HSBC Executor & Trustee Company (UK) Limited

Annual Report and Account 2014
31 December 2014

Registered No. 362578

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Strategic Report
31 December 2014

Principal activities

The principal activity of the Company is the administration of estates and trusts. The Company has made no significant changes to its activities during the period.

Fair review of the business

The Company's results for the year ended 31 December 2014 are as detailed in the income statement shown in these accounts. The income statement is indicative of the Company'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 Company, 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 Company's performance. Interest rate risk is the only type of market risk to which the Company is directly exposed and this is managed by placing deposits with related group undertakings at call.

The Company 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 Company's only significant credit exposure is to its parent and the 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 Company'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 Company will not be able to meet its financial obligations as they fall due. The Company holds sufficient levels of cash balances at all times, such that operational cash flows can be met.

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

On behalf of the Board

DAMorse

D A Morse
Director

Registered Office
8 Canada Square
London
E14 5HQ

12 February 2015

Report of the Directors
31 December 2014

Directors

The directors who served during the year were as follows:

Name	Appointed	Resigned
D J Coke		
V Wales		19/03/14
D A Morse	19/03/14	

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

Dividends

No dividend was paid in the period (2013: £nil).

Significant events since the end of the financial year

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

Future developments

No significant changes are currently planned for the future.

Going Concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

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 Company's auditor is 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 Company's auditor is 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 in 2013, PricewaterhouseCoopers LLP has been recommended to be appointed as auditors of the HSBC group entities effective for periods ending on or after 1 January 2015. As a result KPMG Audit PLC will not be seeking re-appointment as the Company's auditor for the financial year commencing 1 January 2015 and PricewaterhouseCoopers LLP will seek appointment instead.

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and Financial Statements
31 December 2014

The following statement, which should be read in conjunction with the auditor's statement of responsibilities, is made with a view to distinguishing for the shareholder the respective responsibilities of the Directors and of the auditor in relation to the financial statements.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the Board

R Hinton
Secretary

Registered Office
8 Canada Square
London
E14 5HQ

12 February 2015

Independent Auditor's Report to the Members of HSBC Executor & Trustee Company (UK) Limited 31 December 2014

We have audited the financial statements of HSBC Executor & Trustee Company (UK) Limited for the year ended 31 December 2014 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jonathan Bell (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol BS1 6AG

16 February 2015

Income statement for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Fee and commission receivables	3	29	23
Net income		29	23
Other operating income	9	-	-
Total operating income		29	23
Administrative expenses	4	(6)	(5)
Provision for liabilities and commitments	9	-	-
Operating profit/(loss)		23	18
Profit before income taxes		23	18
Tax expense	5	(5)	(4)
Profit for the year		18	14

The accounting policies and notes on pages 9 to 15 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2014

There was no Other Comprehensive Income or expense in 2014 (2013: Nil).

Statement of financial position at 31 December 2014

	Notes	2014 £'000	2013 £'000
Assets			
Loans and advances to banks	*6*	**187**	164
Other receivables	*7*	**355**	930
Prepayments and accrued income		**2**	1
Total assets		**544**	1,095
Liabilities			
Other payables	*8*	***12***	6
Provisions for liabilities and charges	*9*	**355**	930
Total liabilities		**367**	936
Equity			
Share capital	*10*	**100**	100
Retained earnings		**77**	59
Total shareholders' equity		**177**	159
Total equity and liabilities		**544**	1,095

The accounting policies and notes on pages 9 to 15 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 12 February 2015 and were signed on its behalf by:

D J Coke
Director

Company Registered Number: 362578

Statement of cash flows for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Cash flows from operating activities			
Profit before income taxes		**23**	18
Adjustments for:			
– (Increase)/decrease in prepayments and accrued income		**(1)**	-
– Decrease in other receivables		**575**	470
– Increase/(decrease) in other payables		**6**	(5)
– (Decrease) in provisions		**(575)**	(467)
Cash generated from operating activities		**28**	16
– Tax paid		**(5)**	(4)
Net cash from operating activities		**23**	12
Net increase in cash and cash equivalents		**23**	12
Cash and cash equivalents at 1 January	*6*	**164**	152
Cash and cash equivalents at 31 December	*6*	**187**	164

The accounting policies and notes on pages 9 to 15 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2014

	Called up share capital £'000	Retained earnings £'000	Total shareholders' equity £'000
2014			
Balance at 1 January 2014	**100**	**59**	**159**
Profit for the year	**-**	**18**	**18**
Balance at 31 December 2014	**100**	**77**	**177**

	Called up share capital £'000	Retained earnings £'000	Total shareholders' equity £'000
2013			
Balance at 1 January 2013	100	45	145
Profit for the year	-	14	14
Balance at 31 December 2013	100	59	159

The accounting policies and notes on pages 9 to 15 form an integral part of these financial statements.

Notes on the financial statements

1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements are presented in sterling and have been prepared on the historical cost basis.

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU.

During 2014, the Company adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements of the company.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

The Company is a wholly owned subsidiary of HSBC Trust Company (UK) Limited, which prepares accounts in accordance with IFRSs and which are available for public use. Details of where copies of the HSBC Group accounts may be obtained are given in note 14.

The Company is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. The financial statements present information about the Company as an individual undertaking.

Standards adopted during the year ended 31 December 2014

There were no new standards adopted during the year ended 31 December 2014.

The functional currency as well as the presentation currency is sterling.

(b) Future accounting developments

In addition to the projects to implement financial instrument accounting, discussed below, the IASB is continuing to work on projects on insurance, revenue and lease accounting which could represent significant changes to accounting requirements in the future.

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 Company 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 at amortised cost, fair value through OCI ('FVOCI') or fair value through profit or loss. In many instances, the classification and measurement outcomes will be similar to IAS 39, although differences will arise, for example, since IFRS 9 does not apply embedded derivative accounting to financial assets and equity securities will be measured at fair value through profit or loss or, in limited circumstances, at fair value through OCI. 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 OCI.

Notes on the financial statements (continued)

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, 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, as well as the estimation of ECL, are required to be unbiased, 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.

(c) HSBC Executor & Trustee Company (UK) Limited is a company domiciled and incorporated in England and Wales.

Notes on the financial statements (continued)

2 Summary of significant accounting policies

(a) Fee income

The company earns fee income from the administration of estates and trusts. Fee income is recognised as revenue as the services are provided.

(b) Direct tax

Income tax comprises current tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

(c) Financial assets and liabilities

(i) Loans and advances

Loans and advances to banks are shown in the statement of financial position at cost less any amounts written off and less any specific provisions. Interest on advances is recognised in the income statement as it accrues. Amounts repayable within three months are classified as cash and cash equivalents in the statement of cash flows.

(ii) Other receivables and payables

Other receivables and payables are stated at their amortised cost using the effective interest method.

(d) Impairment

The carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Provisions for liabilities and charges

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation, which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date, and are discounted to present value where the effect is material. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes on the financial statements (continued)

3 Net Fee and commission income

	2014 £'000	2013 £'000
Fee income		
Trust management fees	**29**	23

4 Administrative Expenses

	2014 £'000	2013 £'000
Auditor's remuneration for audit services	**1**	1
Other administrative expenses	**5**	4
	6	5

The fees paid to the auditor detailed in the note above relate only to activities in respect of the Company.

5 Tax expense

Analysis of charge in the year	**2014 £'000**	2013 £'000
Current tax		
UK Corporation tax		
– on current year profit	**5**	4
Total tax charged to income statement	**5**	4

The UK corporation tax rate applying to the Company was 21.5 per cent (2013: 23.25 per cent).

The following table reconciles the tax expense:

	2014 £'000	**Percentage of overall profit before tax %**	2013 £'000	Percentage of overall profit before tax %
Profit before tax	**23**		18	
Tax at 21.5% (2013: 23.25%)	**5**	**21.50**	4	23.25
Total tax charged to income statement	**5**	**21.50**	4	23.25

6 Loans and advances to banks

	2014 £'000	2013 £'000
Repayable by group undertakings		
– within one month	**187**	164

7 Other receivables

	2014 £'000	2013 £'000
Due from parent	**355**	930
	355	930

Notes on the financial statements (continued)

8 Other payables

	2014 £'000	2013 £'000
Due to group undertakings	4	-
Current Taxation	5	4
Audit Fee Accrual - Current Year	1	1
VAT Collected	2	1
	12	6

9 Provisions for liabilities and charges

	Trusts Review £'000	Total £'000
At 1 January 2014	930	930
Amount utilised	(180)	(180)
Provision released	(395)	(395)
At 31 December 2014	355	355

	Trusts Review £'000	Total £'000
At 1 January 2013	1,397	1,397
Amount utilised	(467)	(467)
Amount charged to the income statement	-	-
At 31 December 2013	930	930

Trusts review

In 2007 the Company commenced a review in respect of over-charging trust fees in prior years. Payments to customers continued to be made in 2014 and a total of £180k was paid out in the year. Further payments are due to be made in 2015.

An amount of £395k was released to reflect lower than expected settlements experienced during the year which has reduced the liability at the year end.

The Company's parent has undertaken to continue to reimburse the Company in respect of the payments made as a result of this review. An amount of £355k representing the expected reimbursement is included within other assets due from group undertakings (note 7).

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 the provision.

10 Share capital

	2014 £'000	2013 £'000
Allotted, called up and partially paid		
250,000 Ordinary shares of £1 each, 40p paid	100	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to repayment of capital.

Notes on the financial statements (continued)

11 Director's Emoluments

The Company does not have any direct employees. 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.

12 Management of financial risk

The financial instruments of the Company comprise loans, deposits and receivables due from its parent.

The Company held the following financial assets at 31 December 2014:

	2014	2013
	£'000	£'000
Loans and advances to banks	**187**	164
Due from group undertakings	**355**	930
	542	1,094

The loans and advances to banks comprise deposits placed with related group undertaking, HSBC Bank plc.

The Company held the following financial liabilities at 31 December 2014:

	2014	2013
	£'000	£'000
Due to Group undertakings	**4**	-
Other Payables	**8**	7
	12	7

All financial liabilities are repayable on demand.

There is no difference between the carrying amounts and the fair values of these financial assets and liabilities.

13 Related party transactions

Transactions with related parties are summarised as follows:

a) Expenditure

	2014	2013
	£'000	£'000
Administrative expenses:		
– Parent	**5**	4

Expenditure from related party transactions arises from costs charged the Company for the provision of management services. These include product management, customer services, compliance, finance, human resources, property services and IT. The Company is recharged for the actual costs incurred in undertaking these activites, plus a mark-up.

Notes on the financial statements (continued)

b) Year-end balances with related parties

	2014 £'000	2013 £'000
Assets		
Loans and advances to banks		
– Group companies	**187**	164
Other Assets		
– Parent	**355**	930
Liabilities		
Other liabilities:		
– Group companies	**4**	-

Loans and advances to banks are to HSBC Bank plc and are at standard commercial terms.

14 Parent undertakings

The Company is controlled by HSBC Trust Company (UK) Limited (incorporated in England and Wales) which owns 100% of the Company's shares. The ultimate parent company is HSBC Holdings Plc (incorporated in England and Wales). The consolidated accounts of these groups are available to the public and those of HSBC Holdings Plc may be obtained from the registered office at 8 Canada Square London E14 5HQ.

15 Events after the balance sheet date

There are no significant events after the balance sheet date.