HSBC Trust Company (UK) Limited

Registration No: 106294

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

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Strategic Report

Principal activities

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

The company is an authorised bank under the Financial Services and Markets Act 2000, authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA').

The company's principal activity is to provide wealth management services and products to customers of HSBC Holdings plc together with its subsidiaries ('HSBC Group') in the UK including trusteeships. The company has no direct employees, with all related services provided by the immediate parent undertaking HSBC UK Bank plc ('HSBC UK').

Any reference to employees in this document is referring to employees of the parent entity.

The company is limited by shares.

Review of the Company

During 2021, the company continued to deliver on strategic decisions as it sought to restructure, simplify activities and de-risk the company. One of the impacts of this was lower income than in the prior year. The repositioning of the company over the past year has seen the assets under management and associated revenues decline following the planned migration of products to the parent.

Performance

The company's results for the year under review are as detailed in the income statement shown on page 12 of these financial statements.
The performance of the company has recorded a loss of £377 this year (2020: Loss of £367,000). The total asset value of the company as at 31 December 2021 amounts to £26,456,000 (2020: £55,293,000).

The primary mover of the year on year performance movement was reduced operating costs following the migration of the Child Trust Fund ('CTF') book in 2020 and lower regulatory costs. Fee and commission income has also decreased due to the migration, partially offset by higher Trusts FUM.

The CTF migration completed on 28th June 2020 whereby a total of £0.586bn FUM across 300,711 customers was migrated and was included in the 2020 accounts.

Section 172 Statement

Stakeholder views and Decision-making

In overseeing the business and exercising its duty to promote the long-term success of the company for the benefit of its stakeholders as a whole, the Board takes account of various factors, including: the views and interests of relevant stakeholder groups, the likely consequences and potential impact of a decision in the long term, and the need to act fairly between the company's stakeholders.

To assist the Directors in complying with their statutory duties, understanding the company's stakeholders and taking informed decisions, they are provided with comprehensive induction programmes and an ongoing training programme. The Directors frequently engage, individually and collectively, with management and are provided with relevant, timely and accurate information both at and between Board meetings. This is supplemented by direct engagement with key stakeholders, internal and external subject matter experts and independent advisers, as appropriate.

The Board recognises the benefits of open and constructive dialogue with the company's stakeholders, whether directly by Directors or indirectly through management engagement. It enables the Board to develop an understanding of the different needs and expectations to be taken into account when setting the company's strategy and operating the business in a sustainable way. The extent to which each stakeholder group is engaged with and contemplated depends on the matter or issue under consideration. Often, the Board is required to balance conflicting needs and expectations between respective stakeholder groups in order to reach a decision that it considers to be in the long term interests of the company and its stakeholders overall. The outcome may, therefore, not be favourable to all stakeholders, all of the time.

Stakeholder Engagement

The Covid-19 pandemic restrictions continued to materially impact the Board's ability to engage with its stakeholders in 2021, particularly in-person meetings. However, the Directors sought alternative ways to engage and have regard to its stakeholders over the year, in particular receiving regular reports from management on issues concerning its stakeholders. The Board considers its stakeholders to be the people who work for us, bank with us, own us, regulate us and live in the societies we serve. The Board recognises that building strong relationships with our stakeholders will help deliver the company's strategy in line with its long-term values, and operate the business in a sustainable way.

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
J Coyle	01 March 2016	
P M Spencer	11 April 2016	
J E Hewitson	01 January 2020	

The Articles of Association of the company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. All Directors have the benefit of directors' and officers' liability insurance.

Dividends

The company's directors have approved an interim dividend of £5,000,000 in respect of the year ended 31 December 2021. See Note 6 of the financial statements.

Significant events since the end of the financial year

In its assessment of events after the balance sheet date, the company has considered and concluded that no material events have occurred resulting in adjustments to the financial statements.

Future developments

The company continues to work closely with its parent undertaking, HSBC UK Bank plc, to implement the optimum strategic solutions for the provision of Wealth Management services to HSBC Customers in the UK.

The board has agreed to migrate CISA to HBUK by June 2022. There are currently no plans for further migration but this is regularly reviewed. HTCU will not issue new products or take on new business in the foreseeable future, but current responsibilities will be maintained.

Going concern basis

The Directors consider it appropriate to prepare the financial statements on a going concern basis. In making their going concern assessment, the Directors have considered a wide range of detailed information relating to present and potential conditions, including profitability, cash flows, capital requirements, Covid-19 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, as required under Part 1 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, are set out in Note 19 of the Notes on the financial statements.

The Covid-19 outbreak continues to dominate the political and economic landscape as it did throughout much of 2021. The twin shocks of a public health emergency and the resultant economic fallout have been felt around the world, and hit both advanced and emerging markets. The closure of borders threatened medical and food supplies for many markets, and there is the potential for countries and territories to focus efforts on building resilient supply chains closer to home to be less vulnerable to global shocks. In addition to this increasing inflation is also impacting the economy. We have actively managed the risks resulting from the Covid-19 outbreak and its impacts on our customers and operations during 2021.

Report of the Directors (continued)

Capital management

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

Pillar 3 of the Basel regulatory framework is related to market discipline and aims to make financial services firms more transparent by requiring publication of wide-ranging information on their risks, capital and management. Separate Pillar 3 disclosures are not required for the company as the company is included in the consolidated Pillar 3 disclosures of HSBC UK Bank plc. These Pillar 3 Disclosures at 31 December 2021 are published on HSBC Group's website, www.hsbc.com, under 'Investors'.

The PRA is the supervisor of the company. The PRA sets capital requirements and receives information on the capital adequacy of the company. The company complied with the PRA's capital adequacy requirements throughout 2021.

Our policy and practice in capital measurement and allocation for the company is underpinned by the Capital Requirements Regulation and Directive, as implemented ('CRR II') rules and any national discretions applied by the PRA.

The Basel III framework is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline. Basel III introduced a number of capital buffers, including the Capital Conservation Buffer, Countercyclical Capital Buffer and other systemic risk buffers. CRR II legislation implemented Basel III in the EU, and the 'PRA Rulebook' for CRR Firms transposed the various national discretions under the CRR II legislation into UK requirements.

The PRA confirmed in April 2020 that it would maintain current Systemic Risk Buffer ('SRB') rates, and those of any successor buffer and next reassess them in December 2021, with any decision taking effect from January 2023. Therefore, the company remains subject to a SRB of 1% of total RWAs.

Regulatory capital

The company's capital base is made up of common equity tier 1. Common equity tier 1 capital is the highest quality form of capital, comprising shareholders' equity.

The company is regulated by the FCA7. The FCA's General Prudential sourcebook ('GENPRU') provides rules for calculating the actual capital and minimum capital resources requirements of the company. The company is expected to maintain capital at above the minimum requirement at all times.

Calculation of actual capital

	2021 £000	2020 £000
Tier 1 capital		
Shareholders' equity	15,076	15,076
Common equity tier 1 capital	15,076	15,076
Tier 1 capital	15,076	15,076
Total regulatory capital	15,076	15,076
Risk-weighted assets (Unaudited)		
Credit and counterparty risk	1,197	1,330
Operational risk	17,260	39,667
Total	18,457	40,997
Capital ratios (%)		
Common equity tier 1 ratio	81.68(%)	36.77(%)
Tier 1 ratio	81.68(%)	36.77(%)
Total capital ratio	81.68(%)	36.77(%)

The company held capital resources above the minimum requirement throughout the year.

Independent auditors

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

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards. In preparing the financial statements, the directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB).

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 and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Approved by the Board on 29 March 2022 and signed on its behalf by:

J. Hewitson

J E Hewitson
Director

8 Canada Square
London E14 5HQ

Independent auditors' report to the members of HSBC Trust Company (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, HSBC Trust Company (UK) 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 loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Our opinion is consistent with our reporting to the Board of Directors.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, the company, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the company financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 4 to the financial statement, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

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

Key audit matters

- Revenue recognition-trust management fees

Materiality

- Overall materiality: £263,810 (2020: £552,000) based on 1% of total assets.
- Performance materiality: £197,858 (2020: £415,000).

The scope of our audit

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

Key audit matters

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

This is not a complete list of all risks identified by our audit.

Revenue recognition with respect to trust management fees is a new key audit matter this year. Impact of Coronavirus disease ("COVID-19"), which was a key audit matter last year, is no longer included because we deem our consideration of this area in the current year to be adequately captured by our other key audit matters and the overall risk and uncertainty around COVID-19 has declined due to better preparedness and responses over the past year. Based on this we believe that it does not represent an area of increased audit attention in its own right.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition-Trust Management Fees Refer to Notes on the financial statements, Note 1.2 (a) and Note 2 Operating (Loss). Fees are generated from various revenue streams, much of which is automatically calculated by a system and requires no management intervention or judgment. The processing of trust management fee income does however involve different contractual terms and manual intervention and is therefore considered to be more complex in nature with an associated higher risk of misstatement.	We have performed substantive testing procedures to achieve an appropriate level of audit evidence in relation to management fee income. Our procedures included the following testing: • Tested a sample of customer contracts agreeing relevant details to the information maintained on the system. • On a sample basis we reperformed the calculation of fee income based on the terms and conditions per the customer contract and compared this to the revenue that had been recognised. • For a sample of assets held within the trust arrangements we performed testing over the market value of the assets held on which the associated fee income is based. • We tested a sample of manual journals, focusing on those considered to have higher risk characteristics, seeking appropriate evidence to support the journal postings.

How we tailored the audit scope

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

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

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

Overall company materiality	£263,810 (2020: £552,000).
How we determined it	1% of total assets
Rationale for benchmark applied	We believe that total assets is a key measure used by the shareholders in assessing performance of the entity and is a generally accepted auditing benchmark. Recent product migrations have impacted the size and complexity of the entity's business and have reduced the company's revenues as well as profitability and as such, total assets was determined to be the most relevant benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £197,858 (2020: £415,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above £13,191 (2020: £27,600) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Evaluation of management's assessment of financial resource plan and current and future projections of profitability, cash flows and capital requirements and capital resources.

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, 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 Financial Conduct Authority's ("FCA") regulations, the Prudential Regulation Authority's ("PRA") regulations, Anti-Bribery and Corruption legislation, Anti-Money Laundering legislation and the 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 and judgments. Audit procedures performed by the engagement team included:

- challenging estimates and judgements made by management in their significant accounting estimates, in particular in relation to the provision for customer remediation and identifying and testing journal entries, in particular unexpected journals combination posted to revenue, journals that are created and approved by the same person, which were backdated, those which are apparent duplicates or reversals of each other or those posted by senior management. Audit procedures performed by the engagement team included a review of the financial statement disclosures to underlying supporting documentation, review of correspondence with regulators including the FCA and PRA, enquiries of management and review of internal audit reports in so far as they relate to the financial statements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Board of Directors, we were appointed by the directors on 31 March 2015 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2016 to 31 December 2021.

Hamish Anderson

Hamish Anderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
29th March 2022

Financial statements

Income statement for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Interest income		6	33
Interest expense		—	(3)
Net interest income	2	6	30
Fee and commission income		4,013	4,412
Net fee income	3	4,013	4,412
Net operating income		4,019	4,442
General and administrative expenses		(4,020)	(5,574)
Total operating expenses	2	(4,020)	(5,574)
Operating Loss		(1)	(1,132)
Loss before tax		(1)	(1,132)
Tax credit	5	1	137
Profit/ (Loss) after tax from continuing operations		—	(995)
Profit/ (Loss) after tax from discontinued operations		—	628
Profit / (Loss) for the period		—	(367)

Statement of comprehensive income for the year ended 31 December 2021

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

Balance sheet at 31 December 2021

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	Notes	2021 £'000	2020 £'000
Assets			
Loans and advances to banks	9	25,042	53,671
Loans and advances to customers	10	297	329
Accrued income		36	—
Other assets	13	1,075	1,151
Current tax assets	5	1	137
Investments in subsidiaries	12	5	5
Total assets		26,456	55,293
Liabilities and equity			
Liabilities			
Customer accounts	14	6,364	19,484
Bank overdrafts with parent undertakings	9	2,661	14,752
Accruals, deferred income and other liabilities	15	2,213	5,591
Current tax liabilities	5	—	—
Provisions	16	142	390
Total liabilities		11,380	40,217
Equity			
Called up share capital	18	—	—
Retained earnings		15,076	15,076
Total equity		15,076	15,076
Total liabilities and equity		26,456	55,293

The accompanying notes on pages 16 to 26 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29 March 2022 and signed on its behalf by:

J. Hewitson

J E Hewitson
Director

Statement of cash flows for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
(Loss) before tax from continuing operations		(1)	(1,132)
Profit before tax from discontinued operations		—	628
Adjustments for:			
Change in operating assets	7	72	3,893
Change in operating liabilities	7	(16,746)	(7,597)
Tax credit received/(paid)		137	(3,510)
Net cash used in operating activities		(16,538)	(7,718)
Cash flows from financing activities			
Dividends paid		—	(9,400)
Net cash used in financing activities		—	(9,400)
Net decrease in cash and cash equivalents		(16,538)	(17,118)
Cash and cash equivalents brought forward		38,919	56,037
Cash and cash equivalents carried forward	7&9	22,382	38,919

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

	Called up share capital	Share Premium	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 Jan 2021	—	—	15,076	15,076
Loss for the year	—	—	—	—
Total comprehensive expense for the year	—	—	—	—
Dividends to shareholders	—	—	—	—
At 31 Dec 2021	—	—	15,076	15,076

At 1 Jan 2020	—	—	24,843	24,843
Loss for the year	—	—	(367)	(367)
Total comprehensive expense for the year	—	—	(367)	(367)
Dividends to shareholders	—	—	(9,400)	(9,400)
At 31 Dec 2020	—	—	15,076	15,076

Equity is wholly attributable to the equity shareholder of HSBC Trust Company (UK) Limited.

Notes on the financial statements

1. Basis of preparation and significant accounting policies

The financial statements of the company have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ('IFRSs'). The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

1.1. Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. These financial statements are also prepared in accordance with International Financial Reporting Standards (IFRSs') as issued by the International Accounting Standards Board (IASB), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRSs as issued by the IASB for the periods presented. 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 HSBC Trust Company (UK)" in 2021. Accounting policies have been consistently applied"

(b) Future accounting developments

Minor amendments to IFRSs

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

New IFRSs
IFRS 17 'Insurance Contracts'

The IASB has published IFRS 17 'Insurance Contracts'. IFRS 17 has not yet been endorsed but is not expected to have a significant impact on the financial statements of the company.

(c) Presentation of information

Capital disclosures under IAS 1 'Presentation of Financial Statements' ('IAS 1') have been included in the Report of the Directors: Capital Management on page 5.

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.

The financial statements have been prepared under the historical cost convention.

(d) Critical accounting estimates and judgements

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

(e) 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 future projections of profitability, cash flows and capital requirements and capital resources.

1.2. Summary of significant accounting policies

(a) Income and expense

Interest income and expense

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

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

1.2. Summary of significant accounting policies (continued)

(a) Income and expense (continued)

Non-interest income and expense

Fee income is earned from a diverse range of services provided by the company to its customers. Fee income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating a transaction, such as the acquisition of shares, for a third party); and
- Income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management services).

(b) Investments in subsidiaries

The company classifies investments in entities which it controls as subsidiaries. Where a company is governed by voting rights, the company consolidates when it holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities and whether power is held as agent or principal.

The company's investments in subsidiaries are stated at cost less impairment losses.

(c) Financial instruments measured at amortised cost

Financial assets

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, are measured at amortised cost. Such financial assets include most loans and advances to banks and customers.

Financial Liabilities

Customer Accounts, amounts owed to other group undertakings, represent financial liabilities. Financial liabilities are measured at amortised cost.

(d) Impairment of amortised cost financial assets

Expected credit losses are recognised for loans and advances to banks and customers and other financial assets held at amortised cost. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months or less, where the remaining life is less than 12 months, ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit-impaired are in 'stage 3'.

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(e) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) 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.

1.2. Summary of significant accounting policies (continued)

(g) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

(h) Discontinued Operations

There have been no discontinued operations in the year. During the year 2020, the company migrated two of its products, namely Select Investment Fund ('SIF') and Child Trust Fund ('CTF') to its parent company - HSBC UK Bank plc.

(i) 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 month's maturity from date of acquisition.

2. Operating (Loss)

Operating (Loss) is stated after the following items of income and expense:

	2021 £'000	2020 £'000
Fee income		
Fees earned on trust and other fiduciary activities where the company holds or invests assets on behalf of its customers	2,782	3,552
Revenue share received from HSBC UK Life	874	452
Other Fees	357	408
Fee expense		
Interest on financial instruments	—	(3)
General and administrative expenses		
Recharges from other group entities for services provided	(3,319)	(5,633)

Employee compensation and benefits

The company has no employees (2020: nil). The charges for all staff related services for the current and prior year has been borne by other HSBC Group companies and recharged as noted above.

3. Directors' emoluments

The aggregate emoluments of the Directors of the company, computed in accordance with the Companies Act 2006 as amended by statutory instrument 2008 No. 410, were:

	2021 £'000	2020 £'000
Salaries and other emoluments	71	101
Year ended 31 Dec	71	101

No Director exercised share options over HSBC Holdings plc ordinary shares during the year. (2020: No Director exercised share options over HSBC Holdings plc ordinary shares).

Retirement benefits are accruing to 2 Directors (2020: 2) under money purchase schemes in respect of Directors' qualifying services. Contributions of £600 (2020: £825) were made during the year to money purchase arrangements in respect of Directors' qualifying services.

Discretionary bonuses for Directors are based on a combination of individual and corporate performance and are determined by the Remuneration Committee of the company's ultimate parent company, HSBC Holdings plc. The cost of any conditional awards under the HSBC Share Plan and the HSBC Plan 2011 ('the Plans') is recognised through an annual charge based on the fair value of the awards, apportioned over the period of service to which the award relates. Details of the Plans are contained within the Directors' Remuneration Report of HSBC Holdings plc.

Of these aggregate figures, the following amounts are attributable to the highest paid Director:

	2021 £'000	2020 £'000
Salaries and other emoluments	39	56
Year ended 31 Dec	39	56

Pension contributions of £400 (2020: £825) were made by the company in respect of services by the highest paid Director during the year.

4. Auditors' remuneration

	2021 £'000	2020 £'000
Audit fees for HSBC Trust Company (UK) Limited's statutory audit		
- Fees relating to current year	46	46
- Fees relating to previous year	—	(37)
Fees for other services provided to the company		
- Audit-related assurance services	248	274
Year ended 31 Dec	294	283

The audit related assurance services relates to client money audit work. No fees were payable to PricewaterhouseCoopers LLP for the following types of services: internal audit services and services related to litigation, recruitment and remuneration (2020: nil).

5. Tax

Tax Credit

	2021 £'000	2020 £'000
Current tax		
UK Corporation tax		
- For this year	(1)	(137)
Total current tax for year ended 31 Dec	(1)	(137)

The UK corporation tax rate applying to the company was 27% (2020: 27%), comprising 19% UK corporation tax rate and as the company meets the definition of a banking company, 8% bank surcharge.

Tax reconciliation

	2021		2020	
	£'000	(%)	£'000	(%)
(Loss)/Profit before tax				
- Continuing activities	(1)		(1,132)	
- Discontinuing activities	—		628	
(Loss) before tax	(1)		(504)	
Tax at 19.00% (2020: 19%)	—	(19)	(96)	(19)
Adjustments in respect of prior years	—	—	—	—
Banking surcharge	—	(8)	(40)	(8)
Amounts not recognised	—	—	(1)	—
Year ended 31 Dec	(1)	(27)	(137)	(27)

The effective tax rate for 2021 of 27% (2020: 27%) reflecting the UK rate of corporation tax for banking entities.

6. Dividends

	2021		2020	
	£ per share	£'000	£ per share	£'000
Dividends declared on ordinary shares				
Interim dividend	5,000,000	5,000	-	-

7. Net cash flow from operating assets and liabilities

	2021 £'000	2020 £'000
Change in operating assets		
Change in accrued income	(36)	3,923
Change in loans and advances to customers	31	61
Change in other assets	77	(91)
	72	3,893
Change in operating liabilities		
Change in accruals and deferred income	(3,378)	(5,308)
Change in customer accounts	(13,120)	(2,356)
Change in other liabilities	(248)	67
	(16,746)	(7,597)
Cash and cash equivalents comprise		
Loans and advances to bank of one month or less	25,042	53,671
Bank overdrafts with parent undertakings of one month or less	(2,661)	(14,752)
Change in cash and cash equivalents	22,381	38,919

8. Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis at amortised cost.

9. Cash and cash equivalents

	2021 £'000	2020 £'000
Loans and advances to banks with parent undertakings	25,042	53,671
Bank overdrafts with parent undertakings	(2,661)	(14,752)
At 31 Dec	22,381	38,919

10. Loans and advances to customers

	2021 £'000	2020 £'000
Loans and advances to customers	297	329
At 31 Dec	297	329

Loans and advances to customers by industry sector

	2021		2020	
	Gross loans and advances to customers	Gross loans by industry as % of total gross loans	Gross loans and advances to customers	Gross loan by industry as % of total gross loans
	£'000	%	£'000	%
Personal	297	100.00	329	100.00
At 31 Dec	297	100.00	329	100.00

11. Discontinued operations

Corporate ISA ('CISA')

The Corporate ISA (CISA) product is expected to migrate from the company to HSBC UK Bank plc by June 2022. The revenues, expenses and associated tax of this product has not been disclosed as a discontinued operation as they do not qualify under IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) for the year.

12. Investments in subsidiaries

	Country of incorporation	Interest in equity capital (%)	Share class	No. of shares	Investment (£)
Midland Nominees Limited [1]	England	100.00	Ordinary £1.00	100	100
Turnsonic (Nominees) Limited [1]	England	100.00	Ordinary £1.00	2	2
St. Cross Trustees Limited [1]	England	100.00	Ordinary £1.00	5,000	5,000
HSBC Executor and Trustee (UK) Limited [1]	England	100.00	Ordinary £1.00	100,000	—

1 Address: 8 Canada Square, London E14 5HQ, United Kingdom.

Details of all subsidiaries, as required under section 409 of Companies Act 2006, are set out above. The principal countries of operation are the same as the countries of incorporation.

No investments in subsidiaries were impaired in 2021 (2020: nil).

13. Other assets

	2021 £'000	2020 £'000
Amounts due from fellow subsidiaries	228	205
Amounts due from fellow Group undertakings	137	-
Other Assets	710	946
At 31 Dec	1,075	1,151

Amounts due from fellow subsidiaries were unsecured and repayable on demand.

14. Customer accounts

	2021 £'000	2020 £'000
Retail customers		
Customer deposits	6,364	19,484
At 31 Dec	6,364	19,484

Customer deposits have variable interest rates and are repayable on demand.

15. Accruals, deferred income and other liabilities

	2021 £'000	2020 £'000
Accruals and deferred income	557	489
Amounts owed to other group companies	6	106
Amounts owed to parent undertaking	1,288	4,495
Other liabilities	362	501
At 31 Dec	2,213	5,591

Amounts owed to other group companies are unsecured, interest free and have no fixed repayment.

16. Provisions

	Customer Remediation	
	2021 £'000	2020 £'000
At 1 Jan	390	323
Additions	—	243
Amounts utilised	(234)	(119)
Unused amounts reversed	(14)	(57)
At 31 Dec	142	390

Provisions relate to customer remediation cases. There is uncertainty associated with both the timing and quantum of the provisions which reflect a best estimate of the likely settlement amounts.

17. 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	Due within 3 months	Due between 3 - 12 months	Due between 1 - 5 years	Due after 5 years	Undated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Loans and advances to banks	25,042	—	—	—	—	—	25,042
Loans and advances to customers	—	—	—	—	—	297	297
Other assets	710	365	—	—	—	—	1,075
Prepayment and accrued income	—	36	—	—	—	—	36
Non-financial assets	—	—	1	—	—	5	6
At 31 Dec 2021	25,753	401	1	—	—	302	26,456
Liabilities and Equity							
Customer accounts	6,364	—	—	—	—	—	6,364
Accruals and other financial liabilities	230	1,620	358	—	—	5	2,213
Provisions	—	—	—	—	—	142	142
Bank overdrafts with parent undertakings	2,661	—	—	—	—	—	2,661
Non-financial liabilities	—	—	—	—	—	—	—
Equity	—	—	—	—	—	15,076	15,076
At 31 Dec 2021	9,255	1,620	358	—	—	15,223	26,456

	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 - 5 years	Due after 5 years	Undated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Loans and advances to banks	53,671	—	—	—	—	—	53,671
Loans and advances to customers	329	—	—	—	—	—	329
Other assets	946	205	—	—	—	—	1,151
Non-financial assets	—	—	137	—	—	5	142
At 31 Dec 2020	54,946	205	137	—	—	5	55,293
Liabilities and Equity							
Customer accounts	19,484	—	—	—	—	—	19,484
Accruals and other financial liabilities	377	4,911	298	—	—	5	5,591
Provisions	—	—	—	—	—	390	390
Bank overdrafts with parent undertakings	14,752	—	—	—	—	—	14,752
Non-financial liabilities	—	—	—	—	—	—	—
Equity	—	—	—	—	—	15,076	15,076
At 31 Dec 2020	34,613	4,911	298	—	—	15,471	55,293

18. Called up share capital and other equity instruments

Called up share capital and share premium

HSBC Trust Company (UK) Limited ordinary share of £5.00 each, issued and fully paid

	2021		2020	
	Number	£'000	Number	£'000
As at 1 Jan and 31 Dec	1	—	1	—

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

19. Management of financial risk

All of the company's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which comprises credit risk, liquidity risk and market risk. The management of financial risk and consideration of profitability, cash flows and capital resources form a key element in the Directors' assessment of the company as a going concern.

Since the Covid-19 outbreak in the UK, HSBC Group have worked with the UK Government, regulators and our customers in order to implement measures to mitigate the financial impacts of the outbreak on our clients and the UK economy. We have successfully invoked business continuity plans to effectively manage our operations under the constraints imposed by the UK Government in response to the outbreak.

Any and all such events mentioned above could have a material adverse effect on our business, financial condition, results of operations, liquidity and capital position, as well as on our customers and suppliers.

Credit risk management

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

Within the overall framework of the HSBC Group policy, the company has an established risk management process encompassing credit approvals, the control of exposures, credit policy direction to the business, and the monitoring and reporting of exposures. The management of the company is responsible for the quality of its credit portfolios and follows a credit process involving delegated approval authorities and credit procedures, the objective of which is to identify problem exposures in order to accelerate remedial action while building a portfolio of high quality risk assets. The company's credit risk rating systems and processes differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. Regular reviews are undertaken to assess and evaluate levels of risk concentration.

The majority of the company's exposure to credit risk is to the parent undertaking, HSBC UK Bank plc.

I. Maximum exposure to credit risk

	2021		
	Maximum exposure	Offset	Net
	£'000	£'000	£'000
Loans and advances at amortised cost	25,339	—	25,339
Other assets	1,116	—	1,116
At 31 Dec	26,456	—	26,456

	2020		
	Maximum exposure	Offset	Net
	£'000	£'000	£'000
Loans and advances at amortised cost	54,000	—	54,000
Other assets	1,293	—	1,293
At 31 Dec	55,293	—	55,293

II. Concentration of credit risk exposure

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions (see loans and advances to customers by industry table on Note 10). The company uses a number of controls and measures to minimise undue concentration of exposure in the company's portfolios across industry, country and customer groups. These include portfolio and counterparty limits, approval and review controls, and stress testing.

Due to the retail-based nature of its lending activities, the company is not exposed to any significant concentration risk external to the parent entity 96% (2020: 96 %) of the credit risk exposure is to the parent undertaking, HSBC UK Bank plc.

III. Credit quality

The five credit quality classifications defined below each encompass a range of more granular, internal credit rating grades, as well as external rating:

Quality classification	External credit rating
Strong	A- and above
Good	BBB+ to BBB-
Satisfactory	BB+ to B and unrated
Sub-standard	B- to C
Credit-impaired	Default

19. *Management of financial risk (continued)*

III. Credit quality (continued)

The five classifications below describe the credit quality of the company's lending. These categories each encompass a range of more granular, internal credit rating grades assigned to corporate and personal lending business.

Quality classification definitions

'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default.

'Good' exposures demonstrate a good capacity to meet financial commitments, with low default risk.

'Satisfactory' exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.

'Sub-standard' exposures require varying degrees of special attention and default risk is of greater concern.

'Credit-impaired' exposures have been assessed as impaired.

The company categorises all exposures on its Financial Assets as Stage 1.

Distribution of financial instruments by credit quality

	Strong	Good	Total
	£'000	£'000	£'000
Loans and advances to banks	25,042	—	25,042
Loans and advances to customers	—	297	297
At 31 Dec 2021	25,042	297	25,339
Loans and advances to banks	53,671	—	53,671
Loans and advances to customers	—	329	329
At 31 Dec 2020	53,671	329	54,000

IV. Collateral and other credit enhancements

The company follows guidelines as to the acceptability of specific classes of collateral or credit risk mitigation. While collateral is important in mitigating credit risk, it is the company practice to lend on the basis of the customer's ability to meet their obligations out of cash from resources rather than rely on the value of security offered.

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 is included in the HSBC UK Bank plc Liquidity Group ('Liquidity Group') which is managed as a single operating entity, in line with the application of the UK liquidity regulations as agreed with the PRA. Each member agrees to provide liquidity support when necessary.

Market risk management

Market risk is the risk that movements in market factors including interest rates, foreign exchange rates or equity and commodity prices will impact the company's income or the value of its portfolios.

The company's objective is to manage and control market rate exposures while maintaining a market profile consistent with its risk appetite.

Market Risk is managed and controlled through limits approved by the Risk Management Meeting ('RMM') of the HSBC Group Management Board for HSBC Holdings plc and the global businesses. These limits are allocated across business lines and approved by the HSBC Group's legal entities, including HSBC UK Bank plc.

An independent risk unit develops risk management policies and measurement techniques, and reviews limit utilisation on a daily basis.

Market price risk

Market risk is the risk that movements in market factors, including foreign exchange rates and commodity prices, interest rates, credit spreads and equity prices will reduce the company's income or the value of its portfolios.

The company is indirectly exposed to market price risk through their valuation of client investments in ISAs, structured products and managed portfolios, which impacts on the income derived from the management of these funds.

Foreign exchange risk

The company has no material foreign exchange risk as all balances and transactions are in sterling.

19. Management of financial risk (continued)

Interest rate risk

Interest rate risk is the risk that a change in interest rates will affect the company's performance. Deposits received from customers are at variable rates of interest, generally linked to customer rates offered by HSBC UK Bank plc. The company places all funds with its parent.

20. Regulatory matters

The recognition of provisions is determined in accordance with the accounting policies set out in Note 1. While the outcome regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2021 (See Note 15). Where an individual provision is material, the fact that a provision has been made is stated and quantified. Any provision recognised does not constitute an admission of wrongdoing or legal liability. It is not practicable to provide an aggregate estimate of potential liability for our regulatory matters as a class of contingent liabilities.

21. Related party transactions

(a) Transactions with Directors and other Key Management Personnel

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company. Only the directors are key management personnel during the year.

Compensation of Key Management Personnel

The following represents the compensation for Directors and key management personnel of the company in exchange for services rendered to the company for the year they served during the year.

	2021 £'000	2020 £'000
Short-term employee benefits	71	56
Post-employment benefits	1	1

(b) Transactions with other related parties

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

	2021 £'000	2020 £'000
Assets		
Loans and advances to banks	25,042	53,671
Liabilities		
Other liabilities	1,288	1,078
Bank overdrafts with parent undertakings	2,661	14,752

	2021 £'000	2020 £'000
Income statement		
Interest income	1	6
General and administrative expenses	3,270	4,363

21. Related party transactions (continued)

Transactions detailed below include amounts due to/from other group companies. (HSBC Life (UK) Limited), St Cross Trustees Limited & HSBC Executor Trustee Co(UK)Ltd

	2021	2020
	£'000	£'000
Assets		
Other assets	365	205
Liabilities		
Other liabilities	6	5,508
	2021	2020
	£'000	£'000
Income statement		
Fee income	874	1,504
General and administrative expenses	47	125

The transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other favourable features.

22. Parent undertakings

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

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

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

HSBC UK Bank plc
1 Centenary Square
Birmingham B1 1HQ
United Kingdom
www.hsbc.com

23. Events after the balance sheet date

In its assessment of events after the balance sheet date, the company has considered and concluded that no material events have occurred resulting in adjustments to the financial statements.

24. Client segregated money

The company holds cash in respect of client investments in ISAs, structured products and managed portfolios in segregated trust accounts with HSBC UK Bank plc and other external banks. As at 31 December 2021 the cash amounted to £21,407,000 (2020: £31,761,635). The cash is not shown as the company's assets or liabilities respectively as it is held on behalf of client.