

HSBC TRUST COMPANY (UK) LIMITED

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2004



Company Registration Number 106294

HSBC TRUST COMPANY (UK) LIMITED

**Annual report and accounts
for the year ended 31 December 2004**

	Page
Report of the Directors	1
Report of the independent auditors	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

HSBC TRUST COMPANY (UK) LIMITED

Report of the Directors for the year ended 31 December 2004

Principal activities

The Company provides services such as individually-tailored financial advice, asset management and related services such as executorship, trusteeship and estate planning, and trades principally as Private Clients. The Company is registered as a Bank and is regulated by the Financial Services Authority.

Results and dividends

The Company's results for the year under review are as detailed in the statement of profit and loss shown in these accounts.

An interim dividend of £7,000,000 was paid on 31 August 2004 in respect of the year ended 31 December 2004 (2003: £6,000,000). The Directors do not recommend the payment of a second interim dividend for the year ended 31 December 2004 (2003: £6,000,000).

Business review

2004 performance was strong, with income growth attributable to strong sales of third party investment products, assisted by recovering stock markets driving growth in funds-based income. Cost control remained a focus, with significant progress made in reducing operational and distribution costs.

In 2005, the Company will cease to be a distributor of financial products, and will instead utilise distribution capability provided by its parent company, HSBC Bank plc. The product range will be restructured to reflect the opportunities afforded by changes in the regulatory environment, although the focus on the provision of investment products will be maintained.

Directors

The Directors who served during the year were as follows:-

Name	Appointed	Resigned
A J Ashford		17 November 2004
R Barker		31 March 2004
S J Britain		
D R Buckley		
A S Burton	20 January 2004	1 August 2004
A Cheesewright		
M V Dawson	16 August 2004	
N J Deacon		19 May 2004
P E Dillnutt		30 July 2004
J D Edmans		
R F Farrand		
B D Goldberg		
M D Watson		
C P M Wills	17 November 2004	

J D Edmans resigned as a Director of the Company on 23 February 2005.

HSBC TRUST COMPANY (UK) LIMITED

Report of the Directors for the year ended 31 December 2004

Directors' interests

All the Directors' interests in the share and loan capital of HSBC Holdings plc, the ultimate parent undertaking, required to be disclosed under the Companies Act 1985, are set out below:

HSBC Holdings plc
Ordinary shares of US\$0.50 each

	1 January 2004 (or appointment date)	31 December 2004
S J Britain	3,547	3,216
D R Buckley	432	613
A Cheesewright	7,656	5,656
M Dawson	6,078	5,547
J D Edmans	4,772	4,953
R F Farrand	9,093	11,668
M D Watson	3,766	2,609
C P M Wills	14,213	14,213

During the year options over HSBC Holdings plc ordinary shares of US\$0.50 each were granted/exercised as follows:

	Granted	Exercised
S J Britain	8,505	625
A Cheesewright	4,757	937
M Dawson	5,000	-
J D Edmans	5,000	4,728
R F Farrand	2,515	1,875
B D Goldberg	6,000	-
M D Watson	151	186
C P M Wills	1,515	-

The terms of a number of Employee Benefit Trusts provide that all employees of HSBC Holdings plc and any of its subsidiary undertakings are potential beneficiaries of the Trusts. As potential beneficiaries of the Trusts, each Director of the Company is deemed to have a technical interest in all of the HSBC Holdings plc ordinary shares of US\$0.50 each held by the Trusts. At 31 December 2004 the Trusts held a total of 123,108,967 ordinary shares of US\$0.50 each (1 January 2004: 110,770,974).

Supplier payment policy

The Company subscribes to the Better Payment Practice Code, the four principles of which are: to agree payment terms at the outset and stick to them; to explain payment procedures to suppliers; to pay bills in accordance with any contract agreed with the supplier or as required by law; and to tell suppliers without delay when an invoice is contested and settle disputes quickly. Copies of, and information about, the Code is available from: The Department of Trade and Industry, No.1 Victoria Street, London SW1H 0ET.

It is Company practice to organise payment to its suppliers through a central purchasing unit operated by HSBC Bank plc. The payment performance of this unit is incorporated within the results of that company.

HSBC TRUST COMPANY (UK) LIMITED

Report of the Directors for the year ended 31 December 2004

Statement of Directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out in their report on page 4, is made with a view to distinguishing for the shareholder the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The Directors are required to prepare these financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the going concern basis.

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board



Peter J Harvey
Secretary

25 February 2005

Registered Office
8 Canada Square
London
E14 5HQ

HSBC TRUST COMPANY (UK) LIMITED

Independent auditors' report to the members of HSBC Trust Company (UK) Limited

We have audited the financial statements on pages 5 to 16.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

25 February 2005

HSBC TRUST COMPANY (UK) LIMITED

Profit and loss account for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Interest receivable			
Other interest receivable and similar income		8,071	6,271
Interest payable		(3,698)	(2,808)
NET INTEREST INCOME		<u>4,373</u>	<u>3,463</u>
Dividend income from shares in group undertakings		-	40
Fees and commissions receivable		108,674	100,960
Fees and commissions payable		(21,091)	(17,869)
OPERATING INCOME	2	<u>91,956</u>	<u>86,594</u>
Administrative expenses		(55,244)	(66,227)
Depreciation and amortisation	11	(610)	(910)
Provisions for contingent liabilities and commitments	15	(2,630)	(2,341)
OPERATING PROFIT		<u>33,472</u>	<u>17,116</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	3	33,472	17,116
Tax on profit on ordinary activities	6	(10,053)	(5,145)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		<u>23,419</u>	<u>11,971</u>
Dividends	7	(7,000)	(12,000)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>16,419</u>	<u>(29)</u>
PROFIT AND LOSS ACCOUNT			
Balance at 1 January		712	741
Retained profit/(loss) for the year		16,419	(29)
Balance at 31 December		<u>17,131</u>	<u>712</u>

All profits relate to continuing operations.

Recognised gains and losses

There are no recognised gains or losses other than the profit on ordinary activities shown above.

The accounting policies and notes on pages 7 to 16 form an integral part of these financial statements.

HSBC TRUST COMPANY (UK) LIMITED

Balance sheet at 31 December 2004

	Note	2004 £'000	2003 £'000
ASSETS			
Loans and advances to banks	8	168,725	168,292
Loans and advances to customers	9	2,234	2,446
Investments in subsidiary undertakings	10	5	5
Tangible fixed assets	11	992	2,129
Other assets	12	9,928	4,630
Prepayments and accrued income		13,201	12,563
TOTAL ASSETS		<u>195,085</u>	<u>190,065</u>
LIABILITIES			
Customer accounts	13	142,057	141,400
Other liabilities	14	14,305	27,447
Accruals and deferred income		3,302	3,115
Provisions for liabilities and charges	15	3,190	2,291
Called up share capital	16	15,000	15,000
Share premium account		100	100
Profit and loss account		17,131	712
Shareholders' funds (equity interests)	17	32,231	15,812
TOTAL LIABILITIES		<u>195,085</u>	<u>190,065</u>

The accounts were approved by the Board of Directors on **25** February 2005 and were signed on its behalf by:


R F Farrand
Director

The accounting policies and notes on pages 7 to 16 form an integral part of these financial statements.

HSBC TRUST COMPANY (UK) LIMITED

Notes to the accounts

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's financial statements.

a. Basis of preparation

The financial statements have been prepared under the historical cost convention and the special provisions of Part VII of the Companies Act 1985 relating to banking companies, and with applicable accounting standards in the United Kingdom. The financial statements have been prepared in accordance with the Statements of Recommended Practice ('SORPs') issued by the British Bankers' Association (BBA) and Irish Bankers' Federation ('IBF').

In accordance with Financial Reporting Standard 1 (revised 1996) 'Cash Flow Statements', no cash flow statement is presented as all voting rights are controlled by HSBC Holdings plc, which publishes such a statement in its own publicly available accounts.

As the Company is a wholly owned subsidiary of HSBC Bank plc, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 'Related Party Disclosures' and has therefore not disclosed transactions or balances with entities that form part of the HSBC Bank group (or investees of the group qualifying as related parties). Note 20 details where the consolidated financial statements of HSBC Bank plc, within which this Company is included, can be obtained.

The Company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

b. Loans and advances

Loans and advances to banks and customers are shown in the balance sheet at cost less any amounts written off and less any specific or general provisions. Interest on advances is recognised in the profit and loss account as it accrues.

c. Depreciation

The cost of fixed assets is written off by equal instalments over their expected useful lives as follows:

Vehicles: 5 years

Furniture and equipment: 3 to 5 years

Premises improvements: 10 years

d. Deferred taxation

Deferred tax is recognised in full on timing differences between the accounting and taxation treatment of income and expenditure, subject to the recoverability of deferred tax assets, in accordance with Financial Reporting Standard 19 'Deferred Tax'.

e. Income

Fees, commissions and interest income are accounted for in the profit and loss account on an accruals basis.

f. Retirement benefits

The Directors and staff are all employees of other group undertakings and are members of retirement benefit schemes operated by the Company's parent undertaking, HSBC Bank plc. The Company receives recharges from its parent in respect of the costs of contributions to the retirement benefit schemes. These costs are charged to accounting periods on the bases advised by the parent, based on the requirements of Statement of Standard Accounting Practice ('SSAP') 24, 'Accounting for pension costs'. Further details are shown in note 5.

g. Provisions for liabilities and charges

As a result of the Company's normal business risk, operational losses can arise and these are provided for when identified.

HSBC TRUST COMPANY (UK) LIMITED

Notes to the accounts

2. OPERATING INCOME

Operating income represents fees, commissions and net interest receivable from the provision of asset management services including executorship, trusteeship, investment advice and management and the sale of broked investment and protection products. The operating income is all derived from activities within the UK.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2004 £'000	2003 £'000
This is stated after charging :		
Depreciation charge for fixed assets	610	910
Auditors' remuneration - audit services	36	32
- non-audit services*	<u>18</u>	<u>20</u>

*Payable to the Auditor and its associates.

4. DIRECTORS' EMOLUMENTS

The emoluments paid to Directors in respect of their services to the Company are shown below.

	2004 £'000	2003 £'000
Emoluments	396	384
Pension scheme contributions	<u>2</u>	<u>1</u>
	<u>398</u>	<u>385</u>

Retirement benefits are accruing to eight Directors under defined benefit schemes and to one Director under a money purchase scheme at 31 December 2004 (2003: nine and one, respectively).

	2004 £'000	2003 £'000
Highest paid Director: Emoluments	<u>80</u>	<u>119</u>

Accrued pension for the highest paid Director at 31 December 2004 is £50,000 (2003 : £49,000).

Details of Directors who exercised share options during the year are given in the Directors' report. The highest paid Director did not exercise any share options in the period.

5. RETIREMENT BENEFITS

The Company does not have any direct employees. The Directors and staff are all employees of other group undertakings and retirement benefits will be accruing under schemes operated by their employing companies. The Directors and staff are members of retirement benefit schemes operated by HSBC Bank plc, details of which can be found in that company's Annual Report and Accounts. The Company received recharges in respect of the costs of contributions to the retirement benefit schemes for the Directors and staff, as shown below. These contributions are based on pension costs across the group as a whole. During 2004, £720,000 has been charged to profit and loss and is included in the figures below. The balance of £6,149,500 is included within 'Prepayments and accrued income' and will be charged to profit and loss over the next 13 years in accordance with Statement of Standard Accounting Practice ('SSAP') 24, 'Accounting for pension costs'.

HSBC TRUST COMPANY (UK) LIMITED

Notes to the accounts

5. RETIREMENT BENEFITS (continued)

	2004 £'000	2003 £'000
Defined benefit schemes	1,062	2,492
Money purchase schemes	118	226
	<u>1,180</u>	<u>2,718</u>

The Company has no liability for any deficit within the schemes, although any surplus or deficit may affect the level of costs recharged to the Company in future periods.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge in period

	2004 £'000	2003 £'000
<i>Current tax:</i>		
UK corporation tax on profits of the period	9,686	4,790
Adjustments in respect of previous periods	1	13
Total current tax (note 6 (b))	<u>9,687</u>	<u>4,803</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	358	342
Adjustments in respect of previous periods	8	-
Total deferred tax (note 15)	<u>366</u>	<u>342</u>
Tax on profit on ordinary activities	<u>10,053</u>	<u>5,145</u>

b) Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

Profit on ordinary activities before tax	<u>33,472</u>	<u>17,116</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	10,042	5,135
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3	24
Income not subject to tax	(6)	(29)
Depreciation for period in excess of capital allowances	28	40
Pension contributions in excess of charge for the period	(381)	(380)
Adjustments to tax charge in respect of previous periods	1	13
Current tax charge for period	<u>9,687</u>	<u>4,803</u>

HSBC TRUST COMPANY (UK) LIMITED

Notes to the accounts

7. DIVIDENDS

	2004 £'000	2003 £'000
First interim paid of 233p per share (2003 : 200p)	7,000	6,000
Second interim payable of nil pence per share (2003 : 200p)	-	6,000
	<u>7,000</u>	<u>12,000</u>

8. LOANS AND ADVANCES TO BANKS

	2004 £'000	2003 £'000
Repayable by group undertakings:		
- Within 3 months	<u>168,725</u>	<u>168,292</u>

9. LOANS AND ADVANCES TO CUSTOMERS

	2004 £'000	2003 £'000
Repayable on demand	<u>2,234</u>	<u>2,446</u>

10. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2004 £'000	2003 £'000
Investments in subsidiary undertakings	<u>5</u>	<u>5</u>

The subsidiary undertakings of the Company at 31 December 2004 were:

Company	Country of registration	Class of share	Interest of HSBC Trust Company (UK) Limited	Principal activity
HSBC Executor & Trustee Company (UK) Limited	England	Ordinary	100%	Trust administration
Midland Nominees Limited	England	Ordinary	100%	Nominee company
Turnsonic (Nominees) Limited	England	Ordinary	100%	Nominee company
St. Cross Trustees Limited	England	Ordinary	100%	Nominee company

The investments in Midland Nominees Limited, Turnsonic (Nominees) Limited and St. Cross Trustees Limited are held at cost, totalling £5,102. The investment in HSBC Executor & Trustee Company (UK) Limited was written down to nil value in a previous period.

HSBC TRUST COMPANY (UK) LIMITED

Notes to the accounts

11. TANGIBLE FIXED ASSETS

	Motor Vehicles £'000	Premises Improvements £'000	Furniture, Fittings & Equipment £'000	Total £'000
COST				
At 1 January 2004	3,585	353	2,039	5,977
Additions	-	-	1	1
Transfers from group undertakings	4	-	-	4
Disposals	(1,452)	-	-	(1,452)
At 31 December 2004	<u>2,137</u>	<u>353</u>	<u>2,040</u>	<u>4,530</u>
DEPRECIATION				
At 1 January 2004	1,673	212	1,963	3,848
Charge for year	541	26	43	610
Disposals	(920)	-	-	(920)
At 31 December 2004	<u>1,294</u>	<u>238</u>	<u>2,006</u>	<u>3,538</u>
NET BOOK VALUE				
At 31 December 2004	<u>843</u>	<u>115</u>	<u>34</u>	<u>992</u>
At 31 December 2003	<u>1,912</u>	<u>141</u>	<u>76</u>	<u>2,129</u>

12. OTHER ASSETS

	2004 £'000	2003 £'000
Analysis of Other Assets		
Pensions relief at source	25	27
Commission receivable	1,179	222
Due from group undertakings	4,435	268
Other debtors	<u>4,289</u>	<u>4,113</u>
	<u>9,928</u>	<u>4,630</u>

13. CUSTOMER ACCOUNTS

	2004 £'000	2003 £'000
Repayable on demand	<u>142,057</u>	<u>141,400</u>

HSBC TRUST COMPANY (UK) LIMITED

Notes to the accounts

14. OTHER LIABILITIES

	2004 £'000	2003 £'000
Corporation tax	5,859	2,811
Dividend payable	-	6,000
Due to group undertakings	1,730	7,325
Other liabilities	6,716	11,311
	<u>14,305</u>	<u>27,447</u>

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Administrative losses £'000	Income bonds £'000	Indemnity commission £'000	Deferred tax £'000	Total £'000
At 1 January 2004	924	878	200	289	2,291
Charged to Profit and loss	1,224	1,356	275	366	3,221
Utilised during the year	(637)	(1,406)	(154)	-	(2,197)
Released to Profit and loss	(225)	-	-	-	(225)
Transfer	100	-	-	-	100
At 31 December 2004	<u>1,386</u>	<u>828</u>	<u>321</u>	<u>655</u>	<u>3,190</u>

Administrative losses

The provision relates to losses arising from administrative errors made by the Company in the course of its asset management and related activities. The closing provision comprises losses arising from portfolio management, trust and probate cases, most of which are expected to be settled during 2005. There is one case which involves property leases which could extend to 2010, although earlier resolution is being pursued. The main uncertainties arise from the difficulties in assessing the financial impact of historical errors.

Income bonds

The provision relates to losses arising from administrative errors in the provision of investment products. The Company has undertaken a review of all sales of products impacted and is offering compensation payments where appropriate. The closing provision is in respect of remaining cases where compensation is likely to be payable. These are expected to be settled in 2005. The main uncertainties arise from the estimation of the proportion of customers that will opt to cancel the contract and receive compensation, and the exact calculation of compensation payments.

Indemnity commission

The Company receives commission on an indemnity basis in respect of sales of broked investment and protection products. The provision is in respect of amounts of commission which will be repayable in the event that the customer cancels the policy. The period during which commission may be repayable is typically three years. The main uncertainty affecting the amount that will be repayable is the level of policy cancellations.

HSBC TRUST COMPANY (UK) LIMITED

Notes to the accounts

15. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred tax

The provision for deferred tax comprises:

	2004 £'000	2003 £'000
Accelerated capital allowances	(81)	(51)
Other timing differences	737	340
	<u>656</u>	<u>289</u>

16. SHARE CAPITAL

	2004 £'000	2003 £'000
Authorised : 10,000,000 Equity Ordinary shares of £5 each	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid : 3,000,000 Equity Ordinary shares of £5 each	<u>15,000</u>	<u>15,000</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £'000	2003 £'000
Opening shareholders' funds	15,812	15,841
Profit for the financial year	23,419	11,971
Dividends	(7,000)	(12,000)
Closing shareholders' funds	<u>32,231</u>	<u>15,812</u>

18. CLIENT SEGREGATED MONEY

The Company holds funds on behalf of its PEP, ISA and Portfolio Management clients in segregated trust accounts with HSBC Bank plc. As at 31 December 2004, these funds amounted to £101,300,000 (2003: £84,655,000). The funds are not shown as the Company's assets or liabilities respectively as they are held on behalf of the clients.

HSBC TRUST COMPANY (UK) LIMITED

Notes to the accounts

19. FINANCIAL INSTRUMENTS

The financial instruments of the Company (excluding short-term debtors and creditors) comprise loans and deposits. These instruments arise mainly from the acceptance of deposits from customers as part of the Company's core business activities of providing investment management, trust and probate services. The Company finances its operations from capital and retained profits. The Company does not use derivatives and all transactions are denominated in sterling.

The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the year ended 31 December 2004.

Interest rate risk

Deposits received from customers are at variable rates of interest, generally linked to customer rates offered by HSBC Bank plc. The Company places all funds with its parent, HSBC Bank plc. The Company manages its interest rate risk by placing deposits with its parent only at call or for fixed periods of up to 3 months.

Liquidity risk

The Company's policy throughout the year has been to maintain sufficient liquidity by ensuring that its ratio of liquid assets (principally loans to banks with under 30 days residual maturity) exceeds 12.5% of total customer and creditor liabilities. The ratio at 31 December 2004 was 88% (2003 : 72%).

Financial liabilities

The interest rate profile of the financial liabilities of the Company as at 31 December was:

	2004 £'000	2003 £'000
Floating rate financial liabilities	<u>142,057</u>	<u>141,400</u>

The floating rate financial liabilities comprise customer accounts bearing interest at variable rates, generally linked to customer rates offered by HSBC Bank plc.

Financial assets

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

	2004 £'000	2003 £'000
Loans and advances to banks	168,725	168,292
Loans and advances to customers	2,234	2,446
	<u>170,959</u>	<u>170,738</u>

The loans and advances to banks comprise deposits placed with the Company's parent, HSBC Bank plc, at call or for fixed terms of up to 3 months. Loans and advances to customers comprise overdrafts to customers, repayable on demand.

HSBC TRUST COMPANY (UK) LIMITED**Notes to the accounts****19. FINANCIAL INSTRUMENTS (continued)****Interest rate sensitivity gap analysis**

The table below summarises the repricing of assets and liabilities as at 31 December 2004. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

	Not more than three months £'000	Non- interest bearing £'000	Total £'000
Assets			
Loans and advances to banks	168,725	-	168,725
Loans and advances to customers	2,234	-	2,234
Investments in subsidiary undertakings	-	5	5
Tangible fixed assets	-	992	992
Other assets	-	9,928	9,928
Prepayments and accrued income	-	13,201	13,201
Total assets	<u>170,959</u>	<u>24,126</u>	<u>195,085</u>
Liabilities			
Customer accounts	142,057	-	142,057
Other liabilities	-	14,305	14,305
Accruals and deferred income	-	3,302	3,302
Provisions for liabilities and charges	-	3,190	3,190
Shareholders' funds	-	32,231	32,231
Total liabilities	<u>142,057</u>	<u>53,028</u>	<u>195,085</u>
Interest rate sensitivity gap	<u>28,902</u>	<u>(28,902)</u>	<u>-</u>
Cumulative gap	<u>28,902</u>	<u>-</u>	<u>-</u>

HSBC TRUST COMPANY (UK) LIMITED

Notes to the accounts

19. FINANCIAL INSTRUMENTS (continued)

Interest rate sensitivity gap analysis (continued)

The table below summarises the repricing of assets and liabilities as at 31 December 2003. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

	Not more than three months £'000	Non- interest bearing £'000	Total £'000
Assets			
Loans and advances to banks	168,292	-	168,292
Loans and advances to customers	2,446	-	2,446
Investments in subsidiary undertakings	-	5	5
Tangible fixed assets	-	2,129	2,129
Other assets	-	4,630	4,630
Prepayments and accrued income	-	12,563	12,563
Total assets	<u>170,738</u>	<u>19,327</u>	<u>190,065</u>
Liabilities			
Customer accounts	141,400	-	141,400
Other liabilities	-	27,447	27,447
Accruals and deferred income	-	3,115	3,115
Provisions for liabilities and charges	-	2,291	2,291
Shareholders' funds	-	15,812	15,812
Total liabilities	<u>141,400</u>	<u>48,665</u>	<u>190,065</u>
Interest rate sensitivity gap	<u>29,338</u>	<u>(29,338)</u>	<u>-</u>
Cumulative gap	<u>29,338</u>	<u>-</u>	<u>-</u>

Fair value of financial assets and liabilities

The fair value of the financial assets and liabilities of the Company at 31 December 2003 and 31 December 2004 is considered to be equal to the balance sheet carrying value due to the short-term nature of the assets and liabilities held.

20. ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING

The Company's immediate parent company is HSBC Bank plc and its ultimate parent company is HSBC Holdings plc.

The largest group in which the results of the Company are consolidated is that headed by HSBC Holdings plc. The smallest group in which they are consolidated is that headed by HSBC Bank plc. The consolidated accounts of these groups are available to the public and may be obtained from the registered office at:

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