

HSBC Executor & Trustee Company (UK) Limited

HSBC Executor & Trustee Company (UK) Limited

Registration No: 362578

**Annual Report and Financial Statements for the year ended 31
December 2020**



HSBC Executor & Trustee Company (UK) Limited

**Annual Report and Financial Statements for the year ended
31 December 2020**

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Strategic Report

Principal activities

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

Its 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 year. 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 2020 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

Section 172 of the Companies Act 2006 requires directors of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. As part of the Company's deliberations and decision making process, the Board also takes into account the (i) likely consequences of any decision in the long term; (ii) the interests of the company's employees; (iii) the need to foster the company's business relationships with suppliers, customers and others; (iv) the impact of the company's operations on the community and the environment; and (v) the desirability of the company maintaining a reputation for high standards of business conduct.

The Board considers its stakeholders to be the people who work for us, utilise our services, own us, regulate us and live in the societies we serve. During 2020, the directors gave careful consideration to the factors set out above in discharging their duties under section 172. The Board recognises that building strong relationships with the Company's stakeholders will help deliver the Company's strategy in line with its long-term values, and operate the business in a sustainable way.

The Board is committed to effective engagement with its stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of the Company's engagement with stakeholders, the Board seeks to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision-making. The Board acknowledges however, that not every decision it makes will necessarily result in a positive outcome for all stakeholders.

The Board will sometimes engage directly with certain stakeholder on specific issues, but the size and distribution of the Company's stakeholders and of the HSBC Group means that stakeholder engagement often takes place at an operational level. In these instances, the Board is informed of stakeholder views through management reports and presentations.

The decisions made by the Board during the year were deemed to be routine in nature and are taken on a cyclical basis.

HSBC Executor & Trustee Company (UK) Limited

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.

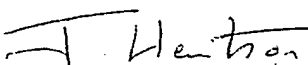
The maximum exposure to credit risk is represented by the carrying amount of all financial assets in the balance sheet. The Entity's exposure to credit risk is limited to HSBC Group entities and given their high credit ratings management does not expect these counterparties to fail to meet their obligations.

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.

On behalf of the Board



J E Hewitson
Director

29th September 2021

1 Centenary Square
Birmingham B1 1HQ
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
V S Farrell	14 January 2019	31 August 2021
M A Oates	14 January 2019	
J E Hewitson	1 January 2020	
R Owers	1 September 2021	

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 2020 (2019: nil).

Significant events since the end of the financial year

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

Future developments

No change in the Entity's activities is expected.

Going concern basis

The Directors consider it appropriate to prepare the financial statements on a going concern basis. In making their going concern assessment, the Directors have considered a wide range of detailed information relating to present and potential conditions, including profitability, cash flows, capital requirements and capital resources. HSBC Trust Company (UK) Limited, the parent undertaking, has committed to ensuring the provision of sufficient funds for a period of not less than twelve months from the date of authorisation of these financial statements, to enable the Company to meet its liabilities as they fall due.

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

The following statement, which should be read in conjunction with the auditors' 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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

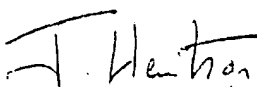
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the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

Directors' confirmations

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

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

On behalf of the Board



J E Hewitson
Director
29th September 2021

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 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 balance sheet as at 31 December 2020; the income statement, 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- identifying and testing journal entries posted that have greater risk of fraud such as those posted post year end and backdated, posted by unexpected users, or those posted using unexpected account combinations.

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

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

Use of this report

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

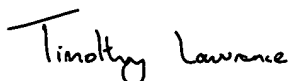
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Timothy Lawrence (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

29th September 2021

Financial statements

Income statement for the year ended 31 December 2020

		2020	2019
	Notes	£'000	£'000
Interest income		1	-
Net interest income		1	-
Fee and commission income	2	10	15
Net fee income		10	15
Net operating income		11	15
General and administrative expenses		(5)	(4)
Total operating expenses		(5)	(4)
Profit before tax		6	11
Tax expense	5	(1)	(2)
Profit for the year		5	9

Statement of comprehensive income for the year ended 31 December 2020

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above (2019: nil).

HSBC Executor & Trustee Company (UK) Limited

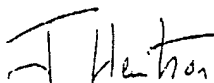
Balance sheet at 31 December 2020

Registration No: 362578

	2020	2019
	£'000	£'000
Assets		
Loans and advances to banks	255	243
Prepayments and accrued income	0	1
Total assets	255	244
Liabilities and equity		
Liabilities		
Accruals, deferred income and other liabilities	13	8
Current tax liabilities	3	2
Total liabilities	16	10
Equity		
Called up share capital	100	100
Retained earnings	139	134
Total equity	239	234
Total liabilities and equity	255	244

The accompanying notes on pages 12 to 18 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29th September 2021 and signed on its behalf by:



J E Hewitson
Director

HSBC Executor & Trustee Company (UK) Limited

Statement of cash flows for the year ended 31 December 2020

		2020	2019
	Notes	£'000	£'000
Cash flows from operating activities			
Profit before tax		6	11
Adjustments for:			
Change in operating liabilities	6	5	(4)
Tax credit		—	(2)
Net cash generated from operating activities		11	5
Net increase in cash and cash equivalents		11	5
Cash and cash equivalents brought forward		244	239
Cash and cash equivalents carried forward	6	255	244

HSBC Executor & Trustee Company (UK) Limited

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
At 1 Jan 2020	100	134	234
Profit for the year	—	5	5
Total comprehensive income for the year	—	5	5
At 31 Dec 2020	100	139	239

	Called up share capital £'000	Retained earnings £'000	Total equity £'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

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 2020, there were no unendorsed standards effective for the year ended 31 December 2020 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 2020

Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 issued in August 2020 represents the second phase of the IASB's project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of the reform. Under these amendments, changes made to a financial instrument measured at other than fair value through profit or loss. This has had an insignificant effect on the financial statements of the company.

(b) Future accounting developments

Minor amendments to IFRSs

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

New IFRSs

IFRS 17 'Insurance Contracts'

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

(c) Presentation of information

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. The financial statements have been prepared on the historical cost basis.

(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. HSBC Trust Company (UK) Limited, the parent undertaking, has committed to ensuring the provision of sufficient funds for a period of not less than twelve months from the date of authorisation of these financial statements, to enable the Company to meet its liabilities as they fall due.

HSBC Executor & Trustee Company (UK) Limited

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

	2020	2019
	£'000	£'000
Fee income		
Fees earned on trust and other fiduciary activities where the Entity holds or invests assets on behalf of its customers	10	15
General and administrative expenses		
Recharge's from other group entities for services provided	2	2

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 (2019: 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.

HSBC Executor & Trustee Company (UK) Limited

4 Auditors' remuneration

	2020	2019
	£'000	£'000
Audit fees for statutory audit		
- Fees relating to current year	2	2
- Others	1	-
Year ended 31 Dec	3	2

5 Tax

Tax expense

	2020	2019
	£'000	£'000
Current tax		
UK corporation tax		
- For this year	1	2
Year ended 31 Dec	1	2

The UK corporation tax rate applying to the Entity was 19% (2019: 19%).

Tax reconciliation

	2020		2019	
	£'000	(%)	£'000	(%)
Profit before tax	6		11	
Tax at 19% (2019: 19%)	1	19	2	19
Year ended 31 Dec	1	19	2	19

6 Net cash flow from operating assets and liabilities

	2020	2019
	£'000	£'000
Change in operating liabilities		
Change in other liabilities	5	(4)
	5	(4)
Cash and cash equivalents comprise		
Loans and advances to banks of one month or less	255	244
	255	244

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:

- 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.
- 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.
- Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

HSBC Executor & Trustee Company (UK) Limited

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					
Valuation techniques					Total £'000
Carrying amount £'000	Quoted price	Observable inputs	Significant unobservable inputs		
	Level 1 £'000		Level 2 £'000	Level 3 £'000	
£'000	£'000	£'000	£'000	£'000	£'000
At 31 Dec 2020					
Assets					
Loans and advances to banks	255	—	255	—	255
At 31 Dec 2019					
Assets					
Loans and advances to banks	243	—	243	—	243

9 Accruals, deferred income and other financial liabilities

	2020 £'000	2019 £'000
Accruals and deferred income	5	3
Amounts owed to immediate parent undertaking	7	1
Amounts owed to other group companies	1	4
At 31 Dec	13	8

Amounts repayable to other group undertakings are unsecured, interest free and have no fixed date of repayment. The movement in accruals is mainly driven by increase in outstanding audit fees and intercompany settlements which were settled in the following year.

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	255	—	—	—	—	—	255
Prepayment and accrued income	0	—	—	—	—	—	0
At 31 Dec 2020	255	—	—	—	—	—	255
Liabilities and Equity							
Accruals and other financial liabilities	13	—	—	—	—	—	13
Non-financial liabilities	—	—	3	—	—	—	3
Equity	—	—	—	—	—	239	239
At 31 Dec 2020	13	—	3	—	—	239	255
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	—	—	—	—	—	234	234
At 31 Dec 2019	8	—	2	—	—	234	244

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11 Called up share capital

	2020		2019	
	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 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.

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

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

Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty of the 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

	2020		
	Maximum exposure	Offset	Net
	£'000	£'000	£'000
Loans and advances to banks at amortised cost	255	—	255
At 31 Dec	255	—	255
	2019		
	Maximum exposure	Offset	Net
	£'000	£'000	£'000
Loans and advances to banks at amortised cost	243	—	243
At 31 Dec	243	—	243

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.

96% (2019: 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.

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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.

Distribution of financial instruments by credit quality

	Strong £'000	Total £'000
Loans and advances to banks	255	255
At 31 Dec 2020	255	255
Loans and advances to banks	243	243
At 31 Dec 2019	243	243

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

	2020 £'000	2019 £'000
Unsecured	255	243
Loans and advances	255	243

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.

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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.

	2020	2019
	Balance at 31 December £'000	Balance at 31 December £'000
Assets		
Loans and advances to banks	8	—
Liabilities		
Other liabilities	7	1

	2020	2019
	£'000	£'000
Income statement		
General and administrative expenses	2	2

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

	2020	2019
	Balance at 31 December £'000	Balance at 31 December £'000
Assets		
Loans and advances to banks	247	243
Liabilities		
Other liabilities	1	4
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. The interest income is received from HBUK

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

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