

HSBC Executor & Trustee Company (UK) Limited
Registered No: 362578

Financial Statements for the year ended 31 December 2015

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HSBC Executor & Trustee Company (UK) Limited
Registered No: 362578

Financial Statements for the year ended 31 December 2015

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HSBC Executor & Trustee Company (UK) Limited

Strategic Report

Principal activities

The principal activity of the Entity is the administration of estates and trusts. The Entity has made no significant changes during the period.

Review of the Entity's business

The Entity's results for the year ended 31 December 2015 are as detailed in the income statement shown in these financial statements. The income statement is indicative of the Entity's performance and as such individual key performance indicators are not considered in the Strategic report.

Principal risks and uncertainties

The financial risk management objectives and policies of the Entity, together with an analysis of the exposure to such risks, are set as follows:

Market risk

Market risk is the risk that movements in market risk factors will affect the Entity's performance. Interest rate risk is the only type of market risk to which the Entity is directly exposed and this is managed by placing deposits with related group undertakings at call.

The Entity is indirectly exposed to market 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.

Credit risk

Credit risk is the risk that financial loss arises from a failure of a customer or counterparty to meet its obligations under a contract. The Entity's only significant credit exposure is to its parent and related group undertakings.

The maximum exposure to credit risk is represented by the carrying amount of all financial assets in the statement of financial position. The Entity's exposure to credit risk is limited to HSBC Group entities and given their high credit ratings management does not expect these counterparties to fail to meet their obligations.

HSBC Executor & Trustee Company (UK) Limited

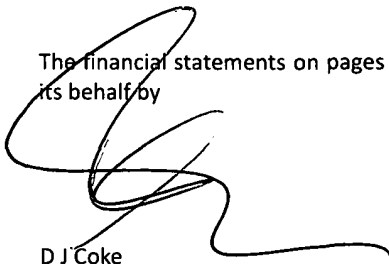
Strategic Report (continued)

Liquidity risk and cashflow risk

Liquidity risk is the risk that the Entity will not be able to meet its financial obligations as they fall due. The Entity holds sufficient levels of cash balances at all times, such that operational cash flows can be met.

The Entity maintains a strong compliance culture and monitors the regulatory environment closely to react proactively to changes and reduce risks to the business.

The financial statements on pages 9 to 26 were approved by the board of directors on 5 April 2016 and signed on its behalf by

A large, stylized handwritten signature in black ink, appearing to be 'D J Coke', written over the text 'its behalf by'.

D J Coke
Director

Registered Office
8 Canada Square
London
E14 5HQ

HSBC Executor & Trustee Company (UK) Limited

Directors' Report

Directors

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

Name	Appointed	Resigned
D J Coke		
D A Morse		

The Articles of Association of the Entity provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Entity 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

No dividend was paid in the year (2014: £Nil).

Significant events since the end of the financial year

No important events affecting the Entity have occurred since the end of the financial year.

Future developments

No significant changes are currently planned for the future.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Entity 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.

Capital management

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

Disclosure of information to auditors

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Entity's auditors are unaware; and the Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Entity's auditors are aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Auditor

Following a tender process for the audit of HSBC Holdings plc and its subsidiaries that took place in 2013, PricewaterhouseCoopers LLP has been appointed as auditors for the HSBC Group entities effective for periods ending on or after 1 January 2015.

HSBC Executor & Trustee Company (UK) Limited

Directors' Report (continued)

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on the next page, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing, in accordance with applicable law and regulations, a Strategic Report, a Directors' Report and financial statements for each financial year.

The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and have elected to prepare the Entity's financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Entity and of the profit or loss of the Entity for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Entity has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

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

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Entity and to prevent and detect fraud and other irregularities.

The financial statements on pages 9 to 26 were approved by the board of directors on 5 April 2016 and signed on its behalf by



D J Coke
Director

Registered Office
8 Canada Square
London
E14 5HQ

HSBC Executor & Trustee Company (UK) Limited

Independent Auditors' Report to the Members of HSBC Executor & Trustee Company (UK) Limited

Report on the financial statements

Our opinion

In our opinion, HSBC Executor & Trustee Company (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Entity's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the income statement for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other Matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- Whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Scott Berryman

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

7 April 2016

HSBC Executor & Trustee Company (UK) Limited

Financial Statements

Income statement for the year ended 31 December 2015

	<i>Notes</i>	2015 £'000	2014 £'000
Interest income		<u>1</u>	<u>-</u>
Net interest income		1	-
Fee and commission income		<u>22</u>	<u>29</u>
Net Fee income		22	29
Net operating income	2	23	29
General and administrative expense		<u>(5)</u>	<u>(6)</u>
Total operating expenses		(5)	(6)
Profit before tax		18	23
Tax expense		<u>(4)</u>	<u>(5)</u>
Profit for the year		14	18

The notes on pages 13 to 26 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2015

All operations are continuing. There has been no other comprehensive income or expenses in 2015 (2014: Nil).

HSBC Executor & Trustee Company (UK) Limited
Registered No: 362578
Financial Statements (continued)

Statement of financial position as at 31 December 2015

	<i>Notes</i>	2015 £'000	2014 £'000
Assets			
Loans and advances to banks		205	187
Prepayments and accrued income		4	2
Other assets	6	-	355
Total assets		209	544
Liabilities and equity			
Liabilities			
Accruals, deferred income and other liabilities	7	3	7
Current tax liabilities		4	5
Provisions	8	11	355
Total liabilities		18	367
Equity			
Called up share capital	9	100	100
Retained earnings		91	77
Total equity		191	177
Total equity and liabilities		209	544

The notes on pages 13 to 26 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 5 April 2016 and were signed on its behalf by:

D J Coke
Director

HSBC Executor & Trustee Company (UK) Limited

Financial Statements (continued)

Statement of cash flows for the year ended 31 December 2015

	<i>Notes</i>	2015 £'000	2014 £'000
Cash flows from/(used in) operating activities			
Profit before tax		18	23
Adjustments for:			
- non cash items included in profit before tax	10	(344)	(575)
- change in operating assets	10	353	574
- change in operating liabilities	10	(5)	6
- tax paid		(4)	(5)
Net cash generated from operating activities		18	23
Net increase in cash and cash equivalents		18	23
Cash and cash equivalents brought forward		187	164
Cash and cash equivalents carried forward	10	205	187

The notes on pages 13 to 26 form an integral part of these financial statements.

HSBC Executor & Trustee Company (UK) Limited

Financial Statements (continued)

Statement of changes in equity for the year ended 31 December 2015

	Called up share capital £'000	Retained earnings £'000	Total £'000
2015			
At 1 January 2015	100	77	177
Profit for the year	-	14	14
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	14	14
	<hr/>	<hr/>	<hr/>
At 31 December 2015	100	91	191
	<hr/>	<hr/>	<hr/>

	Called up share capital £'000	Retained earnings £'000	Total £'000
2014			
At 1 January 2014	100	59	159
Profit for the year	-	18	18
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	18	18
	<hr/>	<hr/>	<hr/>
At 31 December 2014	100	77	177
	<hr/>	<hr/>	<hr/>

The notes on pages 13 to 26 form an integral part of these financial statements.

Equity is wholly attributable to equity shareholders of HSBC Bank plc.

1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

International Financial Reporting Standards ('IFRSs') comprise accounting standards issued or adopted by the International Accounting Standards Board ('IASB') as well as interpretations issued or adopted by the IFRS Interpretations Committee ('IFRS IC').

The financial statements of the Entity have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the EU. EU-endorsed IFRSs could differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs were not to be endorsed by the EU.

At 31 December 2015, there were no unendorsed standards effective for the year ended 31 December 2015 affecting these financial statements and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Entity. Accordingly, the Entity's financial statements for the year ended 31 December 2015 are prepared in accordance with IFRSs as issued by the IASB.

Standards adopted during the year ended 31 December 2015

There were no new standards applied during the year ended 31 December 2015.

During 2015, HSBC adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements of the Entity.

(b) Future accounting developments

Standards and amendments issued by the IASB and endorsed by the EU but effective after 31 December 2015

During 2014, the EU has endorsed the amendments issued by IASB through the Annual improvements to IFRSs 2010-2012 Cycle and the 2011-2013 Cycle, as well as a narrow-scope amendment to IAS 19 Employee Benefits. The Entity has not early applied any of these amendments and it expects they will have an immaterial impact, when applied, on the financial statements of the Entity.

Standards and amendments issued by the IASB but not endorsed by the EU

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The standard is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The Entity is currently assessing the impact of this standard but it is not practicable to quantify the effect as at the date of the publication of these financial statements.

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The classification and measurement of financial assets will depend on the entity's business model for their management and their contractual cash flow characteristics and result in financial assets being measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in population of financial assets measured at amortised cost or fair value compared with IAS 39. The classification of financial liabilities is essentially unchanged, except that, for certain liabilities measured at fair value, gains or losses relating to changes in the entity's own credit risk are to be included in other comprehensive income.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 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').

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the probability of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

The assessment of credit risk, and the estimation of ECL, are required to be unbiased and probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

Transition

The Entity is currently assessing the impact that the rest of IFRS 9 will have on the financial statements and it is not possible at this stage to quantify the potential effect.

(c) Changes to the presentation of the Financial Statements and Notes on the Financial Statements

In order to make the financial statements and notes thereon easier to understand, the Entity has changed the location and the wording used to describe certain accounting policies within the notes, removed certain immaterial disclosures and changed the order of certain sections.

In applying materiality to financial statement disclosures, we consider both the amount and nature of each item. The main changes to the presentation of the financial statements and notes thereon in 2015 are as follows:

- Note 2 Summary of significant accounting policies: accounting policies have been placed, whenever possible, within the relevant Notes on the financial statements, and the changes in wording are intended to more clearly set out the accounting policies. These changes in the wording do not represent changes in accounting policies.
- Critical accounting policies: replaced 'Critical accounting policies' with 'Critical accounting estimates and judgements' and placed them within the relevant Notes alongside the significant accounting policy to which they relate. The new approach meets the reporting requirements of IAS 1 'Presentation of Financial Statements'.

(d) Presentation of information

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

The financial statements present information about the Entity as an individual undertaking and not about its group.

The functional currency of the Entity is Sterling, which is also the presentational currency of the financial statements of the Entity.

(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 listed below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of the 2015 Financial Statements. Management's selection of the Entity's accounting policies which contain critical estimates and judgements is listed below; it reflects the materiality of the items to which the policies are applied, the high degree of judgement involved and estimation uncertainty involved:

- Provisions: refer to Note 8;

(f) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Entity 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 resources.

(g) Foreign exchange

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined. Any foreign exchange component of a gain or loss on a non-monetary item is recognised either in other comprehensive income or in the income statement depending where the gain or loss on the underlying non-monetary item is recognised.

(h) Loans and advances to banks

These include loans and advances originated by the Entity, 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 loans 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 allowance.

(i) Impairment of loans and advances to banks

Loan impairment allowances represent management's best estimate of losses incurred in the loan portfolios at the balance sheet date. Management is required to exercise judgement in making assumptions and estimates when calculating loan impairment allowances on both individually and collectively assessed loans and advances.

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans or on groups of loans assessed collectively, are recorded as charges to the income statement and are recorded against the carrying amount of impaired loans on the balance sheet. Losses which may arise from future events are not recognised.

The collective impairment allowance is determined after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics; and,
- management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the balance sheet date is likely to be greater or less than that suggested by historical experience.

Write-off of loans and advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery.

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

HSBC Executor & Trustee Company (UK) Limited

Notes on the Financial Statements (continued)

(j) Operating income

Interest income and expense

Interest income and expense for all financial instruments except for those classified as held for trading or designated at fair value are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Interest on 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

Fee income and expense

Fee income is accounted for as follows:

- income earned from the provision of services is recognised as revenue as the services are provided (for example, annual management charges, asset management, portfolio and other management advisory and service fees);

(k) General information

HSBC Executor & Trustee (UK) Limited is an entity domiciled and incorporated in England and Wales.

(l) Historical cost convention

These financial statements have been prepared on a historical cost basis.

2 Operating Profit

Operating profit is stated after the following items of income:

	2015 £'000	2014 £'000
Income		
Fees earned on trust and other fiduciary activities where the Entity holds or invests assets on behalf of its customers	22	29

3 Remuneration of Directors

The Company does not have any direct employees (2014: none). The directors and staff are all employees of other Group undertakings. The directors who served during the year were remunerated by other Group undertakings which made no specific charge to this Company for their services.

HSBC Executor & Trustee Company (UK) Limited

Notes on the Financial Statements (continued)

4 Auditors' remuneration

	2015 £'000	2014 £'000
Audit fees for HSBC Executor & Trustee Company (UK) Limited statutory audit:		
- Fees relating to current year	2	2
Total fees payable	2	2

5 Tax

Accounting policy

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 it 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, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the group intends to settle on a net basis and the legal right to offset exists.

Tax charged to the income statement

	2015 £'000	2014 £'000
Current tax		
- for this year	4	5
Total tax charged to income statement	4	5

Tax reconciliation

The tax charged to the income statement differs to the tax charge that would apply if all profits had been taxed at the UK Corporation tax rate as follows:

	2015 £'000	Percentage of overall profit before tax	2014 £'000	Percentage of overall profit before tax
Profit before tax	18		23	
Tax at 20.25%(2014: 21.50%)	4	20.25%	5	21.5%
Total tax charged to income statement	4	20.25%	5	21.5%

HSBC Executor & Trustee Company (UK) Limited

Notes on the Financial Statements (continued)

The UK Corporation tax rate applying to the Entity was 20.25% (2014: 21.5%).

The government announced that the main rate of corporation tax for the year beginning 1 April 2017 will reduce from 20% to 19% to be followed by a further 1% reduction to 18% for the year beginning 1 April 2020. These reductions in the corporation tax rate were enacted in the Finance (No 2) Act 2015.

6 Other assets

	2015 £'000	2014 £'000
Amounts due from parent undertaking	-	355
	<u>-</u>	<u>355</u>

7 Accruals, deferred income and other financial liabilities

	2015 £'000	2014 £'000
Accruals and deferred income	1	1
Amounts owed to immediate parent undertaking	1	-
Amounts owed to other group entities	-	4
Other liabilities	1	2
	<u>3</u>	<u>7</u>

Amounts repayable to other group entities are unsecured, interest free and have no fixed date of repayment.

HSBC Executor & Trustee Company (UK) Limited

Notes on the Financial Statements (continued)

8 Provisions

Accounting policy

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

Critical accounting estimates and judgements

Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Professional expert advice is taken on the assessment of litigation, property (including onerous contracts) and similar obligations.

Provisions for customer remediation also require significant levels of estimation and judgement. The amounts of provisions recognised depend on a number of different assumptions, for example, the volume of inbound complaints, the projected period of inbound complaint volumes, the decay rate of complaint volumes, the population identified as systemically mis-sold and the number of policies per customer complaint.

Customer redress provision	Total £'000
At 1 January 2015	355
Provision utilised	(227)-
Amounts reversed	(117)-
At 31 December 2015	11

Customer redress provision	Total £'000
At 1 January 2014	930
Provision utilised	(180)-
Amounts reversed	(395)-
At 31 December 2014	355

HSBC Executor & Trustee Company (UK) Limited

Notes on the Financial Statements (continued)

Customer redress - Trusts Review

In 2007 the Company commenced a review in respect of over-charging trust fees in prior years. Work on this project is progressing and further remediation payments to customers were provided during the year. The total provision is based on a calculation extrapolated from a sample of cases, and the key assumptions relate to traceability of customers, average redress per customer and achievability of the redress calculation. Uncertainties arise from factors affecting the timing and achievability of notifying and reimbursing those affected. It is possible that outcomes arising within the next financial year could change the carrying value of this provision.

9 Called up share capital

Accounting policy

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.

	2015 £'000	2014 £'000
Issued, allotted and partially paid 250,000 (2014: 250,000) Ordinary shares of £1 each, 40p paid As at 1 January and 31 December	100	100
Authorised: 250,000 Ordinary shares of £1 each As at 1 January and 31 December	250	250

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

Accounting policy

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.

	2015 £'000	2014 £'000
a) Non-cash items included in profit and loss		
Provisions raised	(344)	(575)
	(344)	(575)
b) Change in operating assets		
Change in prepayments and accrued income	(2)	(1)
Change in other assets	355	575
	353	574

HSBC Executor & Trustee Company (UK) Limited

Notes on the Financial Statements (continued)

	2015 £'000	2014 £'000
c) Change in operating liabilities		
Change in accruals and deferred income	(4)	-
Change in other liabilities	(1)	6
	<u>(5)</u>	<u>6</u>
	2015 £'000	2014 £'000
d) Cash and cash equivalents comprise		
Loans and advances to banks of one month or less	205	187
	<u>205</u>	<u>187</u>

11 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost.

The following table analyses the carrying amount of financial assets and liability by category as defined in IAS 39 and by balance sheet heading:

At 31 December 2015	Loans and receivables £'000	Financial assets and liabilities at amortised cost £'000	Total £'000
Assets			
Loans and advances to banks	205	-	205
Accrued income	-	4	4
Total financial assets	<u>205</u>	<u>4</u>	<u>209</u>
Total assets			<u>209</u>
Liabilities			
Accruals, deferred income and other liabilities	-	3	3
Provisions	-	11	11
Total financial liabilities	<u>-</u>	<u>14</u>	<u>14</u>
Total non financial liabilities			<u>4</u>
Total liabilities			<u>18</u>

HSBC Executor & Trustee (UK) Limited

Notes on the Financial Statements (continued)

At 31 December 2014	Loans and receivables £'000	Financial assets and liabilities at amortised cost £'000	Total £'000
Assets			
Loans and advances to banks	187	-	187
Other assets	-	355	355
Accrued income	-	2	2
Total financial assets	187	357	544
Total assets			544
Liabilities			
Accruals, deferred income and other liabilities	-	7	7
Provisions	-	355	355
Total financial liabilities	-	362	362
Total non financial liabilities			5
Total liabilities			367

12 Fair value of financial instruments not carried at fair value

For all financial instruments, the fair value is equal to the carrying value in the Balance Sheet, except as analysed below; that is because they are short-term in nature or reprice to current market rates frequently.

Determination of fair value

Fair values are determined according to the following hierarchy:

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

HSBC Executor & Trustee Company (UK) Limited

Notes on the Financial Statements (continued)

	Carrying amount	Fair values			Total
		Valuation techniques			
		Quoted market price	Using observable inputs	With significant unobservable inputs	
		Level 1 £'000	Level 2 £'000	Level 3 £'000	
At 31 December 2015					
Assets					
Loans and advances to banks	205	-	205	-	205

	Carrying amount	Fair values			Total
		Valuation techniques			
		Quoted market price	Using observable inputs	With significant unobservable inputs	
		Level 1	Level 2	Level 3	
		£'000	£'000	£'000	
At 31 December 2014					
Assets					
Loans and advances to banks	187	-	187	-	187

13 Management of financial risk

All of the Entity'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 Entity as a going concern.

a) Credit risk management

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

The maximum exposure to credit risk is represented by the carrying amount of all financial assets in the statement of financial position. The Entity's exposure to credit risk is limited to HSBC group entities and given their high credit ratings management does not expect these counterparties to fail to meet their obligations.

b) Liquidity risk management

Liquidity risk is the risk that the Entity 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 Entity holds sufficient levels of cash balances at all times, such that operational cash flows can be met.

HSBC Executor & Trustee Company (UK) Limited

Notes on the Financial Statements (continued)

c) 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 Entity's income or the value of its portfolios.

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

Disclosures on market price risk, foreign exchange risk and interest rate risk are provided below.

Market price risk

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

Foreign exchange risk

The Entity has no material foreign exchange risk as all balances and transactions are in Sterling.

Interest rate risk

Interest rate risk is the risk that a change in interest rates will affect the Entity's performance. The Entity manages its interest rate risk by placing deposits with HSBC Bank plc.

A change of 100bp in interest rates at the reporting date would have increased/decreased profits by £2k (2014: £2k). This analysis assumes that other variables remain constant.

14 Related party transactions

a) Transactions with related parties

Transactions and balances detailed below include amounts due to/from HSBC Trust Company (UK) Limited.

	2015 Balance at 31 December £'000	2014 Balance at 31 December £'000
Assets		
Other assets	-	355
Liabilities		
Other liabilities	1	-

HSBC Executor & Trustee Company (UK) Limited

Notes on the Financial Statements (continued)

	2015 £'000	2014 £'000
Income statement		
General and administrative expenses	4	5

Transactions and balances detailed below include amounts due to/from other Group Companies.

	2015 Balance at 31 December £'000	2014 Balance at 31 December £'000
Assets		
Loans and advances to banks	205	187
Liabilities		
Other liabilities	-	4

The above 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 unfavourable features.

15 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 Trust Company (UK) Limited is the parent undertaking of the smallest group to consolidate these financial statements.

The immediate parent undertaking is HSBC Trust Company (UK) Limited. All companies are registered in England and Wales.

Copies of HSBC Holdings plc and HSBC Trust Company (UK) Limited consolidated financial statements can be obtained from:

8 Canada Square
London
E14 5HQ
www.hsbc.com

16 Events after the balance sheet date

There are no significant events after the balance sheet date.