Griffin International Limited

Registration No: 1271552

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

HSBC

Griffin International Limited

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

Contents

Strategic Report

Principal activities

Griffin International Limited's (the 'Company') principal activity is to act as an investment holding company.

The Company is a private limited company domiciled and incorporated in the United Kingdom and registered in England and Wales.

The Company is limited by shares.

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 intermediate holding company, the principal stakeholder of the Company is the Company's parent entity. The following examples of principal decisions during 2021 demonstrates how the Board considered the interests of stakeholders in its decision making:

- The declaration of a dividend. In making this decision, the Board took into consideration the profits available for distribution, the dividend policy, the capital position, the long-term interests of the Company and the interests of the Group as a whole.
- In May 2021 the Company approved a gift in cash for nil consideration to its subsidiary, HSBC Europe B.V. to fund the acquisition by HSBC Europe B.V. of the remaining 30% interest in one of its own subsidiaries, HSBC Armenia csjc. The gift in cash has been down streamed from HSBC Bank plc to Midcorp Limited.

Performance

The Company's results for the year and financial position as at 31 December 2021 are as detailed in the income statement and the balance sheet on page 8 and page 9 of these financial statements respectively.

During the year, the Company received dividend income from its subsidiary HSBC Europe B.V. of £42,579k (2020: nil).

During the year, one of the Company's subsidiaries, HSBC Europe B.V., acquired the remaining 30% interest in one of its own subsidiaries, HSBC Armenia cjsc, where a 70% interest was previously held. Funding for the acquisition was in the form of a capital contribution of £16,700k from HSBC Bank plc by way of a gift in cash for nil consideration. The gift in cash has been down streamed from HSBC Bank plc to HSBC Europe B.V. through its intermediate parents, being Midcorp Limited and the Company. The gift in cash for nil consideration received by the Company from its parent, Midcorp Limited, was £16,161k in proportion the shareholding held by Midcorp Limited. Subsequently, the Company has provided a gift in cash for nil consideration amounting to £16,161k to its subsidiary, HSBC Europe B.V. The impact of the transaction in the Company has increased the cost of investments in subsidiaries by £16,161k with a corresponding increase to reserves.

Key performance indicators

As the Company is managed as part of a global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of HSBC Bank plc. Ongoing review of the performance of the Company is carried out by comparing actual performance against annually set budgets.

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 10 of the financial statements.

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

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

Climate risk developments are managed at HSBC group level across key risk areas, priority regions and business lines. It is not considered that there is any significant risk from climate change to the Company as an individual entity nor for its individual subsidiaries.

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. The Company's subsidiary, HSBC Europe B.V., holds an investment in a subsidiary based in Russia, HSBC Bank (RR) (Limited Liability Company). The business of the subsidiary principally serves multinational corporate clients headquartered in other countries and is not accepting new business or customers, and is consequently on a declining trend. It may become subject to further restrictions, or other developments, which may make continued operations in Russia untenable. Therefore, the position in respect of impairment is being regularly assessed by management of HSBC Europe B.V. However, it is considered that HSBC Europe B.V. has sufficient reserves to mitigate the risk of a significant future impairment.

On behalf of the Board

K M Blackburn
Director

5 August 2022

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

Report of the Directors

Directors

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

Name	Appointed	Resigned
A B Kabra		
P J Reid		28 February 2021
J Fleurant		30 September 2021
R M Blackburn	1 March 2021	
M N Gillen	30 September 2021	

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

Dividends of £42,579k were declared and paid to its parent Midcorp Limited during the year ended 31 December 2021 (2020: nil).

Significant events since the end of the financial year

In March 2022, one of the Company's wholly owned subsidiaries, HSBC Securities Services (Ireland) DAC ('HSSI') received a capital injection of £22,698,040. The funding for this was provided by one of the Company's parents, HSBC Bank plc, by way of a gift in cash for nil consideration. The gift in cash has been down streamed to HSSI through its intermediate parents including Midcorp Limited and the Company. The gift in cash for nil consideration received by the Company from its parent, Midcorp Limited, was £22,698,040. Subsequently, the Company provided a gift in cash for nil consideration to its subsidiary, HSBC Europe B.V. The impact of the transaction in the Company has increased the cost of investments in subsidiaries by £22,698,040 with a corresponding increase to reserves.

On 27 May 2022, the Company received a dividend of £19,353,984 from its wholly owned subsidiary, HSBC Europe B.V. and subsequently paid a dividend of £19,353,984 to its parent company, Midcorp Limited.

In June 2022, the Company's subsidiary, HSBC Europe B.V., entered into an agreement to sell its wholly owned subsidiary, HSBC Bank (RR) (Limited Liability Company), subject to regulatory approvals. As a result of the agreement, a loss of £115m was recognised by HSBC Europe B.V. in 2022. However, no impairment to the valuation of investments in subsidiaries held by the Company was considered to be required as the net asset value of the remaining investments in HSBC Europe B.V. was higher than the carrying value held by the Company.

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

Future developments

No change in the Company's activities is expected.

Going concern basis

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

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 10 of 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 has expressed its willingness to continue in office and the Board recommends that PwC be re-appointed as the Company's independent 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 regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Company 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether 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 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 5 August 2022 and signed on its behalf by:

R M Blackburn
Director

5 August 2022

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Independent auditors' report to the members of Griffin International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Griffin International 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: the balance Sheet as at 31 December 2021; the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Reporting on other information

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

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

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

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

Strategic report and Report of the Directors

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and Corporate tax legislation. 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:

- Discussing with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Performing risk assessment analytical procedures to identify any unusual or unexpected relationships, transactions outside the normal course of business or that may be indicative of a material misstatement due to fraud;
- Performing testing over manual journals based on specific risk parameters to address the risk of fraud through management override of controls ; and
- Challenging assumptions made by management in its significant 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.

Christopher J Dalton

Christopher Dalton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP.
Chartered Accountants and Statutory Auditors
London

5 August 2022

Financial statements

Income statement for the year ended 31 December 2021

	Note	2021 £	2020 £
Dividend income		42,578,765	–
Profit before tax		42,578,765	–
Tax	5	–	–
Profit after tax		42,578,765	–

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).

Griffin International Limited

Balance sheet at 31 December 2021
Registration No: 1271552

	Notes	2021 £	2020 £
Assets			
Investments in subsidiaries	*6*	**16,161,124**	–
Trade and other receivables	*7*	**2**	2
Total assets		**16,161,126**	2
Equity			
Called up share capital	*8*	**2**	2
Retained earnings		**16,161,124**	–
Total equity		**16,161,126**	2
Total liabilities and equity		**16,161,126**	2

The accompanying notes on pages 12 to 16 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 5 August 2022 and signed on its behalf by:

R M Blackburn
Director

Statement of cash flows for the year ended 31 December 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit before tax	42,578,765	–
Net cash generated from operating activities	42,578,765	–
Cash flows from investing activities		
Purchase of interest in subsidiaries	(16,161,124)	–
Net cash used in investing activities	(16,161,124)	–
Cash flows from financing activities		
Capital contribution	16,161,124	–
Dividends paid	(42,578,765)	–
Net cash used in financing activities	(26,417,641)	–
Net (decrease)/increase in cash and cash equivalents	–	–
Cash and cash equivalents brought forward	–	–
Cash and cash equivalents carried forward	–	–

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

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 Jan 2021	**2**	**–**	**2**
Profit for the year	–	42,578,765	42,578,765
Total comprehensive income for the year	–	42,578,765	42,578,765
Dividends to shareholders	–	(42,578,765)	(42,578,765)
Purchase of interest in subsidiaries	–	16,161,124	16,161,124
At 31 Dec 2021	**2**	**16,161,124**	**16,161,126**

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 Jan 2020	2	–	2
Result for the year	–	–	–
Total comprehensive result for the year	–	–	–
At 31 Dec 2020	2	–	2

Dividend per share

Dividend per ordinary share for the year was £21,289,383 (2020: nil).

Equity is wholly attributable to ordinary shareholders of Griffin International 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 ('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 2021 affecting these financial statements.

Standards adopted during the year ended 31 December 2021

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 International Accounting Standards Board ('IASB') has not published any minor amendments 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.

New IFRSs

IFRS 17 'Insurance Contracts'

The IASB has published IFRS 17 'Insurance Contracts' which is effective from 1st January 2023. IFRS 17 has not yet been endorsed in the UK but is not expected to have a significant impact on the financial statements of the Company.

(c) Foreign currencies

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 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.

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

(e) Critical accounting estimates and judgements

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

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

(f) Going concern

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

1.2 Summary of significant accounting policies

(a) Income and expense

Non-interest income and expense

Dividend income

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.

On receipt of a dividend, the Directors consider whether it represents a return on capital or a return on investment, or both. The proportion of a dividend that represents a return on capital is offset against the carrying value of the investment. The proportion that represents a return on investment is taken to the income statement.

(b) Investments in subsidiaries

The Company classifies investments in entities in which it controls as subsidiaries. For the purpose of determining this classification, the Company is considered to have control of an entity when it is exposed, or has rights to variable returns from its involvements with the entity and has the ability to affect those returns through its power over the entity.

The Company's investments in subsidiaries are stated at cost less impairment losses and any return of capital.

Critical accounting estimates and judgements

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired. Impairment testing involves significant judgement in determining the value in use, and in particular estimating the present values of cash flows expected to arise from continuing to hold the investment and the rates used to discount these cash flows.

(c) Financial instruments measured at amortised cost

Trade and other receivables

These include trade and other receivables originated by the Company, not classified as held for trading or designated at fair value. They are recognised when cash is advanced to a borrower and are derecognised when either the borrower repays its obligations, or the receivables are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment allowances.

(d) 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.

(e) 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.

(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.

2 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.

3 Auditors' remuneration

Certain expenses including auditors' remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before taxation. The auditors' remuneration borne on behalf of the Company amounted to £ 3,308 (2020: £ 3,308).

There were no non-audit fees incurred during the year (2020: nil).

4 Employee compensation and benefits

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

5 Tax

Tax expense

	2021	2020
	£	£
Current tax		
- For this year	–	–
Total current tax	–	–
Total tax expense for the year ended 31 December	–	–

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. This will increase the company's future current tax charge accordingly.

Tax reconciliation

	2021		2020	
	£	(%)	£	(%)
Profit before tax	42,578,765		–	
Tax at 19.00% (2020: 19.00%)	8,089,965	19.0	–	–
Non-taxable income and gains	(8,089,965)	(19.0)	–	–
Total tax charged to income statement	–	–	–	–

6 Investments in subsidiaries

	2021	2020
	£	£
Purchase of interest in subsidiaries	16,161,124	–
At 31 Dec	16,161,124	–

	Country of incorporation	Interest in equity capital (%)	share class	No.of shares	Nominal Value Per Share€
HSBC Europe B.V.	Netherlands	96.77	Ordinary	6,613,299	0.01

Following a repurchase of share capital by the Company's subsidiary HSBC Europe B.V. in 2012, the Company holds 96.77% ownership of the ordinary share capital of HSBC Europe B.V. at nil cost.

Details of the Company's subsidiaries, as required under Section 409 of the Companies Act 2006 are set out in Note 15.

During the year, one of the Company's subsidiaries, HSBC Europe B.V., acquired the remaining 30% interest in one of its own subsidiaries, HSBC Armenia cjsc, where a 70% interest was previously held. Funding for the acquisition was in the form of a capital contribution of £16,700k from HSBC Bank plc by way of a gift in cash for nil consideration. The gift in cash has been down streamed from HSBC Bank plc to HSBC Europe B.V. through its intermediate parents, being Midcorp Limited and the Company. The gift in cash for nil consideration received by the Company from its parent, Midcorp Limited, was £16,161k in proportion the shareholding held by Midcorp Limited. Subsequently, the Company has provided a gift in cash for nil consideration amounting to £16,161k to its subsidiary, HSBC Europe B.V. The impact of the transaction in the Company has increased the cost of investments in subsidiaries by £16,161k with a corresponding increase to reserves.

7 Trade and other receivables

	2021	2020
	£	£
Amounts owed by other group undertakings	2	2
At 31 Dec	2	2

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

8 Called up share capital

	2021		2020	
	Number	£	Number	£
Issued, allotted and fully paid up				
Ordinary shares of £1 each	2	2	2	2
As at 1 Jan and 31 Dec	2	2	2	2

9 Dividends

	2021		2020	
	£	Total per share £	£	Total per share £
Interim dividend	42,578,765	21,289,383	–	–
Total	42,578,765	21,289,383	–	–

10 Management of financial risk

The Company has exposure to the following types of risk arising from its use of financial instruments: credit risk.

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

Exposure to credit 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.

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

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

Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations under a contract. No significant credit risk arises on the amounts owed by other group undertakings.

11 Fair values

There are no material differences between the carrying value and the fair value of financial assets and liabilities as at 31 December 2021 and 31 December 2020.

12 Related party transactions

Balances and transactions with related parties are summarised below:

Transactions detailed below include amounts due to/from other group undertakings:

	2021		2020	
	Highest balance during the year	Balance at 31 December	Highest balance during the year	Balance at 31 December
	£	£	£	£
Assets				
Trade and other receivables	2	2	2	2

	2021	2020
	£	£
Income statement		
Dividend income	42,578,765	–
Dividend paid	(42,578,765)	–

13 Parent undertakings

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

The immediate parent undertaking is Midcorp Limited. All companies are registered in England and Wales.

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

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

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

14 Events after the balance sheet date

In March 2022, one of the Company's wholly owned subsidiaries, HSBC Securities Services (Ireland) DAC ('HSSI') received a capital injection of £22,698,040. The funding for this was provided by one of the Company's parents, HSBC Bank plc, by way of a gift in cash for nil consideration. The gift in cash has been down streamed to HSSI through its intermediate parents including Midcorp Limited and the Company. The gift in cash for nil consideration received by the Company from its parent, Midcorp Limited, was £22,698,040. Subsequently, the Company provided a gift in cash for nil consideration to its subsidiary, HSBC Europe B.V. The impact of the transaction in the Company has increased the cost of investments in subsidiaries by £22,698,040 with a corresponding increase to reserves.

On 27 May 2022, the Company received a dividend of £19,353,984 from its wholly owned subsidiary, HSBC Europe B.V. and subsequently paid a dividend of £19,353,984 to its parent company, Midcorp Limited.

In June 2022, the Company's subsidiary, HSBC Europe B.V., entered into an agreement to sell its wholly owned subsidiary, HSBC Bank (RR) (Limited Liability Company), subject to regulatory approvals. As a result of the agreement, a loss of £115m was recognised by HSBC Europe B.V. in 2022. However, no impairment to the valuation of investments in subsidiaries held by the Company was considered to be required as the net asset value of the remaining investments in HSBC Europe B.V. was higher than the carrying value held by the Company.

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

15 Subsidiary undertakings

In accordance with Section 409 of the Companies Act 2006 a list of the Company's subsidiaries, the registered office address and the effective percentage of equity owned at 31 December 2021 is disclosed below.

Subsidiaries	Interest %	Footnotes
HSBC Europe B.V.	96.77	1,7
HSBC Bank (RR) (Limited Liability Company)	96.77	2,5
HSBC Securities Services Holdings (Ireland) DAC	96.77	1,3
HSBC Securities Services (Ireland) DAC	96.77	1,3
HSBC Custody Services (Guernsey) Limited	96.77	1,8
Banco Nominees 2 (Guernsey) Limited	96.77	1,8
Banco Nominees (Guernsey) Limited	96.77	1,8
HSBC Securities Services (Guernsey) Limited	96.77	1,8
HSBC Bank Armenia cjsc	96.77	1,6
HSBC Bank Malta plc	67.77	1,4
HSBC Life Assurance (Malta) Limited	67.77	1,9
HSBC Global Asset Management (Malta) Limited	67.77	1,9

Footnotes

Reference	Description of shares
1	Ordinary shares
2	Limited liability company shares

Reference	Registered offices
3	1 Grand Canal Square Grand Canal Harbour Dublin 2, D02 P820 Ireland
4	116 Archbishop Street Valletta Malta
5	2 Paveletskaya square, building 2 115054 Moscow Russia
6	66 Teryan street Yerevan 9 Armenia
7	8 Canada Square London E14 5HQ United Kingdom
8	Arnold House St Julians Avenue St Peter Port, GY1 3NF Guernsey
9	80 Mill Street Qormi QRM 3101 Malta