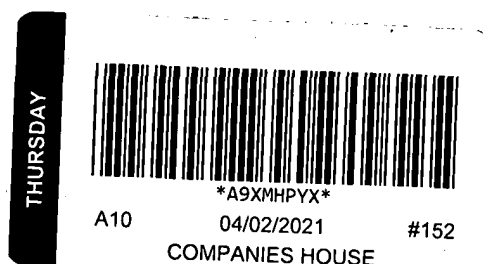


HSBC Executor & Trustee Company (UK) Limited

Registration No: 362578

**Annual Report and Financial Statements for the year ended 31
December 2019**



Annual Report and Financial Statements for the year ended 31 December 2019

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Strategic Report

Principal activities

HSBC Executor & Trustee Company (UK) Limited ('the Entity') is a limited company domiciled and incorporated in England and Wales.

It's trading address is 1 Centenary Square, Birmingham, West Midlands B1 1HQ, United Kingdom.

The Entity is limited by shares.

The Entity's principal activity is the administration of trusts. The Entity has made no significant change 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 Group 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 simplify and improve the way it conducts its business, including complying with HSBC Global Standards, financial crime compliance measures, customer due diligence and tax transparency standards.

The Entity's results for the year ended 31 December 2019 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.

Section 172 Statement

As set out in section 172 of the UK Companies Act 2006 (the 'Act'), the Directors must act in good faith to promote the success of the company for the benefit of its members as a whole. In performing their duty, under the Act, the Board is required to have full regard to, amongst other things: the interests of our employees; the impact of our operations on the community and environment; and the need to foster the company's business relationships with key stakeholders in order to maintain a reputation for high standards of business conduct and enhance the sustainable long term success of the business.

The Directors are supported in the discharge of their duties by:

- An induction programme and ongoing training to provide an understanding of our business and financial performance and prospects.
- Management who present to Board and Committee meetings ensure that proposals contain all information relevant to determine the action that would most likely promote the success of the Company; and
- Carefully planned agendas for Board and Committee meetings, which provide sufficient time for the consideration and discussion of key matters.

Stakeholder Engagement

Building strong relationships with our stakeholders will help achieve our ambition in line with our purpose and values and promote the long term success of the Company. Our key stakeholders we consider in this regard are the people who work for us, bank with us, own us, supply us and regulate us.

Employees

We have a structured communications approach that uses leadership communications, campaigns and a regular flow of news to help colleagues to serve our customers better, make sense of our strategy, focus on our commercial priorities and provide clarity on issues. We build a sense of pride and purpose by recognising our colleagues' contributions to our business and celebrating our achievements.

Suppliers

The ethical and environmental code of conduct for suppliers of goods and services, which can be found on the HSBC public website, sets out how we work with our suppliers on ethical and environmental performance. The code of conduct for suppliers of goods and services raises conduct requirements related to the economic, environmental and social impacts associated with the supply of goods or services.

Customers

Ensuring customer feedback is actioned and communicated back to our customers has also been a big priority in 2019. Dedicated members of staff have been focussed on contacting customers who either flag issues through our feedback mechanisms to ensure a resolution is found, or who are promoters of the business to thank them for their feedback and to learn from these positive experiences.

HSBC UK

A strong relationship is maintained with HSBC UK through cross-directorships of the Chairman of the Board.

Matters to escalate to HSBC UK has been added as a standing agenda item to ensure that all key issues are reported to our sole shareholder in a timely manner.

As a wholly owned subsidiary, we also benefit from certain engagement practices which take place at a HSBC Group level which allows us to have more efficient and effective engagement practices. For details on some of the engagement that takes place with stakeholders at a HSBC Group level, please see HSBC Holdings plc 2019 Annual Report and Accounts and HSBC Holdings plc Environmental, Social and Governance Update.

Consideration of Stakeholders in Principal Decisions

The Board delegates authority for day-to-day management of the company to the executive team and engages management in setting, approving and overseeing execution of the business strategy and related policies. Management conduct much of the company's primary engagement with both internal and external stakeholders, with the outputs of this engagement activity providing critical insight and perspective for the Board when taking decisions or challenging management in respect of decisions made on behalf of the company.

Depending on the nature of the issue in question the relevance of each stakeholder group may differ. Board decisions will not necessarily result in a positive outcome for all of our stakeholders, but by considering our purpose, vision and values, and having due regard for stakeholder relationships, the Board aims to ensure that its decisions promote the long term success of the company.

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 the 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 balance sheet. 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 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 UK left the European Union ("EU") on 31 January 2020 and entered a transition period until 31 December 2020. During the transition period the UK will continue to be bound by EU laws and regulations. Beyond that date there is no certainty on what the future relationship between the UK and the EU will be. This creates market volatility and economic risk, particularly in the UK. We will continue to work with regulators, governments, our customers and colleagues to manage the risks resulting from the UK's exit from the EU as they arise.

On behalf of the Board



J E Hewitson
Director

17th December 2020

1 Centenary Square
Birmingham B1 1HO
United Kingdom

Report of the Directors

Directors

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

Name	Appointed	Resigned
D J Coke		31 December 2019
D A Morse		1 February 2019
M A Oates	14 January 2019	
V S Farrell	14 January 2019	
J E Hewitson	1 January 2020	

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 2019 (2018: nil).

Significant events since the end of the financial year

Since early January 2020, the COVID-19 outbreak has spread across the globe and have been classified by the World Health Organisation as a Pandemic. This is causing ongoing disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect the economy.

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, including future projections of profitability, cash flows and capital resources.

Since early January 2020, the COVID-19 outbreak has spread across the globe and have been classified by the World Health Organisation as a Pandemic. This is causing ongoing disruption to business and economic activity, and is resulting in substantial and substantive government and central bank relief actions and support measures in many countries to protect the economy. These events have also increased the level of operational risk in our business due to the impact on our business operations, employees, customers and suppliers. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the company and its clients, the Directors have considered the impact in carrying out their assessment of the principal risks the company faces.

Capital management

The Entity defines capital as total shareholders' equity. It is the Entity'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.

Independent auditors

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

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 auditors in relation to the financial statements.

The Directors are responsible for preparing the *Annual Report and Financial Statements*, in accordance with applicable law and regulations.

Company law requires the Directors to prepare a Strategic Report, a Report of the Directors 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').

Statement of Directors' Responsibilities in respect of the financial statements

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 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 a 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 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. They are responsible for safeguarding the assets of the Entity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditors

In accordance with section 418 of the Companies Act 2006, the Directors' report includes a statement, in the case of each Director in office as at the date the Report of the Directors is approved, that:

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

On behalf of the Board



J E Hewitson
Director
17th December 2020

1 Centenary Square
Birmingham B1 1HQ
United Kingdom

Independent auditors' report to the members of HSBC Executor & Trustee Company (UK) Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of Balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

17 December 2020

Financial statements

Income statement for the year ended 31 December 2019

		2019	2018
	Notes	£'000	£'000
Interest income		-	1
Net interest income		-	1
Fee and commission income	2	15	16
Net fee income		15	16
Net operating income		15	17
General and administrative expenses		(4)	(5)
Total operating expenses		(4)	(5)
Profit before tax		11	12
Tax credit/(expense)	5	(2)	(3)
Profit for the year		9	9

Statement of comprehensive income for the year ended 31 December 2019

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above (2018: nil).

Balance sheet at 31 December 2019

Registration No: 362578

		2019	2018
	Notes	£'000	£'000
Assets			
Loans and advances to banks		243	239
Prepayments and accrued income		1	-
Total assets		244	239
Liabilities and equity			
Liabilities			
Accruals, deferred income and other liabilities	9	8	12
Current tax liabilities		2	2
Total liabilities		10	14
Equity			
Called up share capital	10	100	100
Retained earnings		134	125
Total equity		234	225
Total liabilities and equity		244	239

The accompanying notes on pages 11 to 18 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 17th December 2020 and signed on its behalf by:



J E Hewitson
Director

Statement of cash flows for the year ended 31 December 2019

		2019	2018
	Notes	£'000	£'000
Cash flows from operating activities			
Profit before tax		11	12
Adjustments for:			
Change in operating assets	6		1
Change in operating liabilities	6	(4)	4
Tax credit paid		(2)	(4)
Net cash generated from operating activities		5	13
Net increase in cash and cash equivalents		5	13
Cash and cash equivalents brought forward		239	226
Cash and cash equivalents carried forward	6	244	239

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 Jan 2019	100	125	225
Profit for the year	—	9	9
Total comprehensive income for the year	—	9	9
At 31 Dec 2019	100	134	234

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 Jan 2018	100	116	216
Profit for the year	—	9	9
Total comprehensive income for the year	—	9	9
At 31 Dec 2018	100	125	225

Equity is wholly attributable to equity shareholders of HSBC Executor & Trustee Company (UK) Limited.

Notes on the financial statements

1 Basis of preparation and significant accounting policies

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

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

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

At 31 December 2019, there were no unendorsed standards effective for the year ended 31 December 2019 affecting these financial statements, and the Entity's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

Standards adopted during the year ended 31 December 2019

The Entity has adopted the requirements of IFRS 16 'Leases' which has had an insignificant effect on the financial statements of the Entity.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB published a number of minor amendments to IFRSs which are effective from 1 January 2020, some of which have been endorsed for use in the EU. The company expects they will have an insignificant effect, when adopted, on the financial statements of the Entity.

Major new IFRSs

The IASB has published IFRS 17 'Insurance contracts'. IFRS 17 has not yet been endorsed. The Entity expects they will have an insignificant effect, when adopted, on the financial statements of the Entity.

(c) Presentation of information

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

(d) Critical accounting estimates and judgements

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

(e) Going concern

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

1.2 Summary of significant accounting policies

(a) Income and expense

Interest income and expense

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

Interest on 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.

Non-interest income and expense

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

(b) Financial instruments measured at amortised cost

Financial assets

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

Financial Liabilities

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

(c) Impairment of amortised cost financial assets

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

Write-off

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

(d) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and on any adjustment to tax payable in respect of previous years. The Entity provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities. Payments associated with any incremental base erosion and anti-abuse tax are reflected in tax expense in the period incurred.

Current is calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

(e) Called up share capital

Financial instruments issued are generally classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

(f) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition.

2 Operating Profit

	2019 £'000	2018 £'000
Fee income		
Fees earned on trust and other fiduciary activities where the Entity holds or invests assets on behalf of its customers	15	16
General and administrative expenses		
Recharge's from other group entities for services provided	2	3

The Entity has no employees. The charges for all staff related services for the current and prior year has been borne by other group Entities and recharged as noted above.

3 Directors emoluments

None of the Directors of the Entity received any emoluments in respect of their services as Directors of the Entity (2018: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Entity are incidental to their other responsibilities within the HSBC Group.

4 Auditors' remuneration

	2019 £'000	2018 £'000
Audit fees for statutory audit		
- Fees relating to current year	2	2
Year ended 31 Dec	2	2

5 Tax

Tax expense

	2019 £'000	2018 £'000
Current tax		
UK corporation tax		
- For this year	2	3
Year ended 31 Dec	2	3

The UK corporation tax rate applying to the Entity was 19% (2018: 19%).

Tax reconciliation

	2019 £'000	(%)	2018 £'000	(%)
Profit before tax	11		12	
Tax at 19% (2018: 19%)	2	19	3	19
Year ended 31 Dec	2	19	3	19

6 Reconciliation of profit before tax to Net cash flow

	2019 £'000	2018 £'000
Change in operating assets		
Change in prepayments and accrued income	1	1
	1	1
Change in operating liabilities		
Change in other liabilities	4	4
	4	4
Cash and cash equivalents comprise		
Loans and advances to banks of one month or less	243	239
	243	239

7 Analysis of financial assets and liabilities by measurement basis

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

8 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.

Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- (a) Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.
- (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 valuation techniques where one or more significant inputs are unobservable.

Fair values at the balance sheet date of the assets and liabilities set out below are estimated for the purpose of disclosure as follows:

	Fair values				Total £'000
	Carrying amount £'000	Valuation techniques			
		Quoted price Level 1 £'000	Observable inputs Level 2 £'000	Significant unobservable inputs Level 3 £'000	
At 31 Dec 2019					
Assets					
Loans and advances to banks	243	—	243	—	243
At 31 Dec 2018					
Assets					
Loans and advances to banks	239	—	239	—	239

9 Accruals, deferred income and other financial liabilities

	2019 £'000	2018 £'000
Accruals and deferred income	3	2
Amounts owed to immediate parent undertaking	1	5
Amounts owed to other group companies	4	4
Other liabilities	-	1
At 31 Dec	8	12

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

10. Maturity analysis of assets and liabilities

The following is an analysis of assets and liabilities by residual contractual maturities at the balance sheet date.

	On demand £'000	Due within 3 months £'000	Due between 3 12 months £'000	Due between 1 - 5 years £'000	Due after 5 years £'000	Undated £'000	Total £'000
Assets							
Loans and advances to banks	243	—	—	—	—	—	243
Prepayment and accrued income	1	—	—	—	—	—	1
At 31 Dec 2019	244	—	—	—	—	—	244
Liabilities and Equity							
Accruals and other financial liabilities	8	—	—	—	—	—	8
Non-financial liabilities	—	—	2	—	—	—	2
Equity	—	—	—	—	—	233	233
At 31 Dec 2019	8	—	2	—	—	233	243
Assets							
Loans and advances to banks	239	—	—	—	—	—	239
Prepayment and accrued income	—	—	—	—	—	—	—
At 31 Dec 2018	239	—	—	—	—	—	239
Liabilities and Equity							
Accruals and other financial liabilities	12	—	—	—	—	—	12
Non-financial liabilities	—	—	2	—	—	—	2
Equity	—	—	—	—	—	225	225
At 31 Dec 2018	12	—	2	—	—	225	239

11 Called up share capital

	2019		2018	
	Number	£'000	Number	£'000
Issued, allotted and partially paid up				
Ordinary shares of £1 each, 40p paid	250,000	100	250,000	100
As at 1 Jan and 31 Dec	250,000	100	250,000	100

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

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.

The COVID-19 outbreak has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. There are a number of factors associated with the outbreak and its impact on global economies that could have a material adverse effect on (among other things) the profitability, capital and liquidity of financial institutions such as the company. Should the COVID-19 outbreak continue to cause disruption to economic activity globally through 2020, there could be further impacts on our income due to equity markets volatility and weakness.

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

Credit risk management

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

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

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

I. Maximum exposure to credit risk

	2019		
	Maximum exposure	Offset	Net
	£'000	£'000	£'000
Loans and advances to banks at amortised cost	243	—	243
At 31 Dec	243	—	243
	2018		
	Maximum exposure	Offset	Net
	£'000	£'000	£'000
Loans and advances to banks at amortised cost	239	—	239
At 31 Dec	239	—	239

II. Concentration of credit risk exposure

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions (see loans and advances to customers by industry table on Note 11). The Entity uses a number of controls and measures to minimise undue concentration of exposure in the Entity's portfolios across industry, country and customer groups. These include portfolio and counterparty limits, approval and review controls, and stress testing.

Due to the retail-based nature of its lending activities, the Entity is not exposed to any significant concentration risk. 98.8% (2018: 98.8 %) of the credit risk exposure is to the ultimate parent undertaking, HSBC UK Bank plc.

III. Credit quality

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

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

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

Quality classification definitions

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

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

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

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

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

HSBC Executor & Trustee Company (UK) Limited

Distribution of financial instruments by credit quality

	Strong	Total
	£'000	£'000
Loans and advances to banks	243	243
At 31 Dec 2019	243	243
Loans and advances to banks	239	239
At 31 Dec 2018	239	239

IV. Collateral and other credit enhancements

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

Summary of loan book analysed by collateral type is provided below

	2019	2018
	£'000	£'000
Unsecured	243	239
Loans and advances	243	239

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 risk arises from mismatches in the timing of cash flows.

The Entity holds sufficient levels of cash balances at all times, such that operational cash flows can be met.

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 in 100bp in interest rates at the reporting date would have increased/decreased profits by £2k (2018: £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.

	2019	2018
	Balance at 31 December	Balance at 31 December
	£'000	£'000
Liabilities		
Other liabilities	1	4
	2019	2018
	£'000	£'000
Income statement		
General and administrative expenses	2	3

Transactions detailed below include amounts due to/from other group entities.

	2019	2018
	Balance at 31 December	Balance at 31 December
	£'000	£'000
Assets		
Loans and advances to banks	243	239
Liabilities		
Other liabilities	4	5
	2019	2018
	£'000	£'000
Income statement		
Interest income	-	1

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. HSBC UK Bank plc is the parent undertaking of the smallest group to consolidate these financial statements.

The immediate parent undertaking is HSBC Trust Company (UK) Limited. The immediate parent undertaking of HSBC Trust Company (UK) Limited is HSBC UK Bank plc.

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

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

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

15 Events after the balance sheet date

Since early January 2020, the COVID-19 outbreak has spread across the globe and have been classified by the World Health Organisation as a Pandemic. This is causing ongoing disruption to business and economic activity, and is resulting in substantial and substantive government and central bank relief actions and support measures in many countries to protect the economy. These events have also increased the level of operational risk in our business due to the impact on our business operations, customers and suppliers. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the company and its clients, the Directors have considered the impact in carrying out their assessment of the principal risks the company faces. The directors have concluded that the COVID-19 outbreak does not impact the measurement of the assets and liabilities as at 31st December 2019 and that the financial statements should be continued to be prepared on a going concern basis.