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

Financial Statements for the year ended 31 December 2016

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Principal activities

The Entity's principal activity is the administration of estates and trusts. The Entity has made no significant changes during the period. The Entity has no employees, and all related services are provided by the parent company.

Review of the Entity's business

Drawing on the strength of HSBC and the most suitable products from the marketplace, we work with our clients to provide solutions to grow, manage and preserve wealth for today and for the future. The Entity continues to reposition its business in line with its stated strategy of focusing on fewer markets complying with HSBC Global Standards, including financial crime compliance and tax transparency standards.

The Entity's results for the year ended 31 December 2016 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 principal financial risks and uncertainties facing the Entity are credit risk, market risk, liquidity risk and funding risk. These risks, the exposure to such risks and management of risk are set out in note 12 of the financial statements.

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.

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.

Signed on behalf of the Board

D J Coke
Director

11 August 2017

Registered Office
8 Canada Square
London
E14 5HQ

HSBC Executor & Trustee Company (UK) Limited

Directors' Report

Directors

The Directors who served during the year were as follows:

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

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016 (2015: £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 change in the Entity's activities is expected.

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 equity. It is HSBC's objective to maintain a strong capital base to support the development of its business 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.

Independent Auditors

It was the first full year of PricewaterhouseCoopers LLP ('PwC') as external auditors following their appointment and year-end audit in 2015. PwC has expressed its willingness to continue in office and the Board recommends that PwC be re-appointed as the Entity's auditors.

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 Group 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 have responsibility for ensuring that sufficient accounting records are kept that disclose with reasonable accuracy at any time the financial position of the Entity and enable them to ensure that its 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.

Signed on behalf of the Board

D J Coke
Director

11 August 2017

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 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') 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 2016;
- the Income statement and Statement of comprehensive income 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 notes to the financial statements, which include a summary of significant accounting policies and 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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 Directors' Responsibilities Statement 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 Entity'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.

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

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 Entity'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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Carl Sizer (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Dated: 24 August 2017

HSBC Executor & Trustee Company (UK) Limited

Financial Statements

Income statement for the year ended 31 December 2016

	Note	**2016** **£'000**	2015 £'000
Interest income		-	1
Net interest income		-	1
Fee and commission income		19	22
Net Fee income		19	22
Net operating income	2	19	23
General and administrative expense		(6)	(5)
Total operating expenses		(6)	(5)
Profit before tax		13	18
Tax expense		(3)	(4)
Profit for the year		10	14

The notes on pages 14 to 29 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2016

All operations are continuing. There has been no other material comprehensive income or expenses in 2016 (2015: Nil).

Statement of financial position as at 31 December 2016

	Note	**2016** **£'000**	2015 £'000
Assets			
Loans and advances to banks		**212**	205
Prepayments and accrued income		**1**	4
Total assets		**213**	209
Liabilities and equity			
Liabilities			
Accruals, deferred income and other liabilities	6	**6**	3
Current tax liabilities		**6**	4
Provisions	7	**-**	11
Total liabilities		**12**	18
Equity			
Called up share capital	8	**100**	100
Retained earnings		**101**	91
Total equity		**201**	191
Total equity and liabilities		**213**	209

The notes on pages 14 to 29 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 11 August 2017 and were signed on its behalf by:

D J Coke
Director

Statement of cash flows for the year ended 31 December 2016

	Note	**2016** **£'000**	2015 £'000
Cash flows generated from operating activities			
Profit before tax		**13**	18
Adjustments for:			
- non cash items included in profit before tax	9	**(11)**	(344)
- change in operating assets	9	**3**	353
- change in operating liabilities	9	**2**	(5)
- tax paid		**-**	(4)
Net cash generated from operating activities		**7**	18
Net increase in cash and cash equivalents		**7**	18
Cash and cash equivalents brought forward		**205**	187
Cash and cash equivalents carried forward	9	**212**	205

The notes on pages 14 to 29 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2016

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total Equity £'000
2016				
At 1 January 2016	100	-	91	191
Profit for the year	-	-	10	10
Total comprehensive income for the year	-	-	10	10
At 31 December 2016	100	-	101	201

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

The notes on pages 14 to 29 form an integral part of these financial statements.

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

1 Basis of preparation and summary of significant accounting policies

A Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Entity have been prepared in accordance with IFRSs as issued by the IASB, including interpretations issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU').

At 31 December 2016, there were no unendorsed standards effective for the year ended 31 December 2016 affecting these financial statements and the Entity's application of IFRS results in no differences between IFRSs as issued by the IASB and IFRS as endorsed by the EU.

Standards adopted during the year ended 31 December 2016

There were no new standards applied during the year ended 31 December 2016. During 2016, the Entity 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

Minor amendments to IFRSs

The IASB has published a number of minor amendments to IFRSs through the Annual Improvements to IFRSs 2012-2014 cycle and in a series of stand-alone amendments, one of which has not yet been endorsed for use in the EU. The Entity has not applied any of the amendments effective after 31 December 2016 and it expects they will have an immaterial impact, when applied, on the financial statements of the Entity.

Major new IFRSs

The IASB has published IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'. IFRS 9 and IFRS 15 have been endorsed for use in the EU and IFRS 16 has not yet been endorsed.

IFRS 9 'Financial Instruments'
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 how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. However, based on an assessment of financial assets performed to date and expectations around changes to balance sheet composition, the Entity expects that the overall impact of any change will not be significant.

For financial liabilities designated to be 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 lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment 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, an 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 so are considered to be in default or otherwise credit impaired are in 'stage 3'.

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 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 classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Entity does not intend to restate comparatives. The mandatory application date for the standard as a whole is 1 January 2018, but it is possible to apply the revised presentation for certain liabilities measured at fair value from an earlier date. The Entity is assessing the impact that the impairment requirements will have on the financial statements.

The Entity intends to quantify the potential impact of IFRS 9 once it is practicable to provide reliable estimates, which will be no later than in the Financial Statements 2017. Until reliable estimates of the impact are available further information on the expected impact on the financial position and on capital planning cannot be provided.

IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The original effective date of IFRS 15 has been delayed by one year and the standard is now effective for annual periods beginning on or after 1 January 2018 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for performance obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The Entity has assessed the impact of IFRS 15 and it expects that the standard will have no significant effect, when applied, on the financial statements of the Entity.

(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 2016 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'.

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

(d) Presentation of information

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 as the critical accounting estimates and judgements, 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 2016 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 and the high degree of judgement and estimation uncertainty involved.

- Provisions: refer to Note7;

(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 currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost that are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

B Summary of significant accounting policies

(a) 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.

(b) 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.

(c) 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. 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.

(d) 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.

(e) Operating income

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 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 is accounted for as follows:

- income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management services).

(f) General Information

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

(g) 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, expense, gains and losses, and loan impairment charges and other credit risk provisions:

	2016	2015
	£'000	£'000
Fee income		
Fees earned on trust and other fiduciary activities where the Entity holds or invests assets on behalf of its customers	**19**	22

3 Remuneration of Directors

The Company does not have any direct employees (2015: 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.

4 Auditors' remuneration

	2016 £'000	2015 £'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.

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 liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled based on tax rates and laws enacted, or substantively enacted, by the balance sheet date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the group has a legal right to offset.

Deferred tax relating to actuarial gains and losses on post-employment benefits is recognised in other comprehensive income. Deferred tax relating to share-based payment transactions is recognised directly in equity to the extent that the amount of the estimated future tax deduction exceeds the amount of the related cumulative remuneration expense. Deferred tax relating to fair value remeasurements of available-for-sale investments and cash flow hedging instruments which are charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and is subsequently recognised in the income statement when the deferred fair value gain or loss is recognised in the income statement.

Tax charged to the income statement

	2016 £'000	2015 £'000
Current tax		
- for this year	3	4
Total current tax	3	4
Total tax charged to income statement	3	4

The UK corporation tax rate applying to the Company was 20.00% (2015: 20.25%).

In the UK Budget on 8 July 2015, the UK Government proposed to reduce the main rate of UK corporation tax to 19% with the effect from 1 April 2017 and to 18% with the effect from 1 April 2020. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020, instead of the reduction to 18% as originally planned. The rate reduction to 17% was enacted during the period. These reductions in the corporation tax rate were enacted in the Finance (No2) Act 2016.

Tax reconciliation

The tax charged to the income statement does not differ to the tax charge that would apply if all profits had been taxed at the UK Corporation tax rate as follows:

	2016 £'000	Percentage of overall profit before tax	2015 £'000	Percentage of overall profit before tax
Profit before tax	13		18	
Tax at 20.00% (2015: 20.25%)	3	20%	4	20.25%
Total tax charged to income statement	3	20%	4	20.25%

6 Accruals, deferred income and other financial liabilities

	2016 £'000	2015 £'000
Accruals and deferred income	4	1
Amounts owed to immediate parent undertaking	-	1
Other liabilities	2	1
	6	3

Amounts repayable to fellow subsidiary undertakings are unsecured, interest free and have no fixed date of repayments.

7 Provisions

Accounting policy

Provisions are recognised when it is probable that an outflow of economic benefit will be required to settle a present legal or constructive obligation, which has arisen as a result of past events 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 legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised revising previous judgements and estimates as appropriate. At more advanced stages, it is typically easier to make judgements and estimates around a better defined set of possible outcomes. However, the amount provisioned can remain very sensitive to the assumptions used. There could be a wide range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result, it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved.
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* £'000	***Total* £'000**
At 1 January 2016	11	11
Provision utilised	(11)	(11)
Amounts reversed	-	-
At 31 December 2016	-	-

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

Customer redress

In 2007 the Entity 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.

8 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.

	2016 **£'000**	2015 £'000
Issued, allotted and fully paid up		
250,000 (2015: 250,000)Ordinary shares of £1 each, 40p paid		
As at 1 January and 31 December	**100**	100
Authorised:		
250,000 (2015: 250,000) Ordinary shares of £1 each		
As at 1 January and 31 December	**250**	250

9 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.

	2016	2015
	£'000	£'000
a) Change in operating assets		
Change in prepayments and accrued income	**3**	(2)
Change in other assets	**-**	355
	3	353

	2016	2015
	£'000	£'000
b) Change in operating liabilities		
Change in accruals and deferred income	**2**	(4)
Change in other liabilities	**-**	(1)
	2	(5)

	2016	2015
	£'000	£'000
c) Cash and cash equivalents comprise		
Loans and advances to banks of one month or less	**212**	205
	212	205

10 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 liabilities by category as defined in IAS 39 and by balance sheet heading:

At 31 December 2016	**Loans and receivables £'000**	**Financial assets and liabilities at amortised cost £'000**	**Total £'000**
Assets			
Loans and advances to banks	**212**	**-**	**212**
Accrued income	**-**	**1**	**1**
Total financial assets	**212**	**1**	**213**
Total assets			**213**
Liabilities			
Accruals, deferred income and other liabilities	**-**	**6**	**6**
Provisions	**-**	**-**	**-**
Total financial liabilities	**-**	**6**	**6**
Total non financial liabilities			**6**
Total liabilities			**12**

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	205	4	209
Total assets			209
Liabilities			
Accruals, deferred income and other liabilities	-	3	3
Provisions	-	11	11
Total financial liabilities	-	14	14
Total non financial liabilities			4
Total liabilities			18

11 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. Fair value is assumed to equal carrying value for all balances repricing in less than six months.

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.

Where repricing is greater than six months using discounted cash flow, each loan or deposit is valued using a LIBOR-based discount curve applied to the expected cash flows.

		Fair values			
		Valuation techniques			
	Carrying amount	**Quoted market price Level 1 £'000**	**Using observable inputs Level 2 £'000**	**With significant unobservable inputs Level 3 £'000**	**Total £'000**
At 31 December 2016					
Assets					
Loans and advances to banks	**212**	**-**	**212**	**-**	**212**

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

12 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.

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 sterlings.

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 (2015: £2k). This analysis assumes that other variables remain constant.

13 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 Entity and includes members of the Board of Directors

b) Transactions with other related parties

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

	2016	2015
	Balance at 31 December £'000	Balance at 31 December £'000
Liabilities		
Other liabilities	-	1

	2016 £'000	2015 £'000
Income statement		
General and administrative expenses	4	4

Transactions detailed below include amounts due to/from Other Group Companies.

	2016	2015
	Balance at 31 December £'000	Balance at 31 December £'000
Assets		
Loans and advances to banks	212	205

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.

14 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.

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 financial statements can be obtained from:

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

15 Events after the balance sheet date

There are no significant events after the balance sheet date.