

HSBC (BGF) Investments Limited

Registration No:05229587

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



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

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Strategic Report

Principal activities

The principal activity of HSBC (BGF) Investments Limited (the 'Company') is to hold the HSBC Group's investment in BGF Group plc ('BGF plc').

The Company is a private limited company domiciled and incorporated in the United Kingdom and registered in England and Wales. Its trading address is 8 Canada Square, London E14 5HQ, United Kingdom.

The Company is limited by shares.

Review of the Company's business

The Company continues to exercise significant influence over BGF plc, as a consequence of representation on BGF plc's Board and in conjunction with the significant voting rights on key decisions.

The business is funded principally by borrowings. The Company has no employees. Services required are provided by fellow HSBC Group companies. During the year, no recharges were made in respect of these services.

Section 172 statement

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

The Board considers its stakeholders to be the people who work for us, bank with us, own us, regulate us and live in the societies we serve. During 2022, the directors gave careful consideration to the factors set out above in discharging their duties under section 172. The Board recognises that building strong relationships with our stakeholders will help deliver the Company's strategy in line with its long-term values, and operate the business in a sustainable way.

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

During the year, the Board received business updates on BGF plc's financial performance and progress with strategy execution. The Board considered shareholder funding requirements and the expected timelines for the payment of dividends. It reviewed and commented on the BGF plc budget. The Board also kept the Company's money market facility under review.

The majority of decisions made by the Board during the year are deemed to be routine in nature and are taken on a cyclical basis.

Performance

The Company's results for the year and financial position as at 31 December 2022 are as detailed in the income statement and the balance sheet on page 7 and page 8 of these financial statements respectively.

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

Impact of Climate Risk

Climate risks have the potential to cause both financial and non-financial impacts for the Company. Financial impacts could materialise from transactional losses or Business decisions to achieve overall climate ambitions of the HSBC Group. Non-financial impacts could materialise from the impact of significant changes in climate on the Company's assets or operations.

The impact of climate risk on the balance sheet has been assessed and it is considered that there is no material impact on the financial statements for the year ended 31 December 2022. The impact on a number of areas of the balance sheet have been considered, including Interest in associate as well as within the going concern assessment of the Company.

HSBC (BGF) Investments Limited


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 11 of the financial statements.

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 operations.

During 2022, the UK economy has faced a number of challenges, including rising inflation, increased interest rates and a period of significant market volatility that followed changes to policies announced by the UK Government. Consumer confidence has fallen with a deepening cost of living crisis partly driven by a sharp rise in energy prices. This has led to uncertainty in respect of growth expectations in the UK economy in 2023. However, due to the nature of the Company's transactions, it is not considered that these events will have a significant impact on its principal risks.

On behalf of the Board



J L Chew
Director

14 July 2023

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
J L Chew
T Wood
L Curtis
J Cundy

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 and remain in place but have not been utilised by the Directors. All Directors have the benefit of Directors' and officers' liability insurance.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2022 (2021: nil).

Significant events since the end of the financial year

The Company's associate, BGF Group plc, declared a dividend of £7,877,371 on 13 July 2023 and is received by the Company on 14 July 2023.

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

Future developments

No change in the Company's activities is expected.

Going concern basis

The Company had net current liabilities of £490,364,680 as at 31 December 2022 (2021: £491,365,942). HSBC Bank plc, the parent undertaking, has committed to ensuring the provision of sufficient funds for a period of not less than twelve months from the date of authorisation of these financial statements, to enable the Company to meet its liabilities as they fall due. As a result of this, together with the considerations referred to in the Principal risks and uncertainties and the impact of climate risk section in the Strategic Report, the Directors have prepared the financial statements on a going concern basis.

Financial risk management

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

Capital management

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

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

Independent auditors

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

HSBC (BGF) Investments Limited

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 Report of the Directors 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.

Approved by the Board on 13 July 2023 and signed on its behalf by:



J L Chew
Director

14 July 2023

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Independent auditors' report to the members of HSBC (BGF) Investments Limited

Report on the audit of the financial statements

Opinion

In our opinion, HSBC (BGF) Investments 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.

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 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 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:

- Identifying and testing journal entries meeting specific risk criteria;
- Reviewing minutes of meetings of those charged with governance; and
- Incorporating unpredictability into the nature, timing and/or extent of our testing.

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.



Ajay Kabra (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

14 July 2023

HSBC (BGF) Investments Limited

Financial statements

Income statement for the year ended 31 December 2022

	Notes	2022 £	2021 £
Dividend income		7,385,036	—
Interest expense		(7,881,202)	(1,167,134)
Loss before tax		(496,166)	(1,167,134)
Tax credit	5	1,497,428	221,755
Profit/(loss) for the year		1,001,262	(945,379)

Statement of comprehensive income for the year ended 31 December 2022

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

HSBC (BGF) Investments Limited

Balance sheet at 31 December 2022

Registration No: 05229587

	Notes	2022 £	2021 £
Assets			
Cash and cash equivalents		322,227	471,897
Current tax asset		1,497,428	221,755
Interest in associate	6	481,782,250	481,782,250
Total assets		483,601,905	482,475,902
Liabilities and equity			
Liabilities			
Trade and other payables	7	492,184,335	492,059,594
Total liabilities		492,184,335	492,059,594
Equity			
Called up share capital	9	100	100
Accumulated losses		(8,582,530)	(9,583,792)
Total equity		(8,582,430)	(9,583,692)
Total liabilities and equity		483,601,905	482,475,902

The accompanying notes on pages 11 to 15 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 13 July 2023 and signed on its behalf by:



J L Chew
Director

14 July 2023

HSBC (BGF) Investments Limited

Statement of cash flows for the year ended 31 December 2022

	Notes	2022 £	2021 £
Cash flows from operating activities			
Loss before tax		(496,166)	(1,167,134)
Adjustments for:			
Tax received		221,755	412,196
Net cash used in operating activities		(274,411)	(754,938)
Cash flows from investing activities			
Purchase of interest in associates	6	—	(39,125,000)
Net cash generated from/(used in) investing activities		—	(39,125,000)
Cash flows from financing activities			
Received from other group undertakings in respect of other financing activities		124,741	39,905,825
Net cash generated from financing activities		124,741	39,905,825
Net (decrease)/increase in cash and cash equivalents		(149,670)	25,887
Cash and cash equivalents brought forward		471,897	446,010
Cash and cash equivalents carried forward		322,227	471,897

Interest paid was £6,981,868 (2021: £1,100,844).

The tax received of £221,755 (2021: £412,196) has been received by a fellow group company.

HSBC (BGF) Investments Limited

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

	Called up share capital £	Accumulated losses £	Total equity £
At 1 Jan 2022	100	(9,583,792)	(9,583,692)
Profit for the year	—	1,001,262	1,001,262
Total comprehensive income for the year	—	1,001,262	1,001,262
At 31 Dec 2022	100	(8,582,530)	(8,582,430)
At 1 Jan 2021	100	(8,638,413)	(8,638,313)
Loss for the year	—	(945,379)	(945,379)
Total comprehensive expense for the year	—	(945,379)	(945,379)
At 31 Dec 2021	100	(9,583,792)	(9,583,692)

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 ('IFRSs')

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 2022 affecting these financial statements.

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

The International Accounting Standards Board ('IASB') has not published any minor amendments effective from 1 January 2022 that are applicable to the Company. However, the IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2023 and 1 January 2024. The Company expects they will have an insignificant effect, when adopted, on the financial statements.

New IFRSs

IFRS 17 'Insurance Contracts'

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 and has been adopted for use in the UK. However, it is not considered to have a significant impact on the financial statements of the Company.

(c) Presentation of information

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

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

(d) 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, 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.

There are no accounting policies which contain critical estimates and judgements in terms of materiality of the items to which the policies are applied, the high degree of judgement involved and the estimation uncertainty involved.

(e) Going concern

The Company had net current liabilities of £490,364,680 as at 31 December 2022 (2021: £491,365,942). HSBC Bank plc, the parent undertaking, has committed to ensuring the provision of sufficient funds for a period not less than twelve months from the date of authorisation of these financial statements, to enable the Company to meet its liabilities as they fall due. As a result of this, together with the considerations referred to in the Principal risks and uncertainties and the impact of climate risk section in the Strategic Report, the Directors have prepared the financial statements on a going concern basis.

1.2 Summary of significant accounting policies

(a) Income and expense

Interest expense

Interest expense for all financial instruments, excluding those classified as held for trading or designated at fair value are recognised in '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.

Non-interest income and expense

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

The Dividend income from investments is also recognised when the right to receive payment is established.

(b) Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received).

However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Company recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction either until the transaction matures or is closed out and the valuation inputs become observable or the Company enters into an offsetting transaction.

HSBC (BGF) Investments Limited

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

(c) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, are measured at amortised cost.

Trade and other payables

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.

(d) Interests in associates

The Company classifies investments in entities over which it has significant influence, and that are neither subsidiaries nor joint ventures, as associates.

Investments in an associate are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired. Goodwill on acquisition of interests in associates is not tested separately for impairment but is assessed as part of the carrying amount of the investment.

The Company carries its investments in associates at historical cost less provisions for any impairment.

The Company has taken the exemption from the requirement to prepare economic interest financial statements, allowable under IAS 28 paragraph 17, for entities that are wholly owned subsidiaries, with no listed debt or equity and for which ultimate and intermediate parent company consolidated financial statements are available publicly. Therefore the Company has not applied the equity method for its investment in associates.

(e) Tax

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

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

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

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

(f) Cash and cash equivalents

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

(g) Statement of cash flows

The statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under 'Operating activities', movements in inter-company transactions are shown under the heading of 'Financing activities'. Such movements arise ultimately from the Company's financing activities, through which the Company will acquire resources intended to generate future income and cash flows.

A group undertaking acts as a treasury function, providing funding for the Company through an inter-company account.

(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) Contingent liabilities and contractual commitments

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.

2 Employee compensation and benefits

The Company has no employees and hence no staff costs (2021: nil).

3 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.

HSBC (BGF) Investments Limited

4 Auditors' remuneration

Certain expenses including auditors' remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before taxation. The statutory auditor remuneration in respect of the audit of the financial statements of the Company borne on behalf of the Company amounted to £1,895 (2021: £1,103).

There were no non-audit fees incurred and payable to the Company's statutory auditor during the year (2021: nil).

5 Tax

Tax credit

	2022	2021
	£	£
Current tax		
- For this year	(1,497,428)	(221,755)
Total current tax	(1,497,428)	(221,755)
Year ended 31 Dec	(1,497,428)	(221,755)

The UK corporation tax rate applying to the Company was 19.00% (2021: 19.00%).

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.

Tax reconciliation

	2022		2021	
	£	(%)	£	(%)
Loss before tax	(496,166)		(1,167,134)	
Tax at 19.00% (2021: 19.00%)	(94,272)	19.0	(221,755)	19.0
Income not taxable	(1,403,156)	282.8	—	—
Year ended 31 Dec	(1,497,428)	301.8	(221,755)	19.0

6 Interest in associate

	2022	2021
	£	£
Cost		
At 1 Jan	481,782,250	442,657,250
Additions	—	39,125,000
At 31 Dec	481,782,250	481,782,250

Principal associate of the Company

Prior to May 2017, Business Growth Fund Plc (the 'Fund') was the principal associate of the Company. In May 2017, there was a reorganisation of the Fund and its subsidiaries, which included the transfer of the entire issued share capital of the Company to a newly incorporated company, BGF Group plc ('BGF plc'), in consideration for the allotment and issue of shares in BGF plc. The purpose of the reorganisation was to implement the structural changes necessary for the Fund to extend the scope of its, and its subsidiaries activities to the Republic of Ireland and for the business to start managing the assets of third parties.

BGF plc is registered at 13-15 York Buildings, London, United Kingdom, WC2N 6JU and its principal place of business and country of incorporation is in the UK and its principal activity is that of an investment business that provides growth capital to ambitious entrepreneurs running growing companies in the UK and wider entrepreneurial population.

At 31 December 2022, the Company had a 24.617% interest in the £957,129,000 issued equity share capital of BGF plc (2021: 24.617% interest in the £1,957,129,000 issued equity capital of BGF plc). The carrying amount of the Company's interest in BGF plc was £481,782,250 as at 31 December 2022 (2021: £481,782,250 carrying amount in BGF plc).

No impairment indicators have been noted in the investment in associates mentioned above as the Net Asset Value is higher than the carrying value.

Since BGF Group plc presents its financial statements in £'000, the summarised financial information on the associate is disclosed accordingly.

Summarised financial information on associate

	2022	2021
	£'000	£'000
Assets	2,856,874	2,924,362
Liabilities	171,692	171,654
Revenue	106,008	120,586
(Loss)/profit after tax	(37,412)	386,533

7 Trade and other payables

	2022	2021
	£	£
Amounts owed to other group undertakings	491,285,001	491,993,304
Accrued interest on amounts due to other group undertakings	899,334	66,290
At 31 Dec	492,184,335	492,059,594

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Amounts owed to other group undertakings have no fixed repayment date and are therefore technically repayable on demand. They are accounted for as financial liabilities, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value.

8 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 £	Undated £	Total £
Assets			
Cash and cash equivalents	322,227	—	322,227
Non-Financial assets	—	483,279,678	483,279,678
At 31 December 2022	322,227	483,279,678	483,601,905
Liabilities			
Trade and other payables	492,184,335	—	492,184,335
At 31 December 2022	492,184,335	—	492,184,335
Assets			
Cash and cash equivalents	471,897	—	471,897
Non-Financial assets	—	482,004,005	482,004,005
Trade and other receivables	—	—	—
At 31 December 2021	471,897	482,004,005	482,475,902
Liabilities			
Trade and other payables	492,059,594	—	492,059,594
At 31 December 2021	492,059,594	—	492,059,594

9 Called up share capital

	2022		2021	
	Number	£	Number	£
Issued, allotted and fully paid up				
Ordinary shares of £1 each	100	100	100	100
As at 1 Jan and 31 Dec	100	100	100	100

10 Fair value of financial instruments not carried at fair value

Except where disclosed elsewhere, there are no material differences between the carrying value and the fair value of financial assets as at 31 December 2022 and 31 December 2021.

11 Management of financial risk

The Company has exposure to the following types of risk arising from its use of financial instruments; liquidity risk and market risk. Market risk includes interest rate risk.

The management of risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note.

The Company participates in transactions to which other HSBC group companies are also party. The HSBC business in which these companies reside (the "Business") has an established risk management process which considers the risks at the outset and on an ongoing basis in relation to each transaction from the Business' perspective - this will consolidate the risks of participating companies and, as such, offsetting risks will be eliminated. To the extent there is any residual risk, management will mitigate this by implementing the appropriate instruments and these will reside in the relevant company.

There were no changes in the Company's approach to risk management during the year.

(a) 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. It arises principally from amounts owed by other group undertakings.

The Company manages credit risk as described above for risks generally.

The Company's exposure to credit risk in relation to cash held with other group entities and trade and other receivables 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.

(b) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due. The Company's assets are funded by borrowing from another group undertaking. This funding has no fixed date for repayment and is therefore technically repayable on demand, although the other group undertaking provides funds as required.

HSBC (BGF) Investments Limited

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

	Carrying value £	Contractual cash flows £	On Demand £
At 31 December 2022			
Amounts owed to other group undertakings	492,184,335	492,184,335	492,184,335
	492,184,335	492,184,335	492,184,335
At 31 December 2021			
Amounts owed to other group undertakings	492,059,594	492,059,594	492,059,594
	492,059,594	492,059,594	492,059,594

(c) Market risk management

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will affect the Company's income.

Interest payable on amounts owed to other group undertakings is at a floating interest rate.

Interest rate risk

As at 31 December 2022, the Company was exposed to interest rate risk on its liability with other group undertakings which are based on floating market rates.

The effect on future net interest expense of an incremental 100 basis points parallel rise or fall in interest rates at the report date (floored to 0%) amounts to an increase of £4,912,850 (2021: £4,919,933) or a decrease of £4,912,850 (2021: £1,367,741).

12 Related party transactions

Transaction with other related parties

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

	2022		2021	
	Highest balance during the year £	Balance at 31 December £	Highest balance during the year £	Balance at 31 December £
Assets				
Cash and cash equivalents	485,101	322,227	1,075,403	471,897
Liabilities				
Trade and other payables	492,785,896	492,184,335	492,059,594	492,059,594
			2022	2021
			£	£
Income statement				
Interest expense			7,881,202	1,167,134

13 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.

The results of the Company are included in the financial statements of HSBC Holdings plc and HSBC Bank plc.

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

14 Contingent liabilities and contractual commitments and guarantees

There were no contingent liabilities at 31 December 2022 (2021: nil).

15 Events after the balance sheet date

The Company's associate, BGF Group plc, declared a dividend of £7,877,371 on 13 July 2023 and is received by the Company on 14 July 2023.

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