HSBC Corporate Trustee Company (UK) Limited

Registration No: 6447555

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

HSBC

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

Contents

Strategic Report

Principal activities

HSBC Corporate Trustee Company (UK) Limited (the'Company') is a limited company, domiciled and incorporated in England and Wales. Its trading address is 8 Canada Square, London E14 5HQ, United Kingdom.

The principal activity of the Company is to act as a trustee and/or security agent/security trustee for fellow HSBC Group (the 'Group') undertakings and third parties.

The Company has no employees. Services required are provided by fellow HSBC Group companies. The Company has no shareholders other than its parent company.

The Company is limited by shares.

Review of the Company's business

During 2019, the Company continued to expand its book of business, in particular by winning mandates in the loan market and project and export finance. The Company has seen some defaults and re-financing of existing loans. A small number of transactions were terminated during the year.

Monthly management accounts and variance analysis are prepared and reviewed by the management of the HSBC business in which the Company resides. Quarterly fee billings are reviewed and reported at board meetings.

Support services for the Company were provided by HSBC Bank plc. An appropriate amount is recharged to the Company for these services.

No change in the Company's activities is anticipated. It is the intention of the Directors that the Company will continue with its principal business activity.

Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, 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, bank with us, own us, regulate us and live in the societies we serve. During 2019, 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 our 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 stakeholders on specific issues, but the size and distribution of our 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 majority of decisions made by the Board during the year are deemed to be routine in nature and are taken on a cyclical basis. The Board is focused on enhancing customer experience and delivering both fair and right outcomes for all its stakeholders. The Board has regularly considered the Company's discretionary powers and defaulted/distressed deals in order to protect the Company's interests, and in turn, the interests of its stakeholders, ensuring that the arrangements in place continue to be appropriate. The Board were regularly briefed on the Fifth Money Laundering Directive, what it meant for the Company and its stakeholders, and the impact of the proposal and the challenges. The Company engaged in the consultation process for the Directive via the ICMSA Trustee sub-committee, with the intention of influencing the final publication.

The Board also approved the payment of a dividend to its shareholder during 2019, the timing of which required engagement with and consideration of both shareholder interests and the longer term interests of the company.

As a result of these activities, the Board has demonstrated compliance with their legal duty under section172 of the Companies Act 2006.

Performance

The Company's results for the year under review are as detailed in the income statement shown on page 7 of these financial statements.

Key performance indicators

As the Company is managed as part of a global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of HSBC Bank plc. Ongoing review of the performance of the Company is carried out by comparing actual performance against annually set budgets.

Principal risks and uncertainties

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 16 of the financial statements.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('EU') with the process of the UK leaving the EU commencing on 29 March 2017. The UK left the EU on 31 January 2020 and entered into a transition period until 31 December 2020, during which negotiations will take place on the future relationship between the UK and the EU. At this stage the ultimate economic effect of the UK leaving the EU is uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime, this uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. As described in Note 16, foreign exchange and interest rate risks are managed by the Company in the ordinary course of business and so any increased volatility as a result of the UK leaving the EU is not expected to have a material effect on the results and net assets of the Company. Additionally, any general adverse consequences for credit risk at a UK or EU macro-economic level that may arise as a consequence of the UK leaving the EU is not expected to translate into a material increase in credit risk for the Company given the nature of the Company's transactions, its counterparties and available security.

In addition to the above, since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many other countries to protect their economies. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company and its customers, an assessment of the cash flows held by the Company has been performed by Management and it is considered that the COVID-19 outbreak is not expected to have a significant impact on the principal risks facing the Company.

T. McKay

Thomas McKay
Authorised Signatory

On behalf of the Board

T P McKay
Director

30 September 2020

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

Report of the Directors

Directors

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

Name
L A Wilson
C D Knowles
I J Pryor
T P McKay

The Articles of Association of the Company contain a qualifying third-party indemnity provision, which entitles Directors and other officers to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year and up to the date of approval of the financial statements but have not been utilised by the Directors. Additionally, all Directors have the benefit of Directors' and officers' liability insurance.

Dividends

Dividends of £3,000k were declared and paid to its parent Company during the year ended 31 December 2019 (2018: £9,000k). Details of dividend payments made during the year are included in Note14.

Significant events since the end of the financial year

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company and its customers, an assessment of the cash flows held by the Company has been performed by Management and it is considered that the COVID-19 outbreak is not expected to have a significant impact on the principal risks facing the Company.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date.

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

Future developments

No change in the Company'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, including the COVID-19 outbreak referred to above, together with future projections of profitability, cash flows and capital resources.

Financial risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 16 of the Notes on the financial statements.

Capital management

The Company is not subject to externally imposed capital requirements and is dependent on the HSBC Group to provide necessary capital resources which are therefore managed on a group basis.

The Company defines capital as total shareholders' equity. It is HSBC Group'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 Company's approach to capital management during the year.

Independent auditors

PricewaterhouseCoopers LLP ('PwC') are external independent auditors to the Company. PwC has expressed its willingness to continue in office and the Board recommends that PwC be re-appointed as the Company's independent auditors.

Statement of Directors' Responsibilities in respect of 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 financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union 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 also 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 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 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

T. McKay

Thomas McKay
Authorised Signatory

T P McKay
Director

30 September 2020

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

Independent auditors' report to the member of HSBC Corporate Trustee Company (UK) Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis of opinion

We conducted our audit in accordance with International Standards of 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 of our opinion.

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and 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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and 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 set out on page 4, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Harry Armour

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

Dated: 30 September 2020

Financial statements

Income statement for the year ended 31 December 2019

	Notes	2019 £	2018 £
Fee income		**4,823,943**	4,520,677
General and administrative expenses	2	**(1,495,208)**	(978,380)
Profit before tax		**3,328,735**	3,542,297
Tax expense	6	**(632,460)**	(673,036)
Profit for the year		**2,696,275**	2,869,261

Statement of comprehensive income for the year ended 31 December 2019

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

Balance sheet at 31 December 2019
Registration No: 6447555

	Notes	2019 £	2018 £
Assets			
Called up share capital not paid	13	100,000	100,000
Cash and cash equivalents		6,623,836	5,275,567
Loans and advances	9	113,566	1,823,809
Trade and other receivables	10	866,316	1,088,087
Total assets		7,703,718	8,287,463
Liabilities and equity			
Liabilities			
Accruals, deferred income and other liabilities	11	3,022,390	3,261,834
Current tax liabilities		632,460	673,036
Total liabilities		3,654,850	3,934,870
Equity			
Called up share capital	13	100,000	100,000
Retained earnings		3,948,868	4,252,593
Total equity		4,048,868	4,352,593
Total liabilities and equity		7,703,718	8,287,463

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 30 September 2020 and signed on its behalf by:

T. McKay

Thomas McKay
Authorised Signatory

T P McKay
Director

Statement of cash flows for the year ended 31 December 2019

	2019	2018
	£	£
Cash flows from operating activities		
Profit before tax	3,328,735	3,542,297
Adjustments for:		
Non-cash items included in profit before tax	114,008	6,639
Change in operating assets	107,763	(410,363)
Change in operating liabilities	(239,444)	814,650
Tax paid	(673,036)	(566,366)
Net cash generated from operating activities	2,638,026	3,386,857
Cash flows from financing activities		
Movement in inter-company funding	1,710,243	1,262,838
Dividends paid	(3,000,000)	(9,000,000)
Net cash used in financing activities	(1,289,757)	(7,737,162)
Net increase/(decrease) in cash and cash equivalents	1,348,269	(4,350,305)
Cash and cash equivalents brought forward	5,275,567	9,625,872
Cash and cash equivalents carried forward	6,623,836	5,275,567

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

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 Jan 2019	**100,000**	**4,252,593**	**4,352,593**
Profit for the year	**–**	**2,696,275**	**2,696,275**
Total comprehensive income for the year	**–**	**2,696,275**	**2,696,275**
Dividends to shareholders	**–**	**(3,000,000)**	**(3,000,000)**
At 31 Dec 2019	**100,000**	**3,948,868**	**4,048,868**

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 Jan 2018	100,000	10,383,332	10,483,332
Profit for the year	–	2,869,261	2,869,261
Total comprehensive income for the year	–	2,869,261	2,869,261
Dividends to shareholders	–	(9,000,000)	(9,000,000)
At 31 Dec 2018	100,000	4,252,593	4,352,593

Notes on the financial statements

1 Basis of preparation and significant accounting policies

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

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

(b) Future accounting developments

Minor amendments to IFRSs

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

Major new IFRSs

There are no new IFRSs published by the IASB which are effective from 1 January 2020 that are expected to have a significant effect on the financial statements of the Company.

(c) Foreign currencies

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

(d) 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 present information about the Company as an individual undertaking and not about its group. The Company 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.

(e) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different conclusions from those reached by management for the purposes of these financial statements.

Management's selection of the Company's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

There are no accounting policies or estimates that are deemed critical to the Company's 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.

(f) 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, including the impact of the COVID-19 outbreak referred to above, together with future projections of profitability, cash flows and capital resources.

1.2 Summary of significant accounting policies

(a) Income and expense

Interest income and expense

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of the financial instrument, including transaction costs and all other premiums or discounts.

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 income is earned from a diverse range of services provided by the Company to its customers. Fee 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).

(b) Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Company recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction either until the transaction matures or is closed out and the valuation inputs become observable or the Company enters into an offsetting transaction.

(c) Financial instruments measured at amortised cost

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 and trade and other receivables.

Loans and advances

Loans and advances including loans and advances originated by the Company that have not been classified either as held-for-trading or designated at fair value. These loans are recognised when cash is advanced and are derecognised when the undertakings repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

Trade and other receivables

These include trade and other receivables originated by the Company, not classified as held for trading or designated at fair value. They are recognised when cash is advanced to a borrower and are derecognised when either the borrower repays its obligations, or the receivables are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment allowance.

(d) Impairment of amortised cost financial assets

Expected credit losses ('ECLs') are recognised for loans and advances and trade and other receivables held at amortised cost. At initial recognition, allowance 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 that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

For loans and advances due from other HSBC group undertakings, an assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the group company's customer risk rating ('CRR'). The CRR of group companies have been virtually the same over the past few years, therefore the exposures are in stage 1. No ECL is recognised as no loss was expected for HSBC group undertakings.

For trade and other receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the lifetime ECL on these items based on historical credit loss experience and the past due status of the receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

(e) 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 Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

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

(f) 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.

(g) Statement of cash flows

The statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under 'Operating activities', movements in inter-company transactions are shown under the heading of 'Financing activities'. Such movements arise ultimately from the Company's financing activities, through which the Company will acquire resources intended to generate future income and cash flows.

(h) Assets held as nominee

Securities and cash held in trust, agency or fiduciary capacity for customers are not included on the Balance sheet as such assets are not the property of the Company.

2 General and administrative expenses

	2019	2018
	£	£
Auditors remuneration	21,000	21,000
Other legal expenses	–	75
Intercompany charges in respect of providing trustee services	1,360,200	950,666
ECL income statement charge	114,008	6,639
Year ended 31 Dec	1,495,208	978,380

3 Employee compensation and benefits

The Company has no employees and hence no staff costs (2018: nil).

4 Directors' emoluments

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

5 Auditors' remuneration

	2019	2018
	£	£
Audit fees for statutory audit		
- Fees relating to current year	21,000	21,000
Year ended 31 Dec	21,000	21,000

There were no non-audit fees incurred during the year (2018: nil).

6 Tax

Tax expense

	2019	2018
	£	£
Current tax		
UK Corporation tax		
- For this year	632,460	673,036
Year ended 31 Dec	632,460	673,036

The UK corporation tax rate applying to the Company was 19.00% (2018: 19.00%).

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will not occur and the UK Corporation Tax Rate will instead remain at 19%.

Tax reconciliation

	2019		2018	
	£	(%)	£	(%)
Profit before tax	3,328,735		3,542,297	
Tax at 19.00% (2018: 19.00%)	632,460	19.0	673,036	19.0
Year ended 31 Dec	632,460	19.0	673,036	19.0

7 Analysis of financial assets and liabilities by measurement basis

All financial assets and financial liabilities held by the Company are measured on an ongoing basis at amortised cost.

8 Fair value of financial instruments not carried at fair value

There are no material differences between the carrying value and the fair value of financial assets and liabilities at 31 December 2019 and 31 December 2018.

9 Loans and advances

	2019	2018
	£	£
Amounts due from other group undertakings	113,566	1,823,809

10 Trade and other receivables

	2019	2018
	£	£
Trade receivables owed by third parties	1,043,954	1,151,717
Impairment provision	(177,638)	(63,630)
At 31 Dec	866,316	1,088,087

Trade receivables owed by third parties consists of outstanding invoices on account of fees receivable.

11 Accruals, deferred income and other liabilities

	2019	2018
	£	£
Accruals and deferred income	2,169,903	1,953,849
Amounts due to other group companies	673,037	1,145,001
Other creditors	11,600	10,004
Value added tax	91,450	93,387
Other liabilities	76,400	59,593
At 31 Dec	3,022,390	3,261,834

Accruals and deferred income represents fee income received in advance.

12 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	Undated	Total
	£	£	£	£	£	£
Assets						
Called up share capital not paid	–	–	–	–	100,000	100,000
Cash and cash equivalents	6,623,836	–	–	–	–	6,623,836
Loans and advances	113,566	–	–	–	–	113,566
Trade and other receivables	–	866,316	–	–	–	866,316
At 31 Dec 2019	6,737,402	866,316	–	–	100,000	7,703,718
Liabilities and Equity						
Accruals, deferred income and other liabilities	673,037	1,144,142	1,149,574	55,637	–	3,022,390
Non-financial liabilities	–	–	–	–	632,460	632,460
Equity	–	–	–	–	4,048,868	4,048,868
At 31 Dec 2019	673,037	1,144,142	1,149,574	55,637	4,681,328	7,703,718

	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 - 5 years	Undated	Total
	£	£	£	£	£	£
Assets						
Called up share capital not paid	–	–	–	–	100,000	100,000
Cash and cash equivalents	5,275,567	–	–	–	–	5,275,567
Loans and advances	1,823,809	–	–	–	–	1,823,809
Trade and other receivables	–	1,088,087	–	–	–	1,088,087
At 31 Dec 2018	7,099,376	1,088,087	–	–	100,000	8,287,463
Liabilities and Equity						
Accruals, deferred income and other liabilities	1,145,001	993,163	1,041,037	82,633	–	3,261,834
Non-financial liabilities	–	673,036	–	–	–	673,036
Equity	–	–	–	–	4,352,593	4,352,593
At 31 Dec 2018	1,145,001	1,666,199	1,041,037	82,633	4,352,593	8,287,463

13 Called up share capital

	2019		2018	
	Number	£	Number	£
Allotted and called up				
Ordinary shares of £1 each	**100,000**	**100,000**	100,000	100,000
As at 1 Jan and 31 Dec	**100,000**	**100,000**	100,000	100,000

As at 31 December 2019 £100,000 (2018: £100,000) relating to the share capital subscription was outstanding.

14 Dividends

	2019		2018	
	£	Total per share £	£	Total per share £
Ordinary shares of £1 each	**3,000,000**	**30**	9,000,000	90
	3,000,000	**–**	9,000,000	–

15 Contingent liabilities, contractual commitments and guarantees

There were no contingent liabilities or financial guarantee contracts as at 31 December 2019 (2018: nil).

16 Management of financial risk

All of the Company'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 Company as a going concern.

The Company participates in transactions to which other HSBC group companies are also party. The HSBC business in which these companies reside (the 'Business') has an established risk management process which considers the risks at the outset and on an ongoing basis in relation to each transaction from the Business' perspective - this will consolidate the risks of participating companies and, as such, offsetting risks will be eliminated. To the extent there is any residual risk, management will mitigate this by implementing the appropriate instruments and these will reside in the relevant Company.

As part of that process, the Business' management will review the monthly management accounts of the Business. There were no changes in the Company approach to risk management during the year

Credit risk management

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

The Business manages credit risk for this Company as described above for risks generally. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Balance sheet.

The credit risk of amounts due from other group undertakings is minimised because such other group undertakings are wholly owned subsidiaries of HSBC Holdings plc. Such counterparties have no history of default and have been able to meet their liabilities as they fall due. On this basis the Company considers the amounts to carry a strong credit rating, be fully recoverable and hence no impairment is required.

The trade and other receivables balance is made up of a number of small value receivables, the largest of which is £45,000. As such, there is not considered to be any significant concentration of credit risk.

Reconciliation of allowances for trade and other receivables:

	2019	2018
	£	£
At 1 Jan	63,630	56,991
ECL income statement charge	114,008	6,639
At 31 Dec	**177,638**	63,630

Liquidity risk management

Liquidity risk is the risk that the Company 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 Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from group undertakings.

Market risk management

Market risk is the risk that movements in market factors including interest rates and foreign exchange rates or will impact the Company's income or the value of its portfolios.

Foreign exchange risk

Exposure to foreign currency risk was as follows based on notional amounts:

	2019	2018
	£	£
Trade receivables	397,943	470,200

The following significant exchange rates applied during the year:

GBP	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
EUR	1.17976	1.11308	1.17792	1.11487
USD	1.31130	1.26700	1.32210	1.27680
JPY	143.03048	142.31028	143.48090	140.37777

For the year ended 31 December 2019, it is estimated that a general increase or decrease of 15% in the value of the GBP against the USD would have increased or decreased the Company's profit before tax by approximately £41,464 (2018: £50,796).

Interest rate risk

The Company does not have any significant exposure to interest rate risk.

17 Related party transactions

Transactions detailed below include amounts due to/from HSBC Bank plc

	2019	2018
	Balance at 31 December	Balance at 31 December
	£	£
Assets		
Cash and cash equivalents	6,623,836	5,275,567
Loans and advances	113,566	1,823,809
Liabilities		
Accruals, deferred income and other liabilities	673,037	1,145,001

	2019	2018
	£	£
Income statement		
Fee income	54,162	31,563
General and administrative expenses	1,360,200	950,666

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

The immediate parent undertaking is HSBC Bank plc. All companies are registered in England and Wales.

The results of the Company is included in the financial statements of HSBC Holdings plc and HSBC Bank plc.

Copies of HSBC Holdings plc's and HSBC 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 Bank plc
8 Canada Square
London E14 5HQ
United Kingdom
www.hsbc.com

19 Events after the balance sheet date

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company and its customers, an assessment of the cash flows held by the Company has been performed by Management and it is considered that the COVID-19 outbreak is not expected to have a significant impact on the principal risks facing the Company.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date.

There are no significant events after the balance sheet date.