

# HSBC UK Holdings Limited

**Registration No: 10587192**

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



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

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## Strategic Report

### Principal activities

HSBC UK Holdings Limited ('the Company') is domiciled and incorporated in England and Wales as a private company, limited by shares. Its trading address is 8 Canada Square, London E14 5HQ, United Kingdom.

During the year, The Company decided to wind down its activities as it is no longer required from regulatory stand point.

### Review of the Company's business

During the year, the Company ceased to operate the business.

The reserves available for distribution as at 31 December 2021 were £0.6m (2020: £4,200m).

Dividends of £90m were declared and paid during the year (2020: £488m).

The financial statements have been prepared on a basis other than going concern as management initiated the wind down the activities of the Company in 2021, as part of a legal entity rationalisation programme. In May 2021, all asset and liabilities except cash were transferred to HSBC Holdings plc. The shares in Subsidiaries were transferred as a dividend in specie to HSBC Holdings plc.

The Company is in the process of appointing a liquidator.

### Performance

The performance and position of the Company for the year ended 31 December 2021 and the state of the Company's financial affairs at that date are set out on pages 7 to 17.

The results of the Company show a profit before tax of £90m (2020: £488m). Decrease in 2021 profits and dividends £90m (2020: £490m) are primarily due to cessation of the Company's operation with effect from May 2021.

The Company received the following dividends from other group undertakings:

	2021 £'000	2020 £'000
<b>Dividend from ordinary shares</b>		
HSBC UK Bank plc	–	100,000
	–	100,000
<b>Dividend from AT1 instruments</b>		
HSBC UK Bank plc	27,309	122,224
HSBC Bank plc	58,989	212,389
Marks and Spencer Financial Services plc	3,425	4,575
	89,723	339,188
<b>Dividend from preference shares</b>		
HSBC Bank plc	–	50,866

### 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.

As a Group, HSBC considers its stakeholders to be the people who work for us, invest with us, own us, regulate us and live in the societies we serve. During 2021, the directors gave careful consideration to the factors set out above in discharging their duties under section 172.

As a non-trading company, the principal stakeholder of the Company is the Company's parent entity. The majority of decisions made by the Board during the year related to the payment of dividends and transfer of its assets and liabilities in lieu of liquidation. The Board took into consideration the profits available for distribution, the dividend policy, the capital position, Tier 1 capital restraints and leverage ratios, the long-term interests of the Company and the interests of the Group as a whole, as part of its decision making.

As a result of these activities, the Board believes it has demonstrated compliance with their legal duty under section 172 of the Companies Act 2006.

### Stakeholder engagement

The Board understands the importance of effective engagement with all of its stakeholders to the long-term success of the Company. For further information on the Company's key stakeholders and the manner in which the Board takes their interests into consideration when making decisions, see the section 172 statement, above.

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

## **Principal risks and uncertainties**

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 16 of the Notes on the financial statements.

The Company's exposures to credit, liquidity and market risks (including foreign currency risks and interest rate risk) are limited due to the nature of its business, which includes investing in or financing of subsidiaries.

These transactions are generally funded by way of capital or debt obtained from the parent or other group companies.

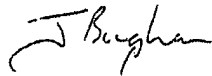
The European Union ('EU') and the UK agreed a Trade and Cooperation Agreement ('TCA') at the end of 2020 following the UK's withdrawal from the EU. The new trading relationship between the UK and the EU, outlined within the TCA, commenced on 1 January 2021 and is taking some time to settle. Further disputes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

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

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

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

On behalf of the Board



J Bingham  
Director

15 September 2022

8 Canada Square  
London E14 5HQ  
United Kingdom

## Report of the Directors

### Directors

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

Name	Appointed	Resigned
I F MacKinnon	26 February 2018	8 February 2021
E J Stevenson	1 January 2019	
J Bingham	1 July 2020	
R Boyns	1 July 2020	
D Millar	1 July 2020	

The Articles of Association of the Company contain a qualifying third-party indemnity provision, which entitles Directors and other officers to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year and up to the date of approval of the financial statements but have not been utilised by the Directors. Additionally, all Directors have the benefit of Directors' and officers' liability insurance.

### Dividends

Dividends of £90m were declared and paid during the year (2020: £488m).

### Significant events since the end of the financial year

The Company is in the process of appointing a liquidator.

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

### Future developments

The Company is expected to be liquidated in the short term.

### Going concern basis

The financial statements have been prepared on a basis other than going concern as management is in process of appointing a liquidator of the Company as it is no longer required from regulatory stand point (Refer Note 10). This action is unrelated to the performance of the Company and targeted to complete by 2023 subject to regulatory approval. The manner of liquidation is not expected to have a material impact on the basis of measurement and the presentation of the Company's financial statements as at 31 December 2021.

Preparing the Annual Report and Financial Statements on a basis other than Going Concern has not resulted in any material difference to the carrying amounts/presentation of assets and liabilities. The prior year comparative balances have been prepared on the same 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 16 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 HSBC'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 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 auditors.

### Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

## HSBC UK Holdings Limited

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

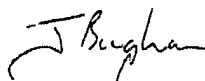
The Directors are also responsible for safeguarding the assets of the Company, hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's 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 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.

On behalf of the Board



J Bingham  
Director  
15 September 2022

8 Canada Square  
London E14 5HQ  
United Kingdom

# Independent auditors' report to the members of HSBC UK Holdings Limited

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: balance sheet as at 31 December 2021; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis of opinion

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

### Independence

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

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

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

### Reporting on other information

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

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

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

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

### Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### Responsibilities for the financial statements and the audit

#### Responsibilities of the Directors for the financial statements

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

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

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a

high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Identifying and testing journal entries meeting specific fraud 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](http://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.

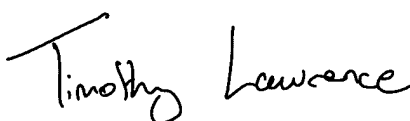
### Other required reporting

#### 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.



Timothy Lawrence (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 September 2022

## Financial statements

### Income statement for the year ended 31 December 2021

		2021	2020
	Notes	£'000	£'000
Interest income		64,506	276,424
Interest expense		(64,506)	(276,424)
<b>Net interest income</b>		—	—
Changes in fair value of long-term debt	2	314,171	(627,725)
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	2	(314,171)	627,725
Dividend income		89,723	490,054
Net (loss) from financial instruments held for trading or managed on a fair value basis	3	(3)	(2,237)
<b>Net operating income</b>		89,720	487,817
General and administrative expenses		(1)	—
<b>Total operating expenses</b>		(1)	—
<b>Profit before tax</b>		89,719	487,817
Tax (expense)/credit	7	—	337
<b>Profit for the year</b>		89,719	488,154

### Statement of comprehensive income for the year ended 31 December 2021

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

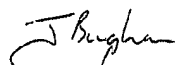
# HSBC UK Holdings Limited

## Balance sheet at 31 December 2021

Registration No: 10587192

	Notes	2021 £'000	2020 £'000
<b>Assets</b>			
Cash and cash equivalents		611	419
Loans and advances to other group undertakings		—	14,265,046
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss		—	7,310,263
Prepayments, accrued income and other assets		—	108,653
Current tax assets		—	196
Investments in subsidiaries	12	—	28,729,017
<b>Total assets</b>		<b>611</b>	<b>50,413,594</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Loans from other group undertakings		—	14,265,046
Financial liabilities designated at fair value		—	7,310,263
Accruals, deferred income and other liabilities		—	108,653
<b>Total liabilities</b>		<b>—</b>	<b>21,683,962</b>
<b>Equity</b>			
Called up share capital	14	—	150
Share premium account		—	18,545,091
Other equity instruments		—	5,983,878
Other reserves		—	4,200,000
Retained earnings		611	513
<b>Total equity</b>		<b>611</b>	<b>28,729,632</b>
<b>Total liabilities and equity</b>		<b>611</b>	<b>50,413,594</b>

The financial statements and its accompanying notes on pages 7 to 17 were approved by the Board of Directors on 15 September 2022 and signed on its behalf by:



J Bingham  
Director

Statement of cash flows for the year ended 31 December 2021

	2021	2020
	£'000	£'000
<i>Notes</i>		
<b>Cash flows from operating activities</b>		
Profit before tax	89,719	487,817
Tax credit received	196	—
<b>Net cash generated from operating activities</b>	<b>89,915</b>	<b>487,817</b>
<b>Cash flows from investing activities</b>		
Net loans and advances to other group undertakings designated at fair value	—	(321,631)
Net cash inflow /(outflow) from investments in subsidiaries	—	(1,000,000)
<b>Net cash generated from/(used in) investing activities</b>	<b>—</b>	<b>(1,321,631)</b>
<b>Cash flows from financing activities</b>		
Changes in loans due to other group undertakings designated at fair value	—	321,631
Capital contribution	—	1,000,000
Dividends paid	(89,723)	(487,817)
<b>Net cash (used in)/generated from financing activities</b>	<b>(89,723)</b>	<b>833,814</b>
Net increase in cash and cash equivalents	192	—
Cash and cash equivalents brought forward	419	419
<b>Cash and cash equivalents carried forward</b>	<b>611</b>	<b>419</b>
<i>9</i>		

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

	Called up share capital £'000	Share Premium £'000	Other equity instruments £'000	Retained earnings £'000	Other reserves Capital contribution reserve £'000	Total equity £'000
<b>At 1 Jan 2021</b>	<b>150</b>	<b>18,545,091</b>	<b>5,983,878</b>	<b>513</b>	<b>4,200,000</b>	<b>28,729,632</b>
Profit for the year	—	—	—	89,719	—	89,719
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>89,719</b>	<b>—</b>	<b>89,719</b>
Additional tier 1 instrument issued	—	—	—	—	—	—
Dividends to shareholders	—	—	—	(89,723)	—	(89,723)
Capital contribution	—	—	—	—	—	—
Other movements	(150)	(18,545,091)	(5,983,878)	102	(4,200,000)	(28,729,017)
<b>At 31 Dec 2021</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>611</b>	<b>—</b>	<b>611</b>

	Called up share capital £'000	Share Premium £'000	Other equity instruments £'000	Retained earnings £'000	Other reserves Capital contribution reserve £'000	Total equity £'000
<b>At 1 Jan 2020</b>	<b>150</b>	<b>18,545,091</b>	<b>5,983,878</b>	<b>176</b>	<b>3,200,000</b>	<b>27,729,295</b>
Profit for the year	—	—	—	488,154	—	488,154
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>488,154</b>	<b>—</b>	<b>488,154</b>
Additional tier 1 instrument issued	—	—	—	—	—	—
Dividends to shareholders	—	—	—	(487,817)	—	(487,817)
Capital contribution	—	—	—	—	1,000,000	1,000,000
<b>At 31 Dec 2020</b>	<b>150</b>	<b>18,545,091</b>	<b>5,983,878</b>	<b>513</b>	<b>4,200,000</b>	<b>28,729,632</b>

Capital Contribution

In May 2021, Equity was transferred as a dividend in specie to HSBC Holdings plc. (2020: The Company received CET1 capital injection of £1,000m from HSBC Holdings plc and invested the same in HSBC Bank plc).

Dividend per share

Dividend per share for the year was £598 (2020: £3k).

Equity is wholly attributable to equity shareholders of HSBC UK Holdings Limited.

## Notes on the Financial Statements

### 1 Basis of preparation and significant accounting policies

#### 1.1 Basis of preparation

##### (a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. There were no unendorsed standards effective for the year ended 31 December 2021 affecting these consolidated and separate financial statements.

Standards adopted during the year ended 31 December 2021

##### *IFRS adoptions*

There were no new accounting standards or interpretations that had a significant effect on the Company in 2021. Accounting policies have been consistently applied.

##### (b) Future accounting developments

Minor amendments to IFRSs

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

New IFRSs

There are no new IFRSs published by the IASB which are effective from 1 January 2022 that are expected to have an impact on the financial statements of the Company.

##### (c) Foreign currencies

The functional currency of the Company is 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

The financial statements have been prepared on a historical cost basis, modified by revaluation of financial assets and liabilities designated at fair value.

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

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

##### (e) Critical accounting estimates and judgements

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

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

##### (f) Going concern

The financial statements have been prepared on a basis other than going concern as management is in process of appointing a liquidator of the Company as it is no longer required from regulatory stand point (Refer Note 10). This action is unrelated to the performance of the Company and targeted to complete by 2023 subject to regulatory approval. The manner of liquidation is not expected to have a material impact on the basis of measurement and the presentation of the Company's financial statements as at 31 December 2021.

Preparing the Annual Report and Financial Statements on a basis other than Going Concern has not resulted in any material difference to the carrying amounts/presentation of assets and liabilities. The prior year comparative balances have been prepared on the same basis.

#### 1.2 Summary of significant accounting policies

##### (a) Income and expense

Interest income and expense

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

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

Interest on credit-impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Non-interest income and expense

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

**(b) 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.

**(c) Called up share capital and other equity instruments**

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. Equity instruments are initially recognised at fair value and are not re-measured in subsequent periods.

**(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 Net income from financial instruments measured at fair value through profit or loss**

	2021 £'000	2020 £'000
<b>Net income arising on:</b>		
Changes in own credit spread on long-term debt	63,131	7,524
Other changes in fair value	251,040	(635,249)
<b>Changes in fair value of long-term debt</b>	<b>314,171</b>	<b>(627,725)</b>
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	(314,171)	627,725
<b>Year ended 31 Dec</b>	<b>—</b>	<b>—</b>

**3 Net (loss) from financial instruments held for trading or managed on a fair value basis**

	2021 £'000	2020 £'000
Foreign exchange loss	(3)	(2,237)
<b>Total other operating expenses</b>	<b>(3)</b>	<b>(2,237)</b>

**4 Employee compensation and benefits**

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

**5 Directors' emoluments**

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2020: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

**6 Auditors' remuneration**

Certain expenses including auditors' remuneration have been borne by HSBC Holdings plc and are therefore not charged in arriving at profit before tax. Audit fees are disclosed in the financial statements of HSBC Holdings plc. The amount incurred in respect of the audit of these financial statements was £15k (2020: £26k).

There were no other audit procedures, tax and non-audit services provided where fees were incurred during the year (2020: nil).

## 7 Tax credit

### Tax credit

	2021 £'000	2020 £'000
<b>Current tax</b>		
UK Corporation tax		
- For this year	(1)	(424)
- Adjustments in respect of prior years	1	87
<b>Total current tax</b>	-	(337)
<b>Year ended 31 Dec</b>	-	(337)

The UK corporation tax rate applying to the Company was 19% (2020: 19%).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. However, as the company is in process of appointing a liquidator, this should not have any future impact to the company's future tax charge.

### Tax reconciliation

	2021 £'000	(%)	2020 £'000	(%)
Profit before tax	89,719		487,817	
Tax at 19.00% (2020: 19.00%)	17,047	19.00	92,685	19.00
Adjustments in respect of prior period liabilities	-	-	87	0.02
Non-taxable income and gains	(17,047)	(19.00)	(28,664)	(5.88)
Deductions for AT1 coupon payments	-	-	(64,445)	(13.21)
<b>Year ended 31 Dec</b>	-	-	(337)	(0.07)

## 8 Deferred tax

The company has recognised a net nil deferred tax position in the balance sheet and income statement. A deferred tax asset of £150m and a deferred tax liability of £150m existed in relation to the fair value gains and losses from the back to back loans and advances at the beginning of the period. Both deferred tax asset and liability were reversed during the period.

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

	2021 £'000	2020 £'000
<b>Cash and cash equivalents comprise</b>		
Cash and balances held with other group undertakings	611	419
<b>Interest and dividends</b>		
Interest paid	(117,835)	(283,322)
Interest received	117,835	283,322
Dividends received	89,723	490,054

## 10 Transfer of asset and liabilities

The Company is a wholly owned subsidiary of HSBC Holdings plc. It was the intermediate holding company of HSBC Holdings plc and HSBC UK Bank plc and was established with its primary purpose being the entity over which the BoE would exercise resolution powers in order to resolve the ERG. This was consistent with HSBC's resolution structure. However in 2020, BOE informed HSBC that the resolution entity would remain as HSBC Holdings plc for both the Group and ERG. Therefore as a result, the Company no longer serves any regulatory purpose. Hence the Company decided to wind down its activities.

In order to proceed with liquidation, the Company followed the below plan to dispose of its assets and settle its liabilities:

- Relevant regulatory approvals and/or notifications in respect of the change in control of HSBC Bank plc and HSBC UK Bank plc and their respective subsidiaries and branches are obtained.
- The Company undertakes a capital reduction to create sufficient distributable reserves in order to pay a dividend in specie of its shares in HSBC Bank plc and HSBC UK Bank plc to HSBC Holdings plc
- Restructuring of the Company loans that have related swaps against them by terminating the existing loans and swaps.
- The Company assigns to HSBC Holdings plc all of the remaining debt instruments held by it in consideration of HSBC Holdings plc cancelling the corresponding debt instruments that HSBC Holdings plc holds.
- The Company declares a dividend in specie to HSBC Holdings plc of its shares in HSBC Bank plc and HSBC UK Bank plc resulting in HSBC Bank plc and HSBC UK Bank plc becoming direct subsidiaries of HSBC Holdings plc.

*Note: The assignment of internal debt take place simultaneously with the transfer of equity.*

## 11 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 2021	FVPL £'000	Amortised cost £'000	Total £'000
<b>Assets</b>			
Cash and cash equivalents	—	611	611
Loans and advances to other group undertakings	—	—	—
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	—	—
Prepayments, accrued income and other assets	—	—	—
<b>Total financial assets</b>	—	611	611
<b>Total non-financial assets</b>			—
<b>Total assets</b>			611
<b>Liabilities</b>			
Loans from other group undertakings	—	—	—
Financial liabilities designated at fair value	—	—	—
Accruals, deferred income and other liabilities	—	—	—
<b>Total financial liabilities</b>	—	—	—
<b>Total non-financial liabilities</b>			—
<b>Total liabilities</b>			—

At 31 Dec 2020	FVPL £'000	Amortised cost £'000	Total £'000
<b>Assets</b>			
Cash and cash equivalents	—	419	419
Loans and advances to other group undertakings	—	14,265,046	14,265,046
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	7,310,263	—	7,310,263
Prepayments, accrued income and other assets	—	108,653	108,653
<b>Total financial assets</b>	7,310,263	14,374,118	21,684,381
<b>Total non-financial assets</b>			28,729,213
<b>Total assets</b>			50,413,594
<b>Liabilities</b>			
Loans from other group undertakings	—	14,265,046	14,265,046
Financial liabilities designated at fair value	7,310,263	—	7,310,263
Accruals, deferred income and other liabilities	—	108,653	108,653
<b>Total financial liabilities</b>	7,310,263	14,373,699	21,683,962
<b>Total non-financial liabilities</b>			—
<b>Total liabilities</b>			21,683,962

## 12 Investments in subsidiaries

### Movements on investments

	2021 £'000	2020 £'000
<b>Cost</b>		
At 1 Jan	28,729,017	27,729,017
Additions	—	1,000,000
Transfer	(28,729,017)	—
<b>At 31 Dec</b>	—	28,729,017

### Explanation of other movements

In 2021, As part of the wind down process, the Company transferred all its Investments in subsidiaries to its parent entity (Refer Note 10)

### 13 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	Due within 3 months £'000	Due between 3 - 12 months £'000	Due between 1 - 5 years £'000	Due after 5 years £'000	Undated £'000	Total £'000
<b>Assets</b>							
Cash and cash equivalents	611	—	—	—	—	—	611
Loans and advances to other group undertakings	—	—	—	—	—	—	—
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	—	—	—	—	—	—
Prepayments, accrued income and other assets	—	—	—	—	—	—	—
Non-financial assets	—	—	—	—	—	—	—
<b>At 31 Dec 2021</b>	<b>611</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>611</b>
<b>Liabilities and Equity</b>							
Loans from other group undertakings	—	—	—	—	—	—	—
Loans from other group undertakings designated at fair value	—	—	—	—	—	—	—
Accruals, deferred income and other liabilities	—	—	—	—	—	—	—
Non-financial liabilities	—	—	—	—	—	—	—
Equity	—	—	—	—	—	611	611
<b>At 31 Dec 2021</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>611</b>	<b>611</b>

The maturities have been presented as at the 31 December 2021 and the wind down process has no impact on the contractual maturity dates of the assets and liabilities.

	On demand £'000	Due within 3 months £'000	Due between 3 - 12 months £'000	Due between 1 - 5 years £'000	Due after 5 years £'000	Undated £'000	Total £'000
<b>Assets</b>							
Cash and cash equivalents	419	—	—	—	—	—	419
Loans and advances to other group undertakings	—	329,574	—	8,497,861	5,437,611	—	14,265,046
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	—	—	522,918	6,787,345	—	7,310,263
Prepayments, accrued income and other assets	—	40,564	68,089	—	—	—	108,653
Non-financial assets	—	—	—	—	—	28,729,213	28,729,213
<b>At 31 Dec 2020</b>	<b>419</b>	<b>370,138</b>	<b>68,089</b>	<b>9,020,779</b>	<b>12,224,956</b>	<b>28,729,213</b>	<b>50,413,594</b>
<b>Liabilities and Equity</b>							
Loans from other group undertakings	—	329,574	—	8,497,861	5,437,611	—	14,265,046
Loans from other group undertakings designated at fair value	—	—	—	522,918	6,787,345	—	7,310,263
Accruals, deferred income and other liabilities	—	40,564	68,089	—	—	—	108,653
Equity	—	—	—	—	—	28,729,632	28,729,632
<b>At 31 Dec 2020</b>	<b>—</b>	<b>370,138</b>	<b>68,089</b>	<b>9,020,779</b>	<b>12,224,956</b>	<b>28,729,632</b>	<b>50,413,594</b>

### 14 Called up share capital

#### Called up share capital

	2021		2020	
	Number	£'000	Number	£'000
Issued, allotted and fully paid up				
Ordinary shares of £1 each	1	—	150,004	150
<b>At 31 Dec</b>	<b>1</b>	<b>—</b>	<b>150,004</b>	<b>150</b>

All shares rank equally with one vote attached to each fully paid share.

### 15 Contingent liabilities, contractual commitments and guarantees

There were no contingent liabilities or financial guarantee contracts as at 31 December 2021 (2020: nil).

## 16 Management of financial risk

Systems and procedures are in place in the HSBC Group to identify, control and report on the major risks associated with financial instruments which include credit, liquidity and market risk. A Risk Management Meeting of the Group Management Board, chaired by the Group Chief Risk Officer, is held each month to address asset, liability and risk management issues for the HSBC Group. Exposure to these risks is monitored by HSBC Holdings plc's Asset and Liability Committee.

### Credit risk management

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

Credit risk is managed within the overall framework of HSBC policy, with an established risk management process encompassing credit approvals, the control of exposures (including those to borrowers in financial difficulty), credit policy direction to business units and the monitoring and reporting of exposures both on an individual and portfolio basis. The Directors are responsible for the quality of credit portfolios and follow a credit process involving delegated approval authorities and credit procedures, the objective of which is to build and maintain risk assets of high quality.

The Company exposure to credit risk in relation to cash and cash equivalents 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. Credit risk arising from default on other loans is not expected to have a material impact on the Company's net assets.

### Maximum exposure to credit risk

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

2021			
	Maximum exposure £'000	Offset £'000	Net £'000
Cash and cash equivalents	611	—	611
Loans from other group undertakings	—	—	—
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	—	—
Prepayments, accrued income and other assets	—	—	—
<b>At 31 Dec</b>	<b>611</b>	<b>—</b>	<b>611</b>

2020			
	Maximum exposure £'000	Offset £'000	Net £'000
Cash and cash equivalents	419	—	419
Loans from other group undertakings	14,265,046	—	14,265,046
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	7,310,263	—	7,310,263
Prepayments, accrued income and other assets	108,653	—	108,653
<b>At 31 Dec</b>	<b>21,684,381</b>	<b>—</b>	<b>21,684,381</b>

### Liquidity risk management

The Company is not exposed to liquidity risk as its financial assets and financial liabilities are transferred during the wind down process.

### Market risk management

Market risk is the risk that movements in market factors including interest rates, foreign exchange rates or equity and commodity prices will impact the Company's income or the value of its portfolios. Exposure to these risks arises from short-term cash balances and funding positions with other group undertakings.

The objective of the Company risk management strategy is to reduce exposure to these risks and minimise volatility in economic income, cash flows and distributable reserves. The principal tool for managing this is sensitivity analysis of changes in profit before tax to future changes in the exchange rates or interest rate.

### Foreign exchange risk

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

### Interest rate risk

The Company is not exposed to significant interest rate as its interest bearing financial assets and financial liabilities are transferred during the wind down process.

## 17 Related party transactions

### Transactions with other related parties

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

	2021		2020	
	Highest balance during the year 1 £'000	Balance at 31 December £'000	Highest balance during the year 1 £'000	Balance at 31 December £'000
<b>Assets</b>				
Cash and cash equivalents <sup>1</sup>	611	611	100,426	419
Loans and advances to other group undertakings <sup>2</sup>	14,133,710	—	14,751,247	14,265,046
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss <sup>2</sup>	6,103,105	—	7,310,263	7,310,263
Prepayments, accrued income and other assets	141,318	—	201,131	108,653
<b>Liabilities</b>				
Loans from other group undertakings <sup>3</sup>	14,133,710	—	14,751,247	14,265,046
Financial liabilities designated at fair value	6,103,105	—	7,310,263	7,310,263
Accruals, deferred income and other liabilities	141,318	—	201,131	108,653

*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.*

	2021 £'000	2020 £'000
Interest income <sup>1,2</sup>	64,506	276,424
Interest expense <sup>3</sup>	(64,506)	(276,424)
Dividend income <sup>2</sup>	89,723	627,724

*1 These balances are with other related parties comprising of other HSBC Group Companies which are not a parent nor subsidiary of the Company.*

*2 These balances are with subsidiary of the Company.*

*3 These balances are with the parent of the Company.*

The above outstanding balances arose in the ordinary course of business and are on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

## 18 Parent undertakings

The ultimate and immediate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest and smallest group to consolidate these financial statements. Copies of HSBC Holdings plc's consolidated financial statements can be obtained from:

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

## 19 Events after the balance sheet date

The Company is in the process of appointing a liquidator.

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