny regarding conduct of business, particularly in relation to fair outcomes for customers and orderly and transparent operations in financial markets. Regulators, prosecutors, the media and the public all have heightened expectations as to the behaviour and conduct of financial institutions, and any shortcomings or failure to demonstrate adequate controls are in place to mitigate such risks could result in regulatory sanctions, fines or an increase in civil litigation.

Financial service providers face increasingly stringent and costly regulatory and supervisory requirements, particularly in the areas of capital and liquidity management, conduct of business, operational structures and the integrity of financial services delivery. Increased government intervention and control over financial institutions may significantly alter the competitive landscape.

The Company maintains a strong compliance culture and monitors the regulatory environment closely to react proactively to changes and reduce risks to the business.

Climate change

We have assessed the impact of climate risk on our balance sheet and have concluded that there is no material impact on the financial statements for the year ended 31 December 2022. We considered the impact on a number of areas of our balance sheet including cash at bank, classification and measurement of financial instruments, provisions and the going concern.

Russia/ Ukraine

PBGB have no Russian or Ukrainian exposures and are not expected to be exposed to any impacts in relation to the Russia/ Ukraine War. Therefore we have concluded that there is no impact on the financial statements for the year ended 31 December 2022.

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 allow the Company to support HSBC deliver its strategy in line with HSBC's long-term values.

The principal stakeholder of the Company is considered to be the Company's parent entity and sole shareholder, HSBC UK Bank plc ("HSBC UK"). A strong relationship is maintained with HSBC UK through cross-directorships; the Chairman of the Board is also a Non-Executive Director of HSBC UK, and the CEO of the Company is a member of the HSBC UK Executive team. This overlap in key personnel between the Company and HSBC UK ensures that the Company remains aligned with the HSBC UK strategy. In addition, matters to escalate to HSBC UK has been added as a standing agenda item to be considered at all Board meetings, to ensure that all key issues are reported to our sole shareholder in a timely manner.

As a wholly owned subsidiary, we also benefit from certain engagement practices which take place at a Group level which allows us to have more efficient and effective engagement practices. For details on some of the engagement that takes place with stakeholders at a Group level, please see pages 20-23 of the HSBC Holdings plc 2022 Annual Report and HSBC Holdings plc Environmental, Social and Governance Update.

Consideration of Stakeholders in Principal Decisions

The principal decision taken by the Company during the year was the renewal of its permissions to form a UK domestic liquidity sub-group ("DoLSub") with other entities within the HSBC UK group. In making the decision, the Board took into consideration the operational simplification presented to the Company in managing its liquidity and funding requirements by the formation of a DoLSub, which was considered to be in the long-term interests of the Company and the interests of the Group as a whole.

All other decisions taken by the Board during the year were of a routine nature.

Employees

Following Divisionalisation, the Company no longer has any employees.

Consideration of Stakeholders in Principal Decisions

The principal decision taken by the Company during the year was not to pay any dividend. In making the decision, the Board took into consideration the profits available for distribution, the dividend policy, the capital position, the long-term interests of the Company and the interests of the Group as a whole.

All other decisions taken by the Board during the year were of a routine nature.

On behalf of the Board

CA Boulton

Charles Boulton
Director
3 May 2023

8 Canada Square
London E14 5HQ

Report of the Directors

Directors

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

Name	Appointed
C Boulton	15 May 2018
D W Lister	12 December 2018

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 dividend was declared and paid by the Directors during the year ended 31 December 2022 (2021: £0).

Changes in Share Capital

There have been no changes in share capital during the year ended 31 December 2022. Share capital remains at 1 ordinary share of £10.

Significant events since the end of the financial year

There have been no significant events since the end of the financial year.

Future developments

Following Divisionalisation the Company intends to surrender its banking licence. This is expected to happen during 2023.

Going concern basis

The financial statements are prepared on a going concern basis. Post Divisionalisation, the Directors are satisfied that the Company has retained sufficient capital and resources to continue operating for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

The financial statements will continue to be prepared on a going concern basis until a decision has been taken to liquidate the Company. Management intention is to liquidate the Company when it becomes possible to transfer out the frozen customer deposit accounts which are currently subject to legal sanction. At this point it is not possible to estimate the likely timeline for transferring out these frozen accounts, and as such the exact timing of the liquidation is not yet known. These accounts are subject to a HM Treasury freezing order and until that is lifted, or it becomes possible to transfer out these accounts, they will remain in the Company in perpetuity. The freezing order has been in place since 2011 and management does not anticipate that it would be lifted in the 12 month period following the issuance of the Annual Report and Financial Statements.

Financial risk management

The financial risk management objectives of the Company are set out in the strategic report.

Capital management

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

Pillar 3 of the Basel regulatory framework is related to market discipline and aims to make firms more transparent by requiring them to publish specific details of their risks and capital, and how these are managed. Separate Pillar 3 disclosures are not required for the Company as the Company is included in the consolidated Pillar 3 disclosures of HSBC UK Bank plc. These disclosures are published as a separate document on HSBC UK Bank plc's website.

The PRA is the supervisor of the Company. The PRA sets capital requirements and receives information on the capital adequacy of the Company. The Company complied with the PRA's capital adequacy requirements throughout 2022. Since 1 January 2014, our capital is calculated under CRD IV and supplemented by the PRA Rulebook to effect the transposition of CRD IV directive requirements. The Basel III framework, similarly to Basel II, is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline. Basel III also introduces a number of capital buffers, including the Capital Conservation Buffer ('CCB'), Countercyclical Capital Buffer ('CCyB'), and other systemic buffers such as the Globally/Other Systemically Important Institutions ('G-SII'/'O-SII') buffer. CRD IV legislation implemented Basel III in the EU, and in the UK, the 'PRA Rulebook' for CRR firms transposed the various discretions under CRD IV legislation into UK requirements.

Regulatory capital

The Company's capital base is made up of common equity tier 1. Common equity tier 1 capital is the highest quality form of capital, comprising shareholders' equity. The company is regulated by the FCA. The FCA's General Prudential sourcebook ('GENPRU') provides rules for calculating the actual capital and minimum capital resources requirements of the company. The company is expected to maintain capital at above the minimum requirement at all times.

Calculation of actual capital

	2022 £'000	2021 £'000
Tier 1 capital		
Shareholders' equity	**6,830**	6,829
Common equity tier 1 capital	**6,830**	6,829
Tier 1 capital	**6,830**	6,829
Total regulatory capital	**6,830**	6,829

Independent Auditor

PricewaterhouseCoopers LLP ('PwC') are the external auditors to the Company. PwC has expressed its willingness to continue in office and the Board recommends that PwC be re-appointed as the Company's auditors.

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 directors' report is approved:

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

On behalf of the Board

CA Boulton

Charles Boulton
Director
3 May 2023

8 Canada Square
London E14 5HQ

Independent auditors' report to the members of HSBC Private Bank (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, HSBC Private Bank (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2022; 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. Our opinion is consistent with our reporting to the directors.

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, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided. We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- We tailored the scope of our audit to ensure that we performed enough work to be able to express an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Key audit matters

- Customer accounts

Materiality

- Overall materiality: £68,300 (2021: £68,300) based on 1% of net assets.
- Performance materiality: £51,225 (2021: £51,225).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

The key audit matter below is consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Customer accounts The company holds customer accounts which are currently subject to legal sanction. Legal restrictions prevent these funds or balances being transferred out of the company, increasing the complexities associated with these accounts.	We performed substantive testing procedures to achieve an appropriate level of audit evidence in relation to the customer deposit accounts. Our procedures included inspection of the latest available sanction list to confirm that the customer is still subject to legal sanction. We inspected evidence that deposits held in the system existed and were consistent with customer account balances recognised in the financial statements. We tested the disclosures made in relation to these customer accounts.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Following the Company transferring its business into HSBC UK Bank plc on 1 January 2020, the company's operations are limited to holding accounts for one customer and maintaining sufficient capital and resources. In establishing the approach to the audit, we scoped our work using the balances included in the trial balance.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£68,300 (2021: £68,300).
How we determined it	1% of net assets.
Rationale for benchmark applied	We believe that net assets are the primary measure used by the shareholders in assessing performance of the company and is a generally accepted auditing benchmark.There was very limited activity in the company during the year and net assets was determined to be the most relevant benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £51,225 (2021: £51,225) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate. We agreed with the directors that we would report to them misstatements identified during our audit above £3,415 (2021: £3,415) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- performing a risk assessment to identify factors that could impact the going concern basis of accounting; and
- reading and evaluating the adequacy of the disclosures made in the financial statements in relation 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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- corroboration of financial statement disclosures to underlying supporting documentation, inspection of correspondence with the regulators, identifying and testing journal entries and enquiries of management.

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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

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.

Appointment

We were appointed by the directors on 16 March 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2015 to 31 December 2022.

Hamish Anderson

Hamish Anderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 May 2023

Financial statements

Income statement for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Net operating income		**–**	–
General and administrative expenses		**1**	(55)
Total operating expenses		**1**	(55)
Operating profit/(loss)		**1**	(55)
Profit/(loss) before tax		**1**	(55)
Tax expense	4	**–**	–
Profit/(loss) for the year		**1**	(55)

Statement of comprehensive income for the year ended 31 December 2022

There has been no comprehensive income or expense other than the profit for the year as shown above (2021: nil).

Balance sheet at 31 December 2022
Registration No: 499482

	Notes	2022 £'000	2021 £'000
Assets			
Cash and balances at central banks		**7,507**	6,717
Other assets	9	**12**	790
Current tax assets	4	**–**	12
Total assets		**7,519**	7,519
Liabilities and equity			
Customer accounts	10	**74**	74
Accruals, deferred income and other liabilities	11	**615**	616
Total liabilities		**689**	690
Equity			
Called up share capital	13	**–**	–
Retained earnings		**6,830**	6,829
Total equity		**6,830**	6,829
Total liabilities and equity		**7,519**	7,519

The accompanying notes on pages 14 to 17 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 3 May 2023 and signed on its behalf by:

CA Boulton

Charles Boulton
Director

Statement of cash flows for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Profit/(loss) before tax		**1**	(55)
Adjustments for:			
Change in operating assets		**790**	229
Change in operating liabilities		**(1)**	(174)
Net cash generated from operating activities		**790**	—
Cash flows from financing activities		**—**	
Net increase in cash and cash equivalents		**790**	—
Cash and cash equivalents brought forward	*6*	**6,717**	6,717
Cash and cash equivalents carried forward		**7,507**	6,717

Statement of changes in equity for the year ended 31 December 2022

	Called up share capital £'000	Share Premium £'000	Retained earnings £'000	Total equity £'000
At 1 Jan 2022	**–**	**–**	**6,829**	**6,829**
Profit for the year	–	–	1	1
Total comprehensive income for the year	–	–	1	1
At 31 Dec 2022	**–**	**–**	**6,830**	**6,830**
At 1 Jan 2021	–	–	6,884	6,884
Loss for the year	–	–	(55)	(55)
Total comprehensive income for the year	–	–	(55)	(55)
At 31 Dec 2021	–	–	6,829	6,829

Notes to the Financial Statements

1 Basis of preparation and significant accounting policies

The financial statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of Companies Act 2006 as applicable to companies reporting under those standards. The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

1.1 Basis of preparation

(a) Standards adopted during the year ended 31 December 2022

There were no new accounting standards or interpretations that had a significant effect on the Company in 2022. Accounting policies have been consistently applied.

(b) Future accounting developments

Minor amendments to IFRSs

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods have not been early adopted. These standards, amendments interpretations are not expected to have a material impact on the Company in the current or future reporting periods.

New IFRSs

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' was issued in May 2017, with amendments to the standard issued in June 2020 and December 2021. Following the amendments, IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 and has been adopted in its entirety for use in the UK. However, it is not expected to have a significant impact on the Company's financial statements.

(c) Foreign currencies

The functional currency of the Company is Pound 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

Capital disclosures under IAS 1 'Presentations of Financial Statements' ('IAS 1') have been included in the Report of the Directors: Capital Management on page 4. The financial statements present information about the company as an individual undertaking and not about its group. The financial statements have been prepared under the historical cost convention.

(e) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. There are no accounting policies or estimates that are deemed critical to the results and financial position, in terms of materiality of the items to which the policies applied, which involve a high degree of judgement and estimation

(f) Going concern

The financial statements are prepared on a going concern basis. Post Divisionalisation, the Directors are satisfied that the Company has retained sufficient capital and resources to continue operating for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

The financial statements will continue to be prepared on a going concern basis until a decision has been taken to liquidate the Company. Management intention is to liquidate the Company when it becomes possible to transfer out the frozen customer deposit accounts which are currently subject to legal sanction. At this point it is not possible to estimate the likely timeline for transferring out these frozen accounts, and as such the exact timing of the liquidation is not yet known. These accounts are subject to an HM Treasury freezing order and until that is lifted, or it becomes possible to transfer out these accounts, they will remain in the Company in perpetuity. The freezing order has been in place since 2011 and management does not anticipate that it would be lifted in the 12 month period following the issuance of the Annual Report and Financial Statements.

1.2 Summary of significant accounting policies

Significant accounting policies relevant to either the current year or prior year have been presented below.

(a) Financial instruments measured at amortized cost

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.

(b) 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 as 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 in which 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.

(c) 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.

(d) 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 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2021: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

3 Auditors' remuneration and other expenses

Certain expenses including auditors' remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the result before taxation. The auditors' remuneration borne on behalf of the Company amounted to £28,533 (2021: £26,544). No fees were payable to PricewaterhouseCoopers LLP for the following types of services: internal audit services and services related to litigation, recruitment and remuneration (2021: nil).

4 Tax

Tax expense

	2022 £'000	2021 £'000
Current tax		
UK Corporation tax		
- For this year	–	–
- Adjustments in respect of prior years	–	–
Total current tax	–	–
Deferred tax		
Total deferred tax	–	–
Year ended 31 Dec	–	–

The UK corporation tax rate applying to the Company was 19% (2021: 19%).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly.

At the Statement of Financial Position date, the Company has trading losses of £268,021 (2021: £268,648) available for offset against future taxable profits. No deferred tax asset has been recognised in respect of these losses as the Company does not believe that it is probable that they will be utilised in foreseeable future.

Tax reconciliation

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

	2022		2021	
	£'000	(%)	£'000	(%)
Profit/(Loss)before tax	1		(55)	
Tax at 19% (2021: 19%)	–	18.98	(10)	19.00
Adjustments in respect of prior period liabilities	–	–	–	(0.08)
Deferred tax assets previously not recognised	–	(18.98)	10	(19.00)
Post cessation expenses not deductible	–	–	–	(0.04)
Year ended 31 Dec	–	–	–	(0.12)

5 Dividends

No dividend was declared or paid by the Directors during the year 2022 (2021: £0).

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

	2022 £'000	2021 £'000
Profit/(loss) before tax	**1**	(55)
	–	–
Change in operating assets		
Change in other assets	**790**	229
	790	229
Change in operating liabilities		
Change in accruals, deferred income and other liabilities	**(1)**	(174)
	(1)	(174)
Cash and cash equivalents comprise		
Cash and balances at central banks	**7,507**	6,717
	7,507	6,717

7 Analysis of financial assets and liabilities by measurement basis

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

At 31 Dec 2022	**Amortised cost £'000**	**Total £'000**
Assets		
Cash and balances with central banks	**7,507**	**7,507**
Other assets	**12**	**12**
Total financial assets	**7,519**	**7,519**
Total assets	**7,519**	**7,519**
Liabilities		
Customer accounts	**74**	**74**
Accruals, deferred income and other liabilities	**615**	**615**
Total financial liabilities	**689**	**689**
Total liabilities	**689**	**689**

At 31 Dec 2021	Amortised cost £'000	Total £'000
Assets		
Cash and balances with central banks	6,717	6,717
Accrued income	12	12
Other assets	790	790
Total financial assets	7,519	7,519
Total assets	7,519	7,519
Liabilities		
Customer accounts	74	74
Accruals, deferred income and other liabilities	616	616
Total financial liabilities	690	690
Total liabilities	690	690

Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

(a) Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.

(b) Level 2 - valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

(c) Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

8 Fair value of financial instruments not carried at fair value

Fair values at the balance sheet date of the assets and liabilities set out below are estimated for the purpose of disclosure as follows:

		Fair values			
			Valuation techniques		
	Carrying amount	**Quoted price**	**Observable inputs**	**Significant unobservable inputs**	
		Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 31 Dec 2022					
Liabilities					
Customer accounts	**74**	**—**	**74**	**—**	**74**

		Fair values			
			Valuation techniques		
	Carrying amount	Quoted price	Observable inputs	Significant unobservable inputs	
		Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'000
At 31 Dec 2021					
Liabilities					
Customer accounts	74	—	74	—	74

Valuation

Fair value is an estimate of 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. It does not reflect the economic benefits and costs that the Company expects to flow from an instrument's cash flow over its expected future life. The Company's valuation methodologies and assumptions in determining fair values for which no observable market price are available may differ from those of other companies.

Customer accounts

The fair values of deposits are approximated by their carrying value. For deposits with longer-term maturities, fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities.

9 Other assets

	2022	2021
	£'000	£'000
Amounts due from parent	**12**	790
At 31 Dec	**12**	790

Amounts due from parent companies are unsecured and repayable on demand.

10 Customer accounts

The Company retained customer deposits for 1 customer, totalling £74,000 (2021: £74,000) following Divisionalisation. These deposits were not transferred to HSBC UK as they are subject to sanctions.

11 Accruals, deferred income and other liabilities

	2022	2021
	£'000	£'000
Other liabilities	**615**	616
At 31 Dec	**615**	616

This is predominantly driven by an income statement charge relating to a prior year pay you earn ("PAYE") failure of £615,000. The Company has been coordinating with HMRC for settlement to the amount.

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 £'000	Total £'000
Assets		
Cash and balances with central banks	7,507	7,507
Tax asset	–	–
Other assets	12	12
At 31 Dec 2022	**7,519**	**7,519**
Liabilities		
Customer accounts	74	74
Accruals and other financial liabilities	615	615
At 31 Dec 2022	**689**	**689**

	On demand £'000	Total £'000
Assets		
Cash and balances with central banks	6,717	6,717
Tax asset	12	12
Other assets	790	790
At 31 Dec 2021	7,519	7,519
Liabilities and Equity		
Customer accounts	74	74
Accruals and other financial liabilities	616	616
At 31 Dec 2021	690	690

13 Called up share capital

	2022		2021	
	Number	£'000	Number	£'000
Issued, allotted and fully paid up				
Ordinary shares of £10 each	1	–	1	–
As at 31 Dec	1	–	1	–

No restrictions relating to distributions of repayment of capital are attached to the Ordinary shares.

14 Related party transactions

Transactions with parent company

Transactions detailed below include amounts due to/from HSBC UK Bank plc

	2022		2021	
	Highest balance during the year £'000	Balance at 31 December[1] £'000	Highest balance during the year £'000	Balance at 31 December £'000
Assets				
Cash and balances at central banks	7,507	7,507	6,717	6,717
Other assets	790	12	1,019	790

1 *The disclosure of the year-end balance and the highest balance during the year is considered the most meaningful information to represent transactions during the year.*

15 Parent undertakings

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

On 1 July 2018 the immediate parent undertaking changed from HSBC Bank plc to HSBC UK Bank plc as part of structural changes within HSBC Group to meet Ring Fenced Bank requirements. All companies are registered in England and Wales.

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

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