

HSBC Private Equity Investments (UK) Limited

Registration No: 01440338

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



HSBC Private Equity Investments (UK) Limited

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

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HSBC Private Equity Investments (UK) Limited

Strategic Report

Principal activities

HSBC Private Equity Investments (UK) Limited ('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 principal activity of the Company is to act as an investment company in unlisted companies, by direct investment or through managed funds. No change in the Company's activities is anticipated.

The Company is limited by shares.

Review of the Company's business

During the year, the Company received distributions from its investment and is considered as a return of investment thereby reducing the carrying value to the extent of the distributions received. No new investment commitments were made during the year.

Support services for the Company were provided by HSBC Bank plc. These services included the maintaining of accurate accounting and other records such as cash management and the collection and settlement of receivables and payables as they became due. During the year, no recharges were made in respect of these services.

The Company has no employees, and all the related services are provided by the parent company, HSBC Bank plc.

Section 172 statement

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

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

As a non-trading, investment company, the principal stakeholder of the Company is the Company's parent entity. No decisions were taken by the Board during the year other than those of a routine nature.

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 within the overall Principal Investments business is carried out on a monthly basis.

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 Financial assets designated and otherwise mandatorily measured at fair value through profit or loss, Bank loans and overdrafts and deferred tax as well as within the going concern assessment of the Company.

HSBC Private Equity Investments (UK) Limited

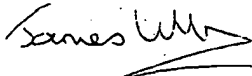
Principal risks and uncertainties

The principal financial risks and uncertainties facing the Company together with an analysis of the exposures to such risks are set out in Note 17 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 Wilkinson
Director

23 August 2023

Registered office
8 Canada square
London E14 5HQ
United Kingdom

HSBC Private Equity Investments (UK) Limited

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
C R J Irvin		16 March 2022
J Wilkinson	11 February 2022	
M Pearce	17 March 2022	

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year 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

No 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 £16,218,994 as at 31 December 2022 (2021: £16,265,598). The intermediate parent undertaking, HSBC Bank plc, will provide financial support to the Company such that the Company is able to operate as a going concern and to settle its liabilities as they fall due for a period of not less than 12 months from the date of authorisation of these financial statements. 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 17 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 Group'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 Private Equity Investments (UK) 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 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.

Approved by the Board on 23 August 2023 and signed on its behalf by:



J Wilkinson
Director

Registered office
8 Canada square
London E14 5HQ
United Kingdom

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, 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.

HSBC Private Equity Investments (UK) Limited

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 and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries with management;
- We sought to identify any journal indicative of a higher risk of fraud using certain defined criteria;
- incorporating an element of unpredictability into our testing; and
- challenging assumptions made by management in accounting estimates.

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.

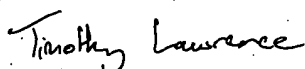
Other required reporting

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.



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

23 August 2023

HSBC Private Equity Investments (UK) Limited

Financial statements

Income statement for the year ended 31 December 2022

		2022	2021
	Notes	£	£
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	2	10,879	59,959
Net operating income		10,879	59,959
General and administrative expenses		(9,890)	(8,820)
Total operating expenses		(9,890)	(8,820)
Operating profit		989	51,139
Profit before tax		989	51,139
Tax credit	6	3,593	916,762
Profit for the year		4,582	967,901

Statement of comprehensive income for the year ended 31 December 2022

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

HSBC Private Equity Investments (UK) Limited

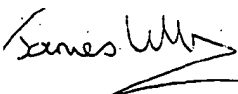
Balance sheet at 31 December 2022

Registration No: 01440338

	Notes	2022 £	2021 £
Assets			
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	12	92,634	148,893
Current tax assets	7	—	81
Total assets		92,634	148,974
Liabilities and equity			
Liabilities			
Trade and other payables	13	18,528	17,640
Bank loans and overdrafts	1a	16,189,903	16,248,039
Current tax liabilities	7	10,563	—
Deferred tax liabilities	6	21,514	35,751
Total liabilities		16,240,508	16,301,430
Equity			
Called up share capital	15	5,000,000	5,000,000
Accumulated losses		(21,147,874)	(21,152,456)
Total equity		(16,147,874)	(16,152,456)
Total liabilities and equity		92,634	148,974

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 August 2023 and signed on its behalf by:



J Wilkinson
Director

HSBC Private Equity Investments (UK) Limited

Statement of cash flows for the year ended 31 December 2022

	2022	2021
	£	£
Cash flows from operating activities		
Profit before tax	989	51,139
Adjustments for:		
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	(10,879)	(59,959)
Net cash used in operating activities	(9,890)	(8,820)
Cash flows from investing activities		
Distributions received from financial investments	67,138	—
Net cash generated from investing activities	67,138	—
Cash flows from financing activities		
Movements in inter-company funding	(57,248)	8,820
Net cash (used in)/generated from financing activities	(57,248)	8,820
Cash and cash equivalents brought forward	—	—
Cash and cash equivalents carried forward	—	—

HSBC Private Equity Investments (UK) 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	5,000,000	(21,152,456)	(16,152,456)
Profit for the year	—	4,582	4,582
Total comprehensive income for the year	—	4,582	4,582
At 31 Dec 2022	5,000,000	(21,147,874)	(16,147,874)
At 1 Jan 2021	5,000,000	(22,120,357)	(17,120,357)
Profit for the year	—	967,901	967,901
Total comprehensive income for the year	—	967,901	967,901
At 31 Dec 2021	5,000,000	(21,152,456)	(16,152,456)

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. Not all of these amendments have been endorsed for use in the UK to date but adoption is not expected to have a significant effect on the financial statements of the Company.

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, modified by revaluation of financial assets designated at fair value.

(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, highlighted as the 'critical accounting estimates and judgements' in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements.

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

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 £16,218,994 as at 31 December 2022 (2021: £16,265,598). The intermediate parent undertaking, HSBC Bank plc, will provide financial support to the Company such that the Company is able to operate as a going concern and to settle its liabilities as they fall due for a period of not less than 12 months from the date of authorisation of these financial statements. 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

Non-interest income and expense

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

(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 until the transaction matures, is closed out, the valuation inputs become observable or Company enters into an offsetting transaction.

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

HSBC Private Equity Investments (UK) Limited

Financial instruments are classified into one of three fair value hierarchy levels, described in Note 10, 'Fair values of financial instruments carried at fair value'.

Critical accounting estimates and judgements

The majority of valuation techniques employ only observable market data. However, certain financial instruments are classified on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them, the measurement of fair value is more judgemental:	
Judgements	Estimates
<ul style="list-style-type: none">An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, a significant proportion of the instrument's inception profit or greater than 5% of the instrument's valuation is driven by unobservable inputs.Unobservable in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used).	<ul style="list-style-type: none">Details on the Company's level 3 financial instruments and the sensitivity of their valuation to the effect of applying reasonable possible alternative assumptions in determining their fair value are set out in Note 10.

(c) Financial instruments 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.

Bank loans held with other group undertakings are classed as financial liabilities as they provide continuing financing for the Company rather than the management of short term cash requirements.

(d) Financial instruments designated at fair value through profit or loss ('FVPL')

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below, and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- a group of financial assets, liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- the financial liability contains one or more non-closely related embedded derivatives.

Designated financial assets are recognised when the Company enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when the Company enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished.

Subsequent changes in fair values are recognised in the income statement in 'Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss'.

(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) 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.

(g) 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.

Bank loans and overdrafts are not considered to be held for the purpose of short term cash management requirements but principally forms part of financing for the Company.

HSBC Private Equity Investments (UK) Limited

2 Net operating income

	2022	2021
	£	£
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	10,879	59,959
Year ended 31 Dec	10,879	59,959

3 Employee compensation and benefits

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

4 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.

5 Auditors' remuneration

The amount incurred by the Company in respect of the statutory audit of these financial statements was £9,709 (2021: £8,820).

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

6 Tax

Tax credit

	2022	2021
	£	£
Current tax		
UK Corporation tax		
- For this year	10,644	(1,764)
- Adjustments in respect of prior years	—	(935,119)
Total current tax	10,644	(936,883)
Deferred tax		
- For this year	(10,637)	11,447
- Effects of changes in tax rates	(3,420)	8,583
- Adjustments in respect of prior years	(180)	91
Total deferred tax	(14,237)	20,121
Year ended 31 Dec	(3,593)	916,762

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

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

The deferred tax asset as at 31 December 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2021: 19%).

Tax reconciliation

	2022		2021	
	£	(%)	£	(%)
Profit before tax	989		51,139	
Tax at 19.00 % (2021: 19.00%)	188	19.0	9,716	19.0
Adjustments in respect of prior years	(180)	(18.2)	935,028	(1,834.7)
Income not taxable	(2,067)	(209.0)	—	—
Impact due to changes in tax rates	(3,420)	(345.8)	8,550	16.8
Chargeable gains	1,886	190.7	—	—
Year ended 31 Dec	(3,593)	(363.3)	916,762	(1,798.9)

7 Current tax

	2022	2021
	£	£
Current tax payable/receivable	(10,563)	81

8 Deferred tax

The following table shows the gross deferred tax liabilities recognised in the balance sheet and the related amounts recognised in the income statement:

	Available-for-sale investments	Available-for-sale investments
	2022	2021
	£	£
At 1 Jan	(35,751)	(15,630)
Income statement charge/(credit)	14,237	(20,121)
At 31 Dec	(21,514)	(35,751)

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A deferred tax asset of £56 (2021: nil) is recognised in respect of AFS reserve transitional adjustments following the adoption of IFRS9 and also the liability in respect of fair value of financial investments of £21,458 (2021: £35,751) is recognised.

9 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.

	FVPL	Amortised cost	Total
	£	£	£
At 31 Dec 2022			
Assets			
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	92,634	—	92,634
Total financial assets	92,634	—	92,634
Total assets			92,634
Liabilities			
Trade and other payables	—	18,528	18,528
Bank loans and overdrafts	—	16,189,903	16,189,903
Total financial liabilities	—	16,208,431	16,208,431
Total non-financial liabilities			32,077
Total liabilities			16,240,508
At 31 Dec 2021			
Assets			
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	148,893	—	148,893
Total financial assets	148,893	—	148,893
Total non-financial assets			81
Total assets			148,974
Liabilities			
Trade and other payables	—	17,640	17,640
Bank loans and overdrafts	—	16,248,039	16,248,039
Total financial liabilities		16,265,679	16,265,679
Total non-financial liabilities			35,751
Total liabilities			16,301,430

10 Fair value of financial instruments carried at fair value

Control framework

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk taker.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Company will source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable. The factors that are considered in this regard are, *inter alia*:

- the extent to which prices may be expected to represent genuine traded or tradable prices;
- the degree of similarity between financial instruments;
- the degree of consistency between different sources;
- the process followed by the pricing provider to derive the data;
- the elapsed time between the date to which the market data relates and the balance sheet date; and
- the manner in which the data was sourced.

For fair values determined using a valuation model, the control framework may include, as applicable, development or validation by independent support functions of: (i) the logic within valuation models; (ii) the inputs to these models; (iii) any adjustments required outside the valuation models; and (iv) where possible, model outputs. Valuation models are subject to a process of due diligence and calibration before becoming operational and are calibrated against external market data on an ongoing basis.

Fair value hierarchy

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

- (a) Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.
- (b) Level 2 - valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- (c) Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

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Financial instruments carried at fair value and bases of valuation

	2022			
	Level 1 £	Level 2 £	Level 3 £	Total £
Recurring fair value measurements at 31 Dec				
Assets				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	—	92,634	92,634
2021				
Recurring fair value measurement at 31 Dec				
Assets				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	—	148,893	148,893

Fair value adjustments

Fair value adjustments are adopted when the Company determines there are additional factors considered by market participants that are not incorporated within the valuation model. Movements in the level of fair value adjustments do not necessarily result in the recognition of profits or losses within the income statement, such as when models are enhanced and fair value adjustments may no longer be required.

Fair valuation bases

Financial instruments measured at fair value using a valuation technique with significant unobservable inputs - Level 3

	Financial investments	
	2022 £	2021 £
Private equity investments	92,634	148,893

Private equity investments

The Company's investments in equity shares are generally not traded in active markets. The investment's fair value is estimated on the basis of an analysis of the investee's financial position and results or by reference to the Net asset Values ('NAV'). The key unobservable input for these investments is the NAV.

Reconciliation of fair value measurements in Level 3 financial instruments

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 financial instruments:

	Financial investments	
	2022 £	2021 £
At 1 Jan	148,893	88,934
- Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	10,879	59,959
- Distributions received during the year	(67,138)	—
At 31 Dec	92,634	148,893

Key unobservable inputs to Level 3 financial instruments

The table below lists key unobservable inputs to Level 3 financial instruments, and provides the range of those inputs at 31 December 2022. The core range of inputs is the estimated range within which 90% of the inputs fall.

Quantitative information about significant unobservable inputs in level 3 valuations

	Fair value		Key unobservable inputs
	Assets £'000	Valuation technique	
Private equity investments	92,634	See below	Fund Valuation
At 31 Dec 2022	92,634		
Private equity investments	148,893	See below	Fund Valuation
At 31 Dec 2021	148,893		

Given the bespoke nature of the analysis in respect of each holding, it is not practical to quote a range of key unobservable inputs.

11 Fair value of financial instruments not carried at fair value

There are no material differences between the carrying value and the fair value of financial assets and liabilities at 31 December 2022 and 31 December 2021.

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12 Financial assets designated and otherwise mandatorily measured at fair value through profit or loss

	2022 £	2021 £
Equity instruments		
At 1 Jan	148,893	88,934
Distributions received during the year	(67,138)	—
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	10,879	59,959
At 31 Dec	92,634	148,893

Financial assets designated and otherwise mandatorily measured at fair value through profit and loss account

	2022			2021		
	Designated at fair value	Mandatorily measured at fair value	Total	Designated at fair value	Mandatorily measured at fair value	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Private equity investments	—	92,634	92,634	—	148,893	148,893
At 31 Dec	—	92,634	92,634	—	148,893	148,893

The Company's principal investments as at 31 December 2021 and 31 December 2022 are listed below:

	Country of incorporation	Interest in equity capital (%)	Share class
HSBC Private equity Portfolio (Investment) LP incorporated	Guernsey	100.00	Partnership equity

The Company is a limited partner in the above investments; it does not have a representative on the board of the investments and also do not participate in running the Limited partnership activities. All the decisions are taken by the general partner of the funds. Hence, it is considered that the Company does not exercise significant influence in this investments. As the Company has no control over the investments, it does not meet the criteria of a subsidiary or an associate and is therefore accounted for as financial investments.

13 Trade and other payables

	2022 £	2021 £
Amounts owed to other group undertakings	18,528	17,640

14 Bank loans and overdrafts

	2022 £	2021 £
Amounts due to other group undertakings	16,189,903	16,248,039

Amounts due to other group undertakings are non-interest bearing, have no fixed date for repayment and are therefore technically repayable on demand.

15 Maturity analysis of assets and liabilities

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

	On demand £	Undated £	Total £
Assets			
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	92,634	92,634
At 31 Dec 2022	—	92,634	92,634
Liabilities and Equity			
Trade and other payables	18,528	—	18,528
Bank loans and overdrafts	16,189,903	—	16,189,903
Non-financial liabilities	—	32,077	32,077
Equity	—	(16,147,874)	(16,147,874)
At 31 Dec 2022	16,208,431	(16,115,797)	92,634
Assets			
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	148,893	148,893
Non-financial assets	—	81	81
At 31 Dec 2021	—	148,974	148,974
Liabilities and Equity			
Trade and other payables	17,640	—	17,640
Bank loans and overdrafts	16,248,039	—	16,248,039
Non-financial liabilities	—	35,751	35,751
Equity	—	(16,152,456)	(16,152,456)
At 31 Dec 2021	16,265,679	(16,116,705)	148,974

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16 Called up share capital

	2022		2021	
	Number	£	Number	£
Issued, allotted and fully paid up				
Ordinary shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000
As at 1 Jan and 31 Dec	5,000,000	5,000,000	5,000,000	5,000,000

17 Management of financial risk

Exposure to liquidity risk and market risk arises in the normal course of the Company's business. The Company's risk management policies are consistent with the HSBC Group's risk management policies.

As part of that process, the Business' management will review the monthly management accounts of the Business. There were no changes in the Company's approach to risk management during the year.

Liquidity risk management

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

The Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from parent undertakings.

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

	On Demand £	Total £
Trade and other payables	18,528	18,528
Bank loans and overdrafts	16,189,903	16,189,903
At 31 Dec 2022	16,208,431	16,208,431
Trade and other payables	17,640	17,640
Bank loans and overdrafts	16,248,039	16,248,039
At 31 Dec 2021	16,265,679	16,265,679

Market risk management

Market risk is the risk that movements in market factors including interest rates and investment values will impact the Company's income. The Company's exposure to market risk is not significant.

18 Related party transactions

Transactions with other related parties

Transactions detailed below include amounts due to HSBC Bank plc.

	2022		2021	
	Highest balance during the year ¹ £	Balance at 31 December £	Highest balance during the year ¹ £	Balance at 31 December £
Liabilities				
Bank loans and overdrafts	16,248,039	16,189,903	16,248,039	16,248,039
Trade and other payables	22,271	18,528	17,640	17,640

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

19 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 Equity (UK) Limited. All companies are registered in England and Wales.

The results of the Company are included in the group 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

20 Events after the balance sheet date

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