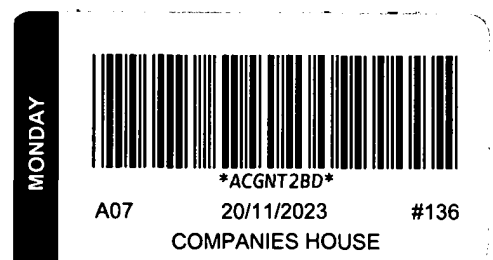


HSBC Executor & Trustee Company (UK) Limited

Registration No: 00362578

**Annual Report and Financial Statements for the year ended
31 December 2022**



Annual Report and Financial Statements for the year ended 31 December 2022

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Strategic Report

Principal activities

HSBC Executor & Trustee Company (UK) Limited ('the Entity') is a limited company domiciled and incorporated in the United Kingdom and registered 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 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 2022 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 2022, 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.

Principal risks and uncertainties

The principal financial risks and uncertainties facing the Entity are credit risk, market risk, liquidity risk and cashflow risk. These risks, the exposure to such risks and management of risk are set out in Note 13 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.

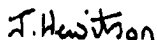
The Entity maintains a strong compliance culture and monitors the regulatory environment closely to react proactively to changes and reduce risks to the business.

Climate Risk

Climate risks have the potential to cause both financial and non-financial impacts for the company. Financial impacts could materialise from transactional losses or business decisions to achieve overall climate ambitions of the HSBC group. Non-financial impacts could materialise from the impact of significant changes in climate on the Company's assets or operations.

The impact of climate risk on the balance sheet has been assessed and it is considered that there is no material impact on the financial statements for the year ended 31 December 2022. Significant balances held on the balance sheet relate to cash and cash equivalents which are easily convertible. It is not considered that climate risk will have a significant impact.

On behalf of the Board



James E Hewitson
Director

28 September 2023

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
M A Oates
J E Hewitson
R Owers

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 2022 (2021: nil).

Significant events since the end of the financial year

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

Future developments

No change in the Entity's activities is expected.

Going concern basis

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions. This includes the principal risks and uncertainties and the impact of climate risk as set out in the Strategic Report, together with future projections of profitability, cash flows and capital resources.

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 have expressed their willingness to continue in office and the Board recommends that PwC be re-appointed as the Entity's auditors.

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 Company's 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.

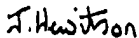
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the 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
28 September 2023

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 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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, which comprise: the balance sheet as at 31 December 2022; 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 of 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 2022 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 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 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 and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries with management;
- Identifying and testing journal entries meeting specific fraud criteria;
- Incorporating an element of unpredictability into our testing; and
- Challenging assumptions made by management in accounting estimates

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

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

28 September 2023

Financial statements

Income statement for the year ended 31 December 2022

		2022	Restated Note 1.1(f) 2021
	Notes	£	£
Interest income		22	22
Net interest income		22	22
Fee and commission income	2	12,835	12,721
Net fee income		12,835	12,721
Net operating income		12,857	12,743
General and administrative expenses		(4,529)	(4,874)
Total operating expenses		(4,529)	(4,874)
Profit before tax		8,328	7,869
Tax expenses	5	(1,582)	(1,931)
Profit for the year		6,746	5,938

Statement of comprehensive income for the year ended 31 December 2022

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above (2021: nil).

HSBC Executor & Trustee Company (UK) Limited

Balance sheet at 31 December 2022

Registration No: 00362578

		2022	Restated Note 1.1(f) 2021	2020
	Notes	£	£	£
Assets				
Cash and cash equivalents		255,637	256,506	255,292
Prepayments and accrued income		6,999	4,301	26
Total assets		262,636	260,807	255,318
Liabilities and equity				
Liabilities				
Accruals, deferred income and other liabilities	10	8,767	13,745	13,306
Current tax liabilities		1,992	1,931	2,819
Total liabilities		10,759	15,676	16,125
Equity				
Called up share capital	12	100,000	100,000	100,000
Retained earnings		151,877	145,131	139,193
Total equity		251,877	245,131	239,193
Total liabilities and equity		262,636	260,807	255,318

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 28 September 2023 and signed on its behalf by:

J. E. Hewitson

J E Hewitson
Director

Statement of cash flows for the year ended 31 December 2022

		2022	Restated Note 1.1(f) 2021
	Notes	£	£
Cash flows from operating activities			
Profit before tax		8,328	7,869
Adjustments for:			
Change in operating assets		(2,699)	(4,252)
Change in operating liabilities	6	(5,413)	438
Tax paid		(1,085)	(2,819)
Net cash (used in)/generated from operating activities		(869)	1,236
Net (decrease)/increase in cash and cash equivalents		(869)	1,236
Cash and cash equivalents brought forward		256,506	255,270
Cash and cash equivalents carried forward	6	255,637	256,506

Statement of changes in equity for the year ended 31 December 2022

	Called up share capital £	Retained earnings £	Total equity £
At 1 Jan 2022	100,000	145,131	245,131
Profit for the year	—	6,746	6,746
Total comprehensive income for the year	—	6,746	6,746
At 31 Dec 2022	100,000	151,877	251,877

Restated
Note 1.1(f)

At 1 Jan 2021	100,000	139,193	239,193
Profit for the year (as previously reported) ¹	—	4,191	4,191
Prior year restatement ¹	—	1,747	1,747
Profit for the year (restated) ¹	—	5,938	5,938
Total comprehensive income for the year (restated)¹	—	5,938	5,938
At 31 Dec 2021 (restated)¹	100,000	145,131	245,131

¹Details of the prior year restatement are included in Note 1.1 (f)

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

Notes on the financial statements

1. Basis of preparation and significant accounting policies

1.1. Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. There were no unendorsed standards effective for the year ended 31 December 2022 affecting these financial statements.

Standards adopted during the year ended 31 December 2022

There were no new accounting standards or interpretations that had a significant effect on the Company in 2022. Accounting policies have been consistently applied.

(b) Future accounting developments

Minor amendments to International Financial Reporting Standards ('IFRSs')

The International Accounting Standards Board ('IASB') has not published any minor amendments effective from 1 January 2022 that are applicable to the Company. However, the IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2023 and 1 January 2024. Not all of these amendments have been endorsed for use in the UK to date but adoption is not expected to have a significant effect on the financial statements of the Company.

New IFRSs

IFRS 17 'Insurance Contracts'

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 and has been adopted for use in the UK. However, it is not considered to have a significant impact on the financial statements of the Company.

(c) Presentation of information

The functional currency of the Company is sterling, which is also the presentational currency of the financial statements of the Company. 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 Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions. This includes the principal risks and uncertainties and the impact of climate risk as set out in the Strategic Report, together with future projections of profitability, cash flows and capital resources.

(f) Restatement of prior year balances

The Company has restated amounts reported in the prior year due to fee and commission income being understated in 2021 due to a recognition error. Adjustments have been made in the prior year in order to provide further details in respect of balances relating to fee and commission income, tax expenses, accrued income and current tax liabilities. The impact on balances in the financial statements for the above is shown in the table below:

	Previously reported £	Prior year restatement £	Restated £
	2021		2021
Income statement			
Fee and commission income	10,564	2,157	12,721
Profit before tax	5,712	2,157	7,869
Tax expenses	(1,521)	(410)	(1,931)
Profit after tax	4,191	1,747	5,938
Balance Sheet			
Prepayment and accrued income	2,144	2,157	4,301
Current tax liabilities	(1,521)	(410)	(1,931)
Statement of cash flows			
Profit before tax	5,712	2,157	7,869
Change in operating assets	2,095	2,157	4,252
Statement of changes in equity			
Retained earnings	143,384	1,747	145,131
Total equity	243,384	1,747	245,131

1.2. Summary of significant accounting policies

(a) Income and expense

Interest income and expense 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

Fee and commission income is earned from a diverse range of service provided by the Company to its customers. The income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating a transaction, such as the acquisition of shares for a third party); and
- Income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management services).
- Prepayment and accrued income represents fees that have been earned but not yet charged for the reporting period.

(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.

(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

	2022 £	Restated Note 1.1(f) 2021 £
Fee income		
Fees earned on trust and other fiduciary activities where the Entity holds or invests assets on behalf of its customers	12,835	12,721
General and administrative expenses		
Recharges from other group entities for services provided	2,127	1,087

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 (2021: 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

	2022 £	2021 £
Audit fees for statutory audit		
- Fees relating to current year	3,011	3,015
Year ended 31 Dec	3,011	3,015

5. Tax

Tax expense

	2022 £	Restated Note 1.1(f) 2021 £
Current tax		
UK Corporation tax		
- For this year	1,582	1,495
- Adjustments in respect of prior years	—	436
Total current tax for year ended 31 Dec	1,582	1,931

The UK corporation tax rate applying to the Entity was 19 % (2021: 19 %).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

Tax reconciliation

	2022 £	(%)	2021 £	(%)
Profit before tax	8,328		7,869	
Tax at 19% (2021: 19%)	1,582	19	1,495	19.0
Adjustment in respect of prior years	—	—	436	5.5
Year ended 31 Dec	1,582	19	1,931	24.5

6. Net cash flow from operating assets and liabilities

	2022 £	Restated Note 1.1(f) 2021 £
Change in operating assets		
Change in prepayment and accrued income	(2,699)	(4,252)
Change in operating liabilities		
Change in accruals and deferred income	(3,517)	438
Change in other liabilities	(1,896)	—
	(5,413)	438
Cash and cash equivalents comprise		
Loans and advances to banks of one month or less	255,637	256,506
	255,637	256,506

7. Prepayments and accrued income

	2022	2021
	£	£
Accrued income	6,999	4,301
Year ended 31 Dec	6,999	4,301

8. Analysis of financial assets and liabilities by measurement basis

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

9. 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
	Valuation techniques				
	Carrying amount	Quoted price Level 1	Observable inputs	Significant unobservable inputs	
			Level 2	Level 3	
	£	£	£	£	£
At 31 Dec 2022					
Assets					
Cash and cash equivalents	255,637	—	255,637	—	255,637
Restated Note 1.1(f)					
At 31 Dec 2021					
Assets					
Cash and cash equivalents	256,506	—	256,506	—	256,506

10. Accruals, deferred income and other financial liabilities

	2022	2021
	£	£
Accruals and deferred income	4,231	7,748
Amounts owed to immediate parent undertaking	756	2,516
Amounts owed to other group companies	3,780	3,481
At 31 Dec	8,767	13,745

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.

11. 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	Due within 3 months	Due between 3 - 12 months	Due between 1 - 5 years	Due after 5 years	Undated	Total
	£	£	£	£	£	£	£
Assets							
Cash and cash equivalents	255,637	—	—	—	—	—	255,637
Prepayment and accrued income	—	6,999	—	—	—	—	6,999
At 31 Dec 2022	255,637	6,999	—	—	—	—	262,636
Liabilities and Equity							
Accruals and other financial liabilities	8,767	—	—	—	—	—	8,767
Current tax liabilities	—	—	1,992	—	—	—	1,992
Equity	—	—	—	—	—	251,877	251,877
At 31 Dec 2022	8,767	—	1,992	—	—	251,877	262,636

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Restated
Note 1.1(f)

Assets							
Cash and cash equivalents	256,506	—	—	—	—	—	256,506
Prepayment and accrued income	—	4,301	—	—	—	—	4,301
At 31 Dec 2021	256,506	4,301	—	—	—	—	260,807
Liabilities and Equity							
Accruals and other financial liabilities	13,745	—	—	—	—	—	13,745
Current tax liabilities	—	—	1,931	—	—	—	1,931
Equity	—	—	—	—	—	245,131	245,131
At 31 Dec 2021	13,745	—	1,931	—	—	245,131	260,807

12. Called up share capital

	2022		2021	
	Number	£	Number	£
Issued, allotted and fully paid up				
Ordinary shares of £1 each, 40p paid	250,000	100,000	250,000	100,000
As at 1 Jan and 31 Dec	250,000	100,000	250,000	100,000

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

13. Management of financial risk

All of the Entity's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which comprises credit risk, liquidity risk and market risk. The management of financial risk and consideration of profitability, cash flows and capital resources form a key element in the Directors' assessment of the Entity as a going concern.

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

	2022		
	Maximum exposure	Offset	Net
Cash and cash equivalents	255,637	—	255,637
At 31 Dec	255,637	—	255,637

Restated
Note 1.1(f)

	2021		
Cash and cash equivalents	256,506	—	256,506
At 31 Dec	256,506	—	256,506

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. 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% (2021: 96 %) 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 external rating grades:

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 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.

Distribution of financial instruments by credit quality

	Strong	Total
	£	£
Cash and cash equivalents	255,637	255,637
At 31 Dec 2022	255,637	255,637
Restated		
Note 1.1(f)		
Cash and cash equivalents	256,506	256,506
At 31 Dec 2021	256,506	256,506

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.

14. 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 and HSBC Bank plc.

	2022	2021
	Balance at 31 December	Balance at 31 December
	£	£
Assets		
Cash and cash equivalents	—	9,948
Liabilities		
Other liabilities	1,841	3,595

HSBC Executor & Trustee Company (UK) Limited

	2022 £	2021 £
Income statement		
General and administrative expenses	2,127	1,087

Transactions detailed below include amounts due to/from other group entities HSBC UK Bank plc.

	2022 Balance at 31 December £	Restated Note 1.1(f) 2021 Balance at 31 December £
Assets		
Cash and cash equivalents	255,637	246,558
Liabilities		
Other liabilities	2,695	2,402

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

15. Parent undertakings

The ultimate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest group to consolidate these financial statements. HSBC 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

16. Events after the balance sheet date

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