HSBC INTERNATIONAL FINANCIAL ADVISERS (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2008

Registered number 1585283

HSBC INTERNATIONAL FINANCIAL ADVISERS (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS

Contents *Page*

HSBC INTERNATIONAL FINANCIAL ADVISERS (UK) LIMITED

DIRECTORS AND OFFICERS

Directors:	A.D. Le Cornu N.A. Benbow S.A. Pascoe M.D. Spurling D.L.Wells A.D. Smith D.J. Nibloe R.C. Green
Secretary:	M.J. Seguss
Assistant Secretaries:	C.B. Bell L.M. Le Gac R.H. Musgrove A.B. Sangan
Registered office:	8 Canada Square London E14 5HQ
Bankers:	HSBC Bank plc 8 Canada Square London E14 5HQ
Independent Auditors:	KPMG Audit Plc P.O. Box 695 8 Salisbury Square London EC4Y 8BB

HSBC INTERNATIONAL FINANCIAL ADVISERS (UK) LIMITED

DIRECTORS' REPORT

The Directors submit their report and audited financial statements for the year ended 31 December 2008. The Company is incorporated in the United Kingdom under the Companies Act 1985.

Activities

The Company's principal activity is to service the investment needs, on a referral basis, of HSBC Bank International Limited's United Kingdom based customers and other HSBC Group customers. The Company is regulated by the FSA (the Financial Services Authority).

The mix of business written comprises structured deposits, discretionary portfolios, insurance bonds and collective investment funds.

The Best of Breed Product list is currently adequate for the UK market place. However, given the sophistication of the customer base, continued review of the list is undertaken on a regular basis (at least quarterly). There continues to be a small number of deals where the sourcing of tailored products/solutions was required to meet specific customer needs. These are reviewed and approved on a case by case basis by senior management.

Strategy

The Company's short term and medium term strategy is encapsulated within the Company's annual operating plan and four year strategic plan. The strategic objective of the Company is to become the premier focused centre of excellence for the provision of a holistic financial planning service. The Company has the support of the HSBC Group and aligns with the HSBC Group to ensure adequate resources are available to support the objectives of the strategic plan. The Company's objective is to reduce its cost:income ratio and increase its return on average invested capital by pursuing strategies designed to increase revenue whilst maintaining tight controls over costs. Whilst the Company is currently largely reliant on HSBC Group referrals it will continue to identify and target/develop other sources of referrals to increase revenues. Continued focus will remain on existing channels. However, the Company will utilise agreed marketing and other expense to promote new and alternative means of increasing referral/business volumes and consequently revenue streams, whilst controlling costs.

Risk and uncertainties

A review of the Company's risk profile is outlined in note 11 to the financial statements.

Monitoring performance

The Company tracks its performance against a number of benchmarks known as key performance indicators (KPI's). The KPI's fall into two categories. Financial KPI's measure hard numbers whilst non-financial KPI's track operational aspects of the business. The KPI's are used to track performance against planning targets and previous years' results.

Financial key performance indicators

The Company's measures its cost efficiency to assess consumption of resources in creating income by monitoring the Company's cost:income ratio. This is defined as the percentage of operating costs divided by gross income. It can improve its efficiency through the better use of technology and higher productivity, but this may be offset in the short term by the higher costs associated with investing in new or growth business.

The Company measures return on capital by monitoring the return on average invested capital. This is defined as the percentage of profit before tax divided by average equity capital.

	2008	2007
	%	%
Operating cost:income ratio	75.7	76.7
Return on average invested capital	0.3	37.6

Non-financial key performance indicators

There is a well established link between employee engagement and customer satisfaction. The HSBC Group tracks employee engagement for this reason. Employee engagement results are communicated to the Company's employees and both the Company and the employees actively work to improve employee engagement.

Customer satisfaction is key to the development of the Company's business. The Company performs regular reviews to monitor the level of its sales quality in conjunction with the review and monitoring of customer complaints.

Results and performance
The loss after taxation for the year ended 31 December 2008 amounted to £237,744 (31 December 2007: profit £537,297).

The operating cost:income ratio remained broadly unchanged over the year. However, primarily due to the difficult financial market conditions experienced during 2008, gross income fell by 32%. Stringent cost control led to the achievement of a 30% reduction in administrative expenses.

The return on average invested capital decreased from 37.6% in 2007 to 0.3% in 2008. Pre-tax profits fell by 99% between 2007 and 2008. This was due to a 24% reduction in profit before impairments and taxation, coupled with an impairment of £551,633 in relation to an investment in a subsidiary.

Dividends
The Directors do not recommend payment of a dividend (31 December 2007: £nil).

Directors

The Directors who held office during the year, and up to the date these financial statements were approved, were:

A.D. Le Cornu
N.A. Benbow
S.A. Pascoe
M.D. Spurling
D.L. Wells
A.D. Smith (appointed 15 October 2008)
D.J. Nibloe (appointed 15 October 2008)
R.C. Green (appointed 20 October 2008)

Directors' responsibility regarding disclosure of information to the auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Independent auditors

The Company has elected to dispense with the obligation to reappoint auditors annually pursuant to Section 487 of the Companies Act 2006.

By Order of the Board

NABenbow

Director
11 March 2009

HSBC INTERNATIONAL FINANCIAL ADVISERS (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the 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 elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

Independent auditor's report to the members of HSBC International Financial Advisers (UK) Limited

We have audited the financial statements of HSBC International Financial Advisers (UK) Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditor's 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' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements.

In addition we report to you, if in our opinion, 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

Independent auditors' report to the members of HSBC International Financial Advisers (UK) Limited (continued)

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

Date: 11 March 2009

HSBC INTERNATIONAL FINANCIAL ADVISERS (UK) LIMITED

INCOME STATEMENT for the year ended 31 December 2008

	Note	2008 £	2007 £
Fees and commissions		1,874,677	2,764,575
Direct costs		(203,370)	(418,997)
Gross profit		1,671,307	2,345,578
Administrative expenses		(1,165,083)	(1,659,580)
Bad debt expenses		(50,817)	(41,000)
Operating profit before financial income and impairments		455,407	644,998
Bank interest receivable		101,957	84,320
Profit before taxation and impairment		557,364	729,318
Impairment of investment in subsidiary	*6*	(551,633)	—
Profit before taxation	*3*	5,731	729,318
Tax expense	*5*	(243,475)	(192,021)
(Loss)/Profit for the year attributable to equity shareholders		(237,744)	537,297

The Company has no recognised gains or losses other than the loss for the financial year, in the current or prior year.

The notes on pages 13 to 22 form an integral part of these financial statements.

	2007
	£
	729,318
	—
)	702,272
)	1,260,669
)	20,915
)	2,713,174
	(551,633)
)	2,161,541
	117,446
	2,278,987

BALANCE SHEET as at 31 December 2008

	Note	2008 £	2007 £
ASSETS			
Fixed assets			
Investment in subsidiary	6	—	551,633
Current assets			
Trade and other receivables	7	1,918,459	1,485,307
Cash and cash equivalents		1,822,590	2,278,987
Total current assets		3,741,049	3,764,294
Total assets		**3,741,049**	**4,315,927**
EQUITY AND LIABILITIES			
Equity			
Called up share capital	9	2,250,000	2,250,000
Retained earnings		(277,949)	(40,205)
Total equity		1,972,051	2,209,795
Current liabilities			
Trade and other payables	8	1,681,394	1,882,805
Provision for current taxation		87,604	223,327
Total current liabilities		1,768,998	2,106,132
Total equity and liabilities		**3,741,049**	**4,315,927**

The financial statements on pages 9 to 22 were approved and authorised for issue by the Board of Directors on 11 March 2009 and are signed on its behalf by:

Director

Director

The notes on pages 13 to 22 form an integral part of these financial statements.

HSBC INTERNATIONAL FINANCIAL ADVISERS (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2008

	2008 £	2007 £
Called up share capital		
Balance at the beginning and end of the year	2,250,000	2,250,000
Retained earnings		
Balance at the beginning of the year	(40,205)	(577,502)
(Loss)/Profit for the year	(237,744)	537,297
Balance at the end of the year	(277,949)	(40,205)
Total shareholders' equity at the beginning of the year	2,209,795	1,672,498
Total recognised income and expense	(277,949)	537,297
Total shareholders' equity at the end of the year	**1,972,051**	**2,209,795**

The notes on pages 13 to 22 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS for the year ended 31 December 2008

	Note	20
Cash flows from operating activities		
Profit before tax		5,73
Adjustments for:		
Impairment of investment in subsidiary		551,63
(Increase)/decrease in trade and other receivables		(433,15
(Decrease)/increase in trade and other payables		(201,41
Tax (paid)/refunded		(379,19
Net cash (used in)/generated by operating activities		(456,39
Cash flows from investing activities		
Purchase of subsidiary		–
Net (decrease)/increase in cash and cash equivalents		(456,39
Cash and cash equivalents at the beginning of the year		2,278,98
Cash and cash equivalents at the end of the year		**1,822,59**

The notes on pages 13 to 22 form an integral part of these financial statements.

HSBC INTERNATIONAL FINANCIAL ADVISERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

HSBC International Financial Advisers (UK) Limited has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the EU. EU-endorsed IFRSs may differ temporarily from IFRSs as published by the International Accounting Standards Board ('IASB') if new or amended IFRSs have not been endorsed by the EU at the year-end.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

The significant accounting policies applied in the preparation of these financial statements are set out in Note 2 below.

The following applicable standards have been issued by the IASB and endorsed by the EU, are effective for future years and have not been adopted early by the Company:

A revised IAS 1 'Presentation of Financial Statements', which is applicable for annual periods beginning on or after 1 January 2009, was issued on 6 September 2007. The revised standard aims to improve users' ability to analyse and compare information given in financial statements. Adoption of the revised standard will have no effect on the results reported in the Company but will change the presentation of the results and financial position of the Company in certain respects.

IFRS 8 'Operating Segments', which replaces IAS 14 'Segment Reporting', was issued on 30 November 2006 and is effective for annual periods beginning on or after 1 January 2009. This standard specifies how an entity should report information about its operating segments, based on information about the components of the entity that management uses to make operating decisions. It is anticipated that this standard will be adopted with effect from 1 January 2009, and will have an impact on the Company. However, IFRS 8 will only affect reporting of financial and descriptive information about its reportable segments in the financial statements at the reporting date.

The financial statements are prepared on an historical cost basis.

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported.

In the opinion of management, all normal and recurring adjustments considered necessary for a fair presentation of the Company's net income, financial position and cash flows for the year have been made.

2. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements including comparative information presented in these financial statements for the year ended 31 December 2007:

Revenue recognition

Commission income is accounted for when the income is earned on the execution of a significant act. It is recognised as revenue when the significant act has been completed (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement for the acquisition of shares or other securities). This is considered by the Directors to be the critical accounting policy and area of judgement.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Trade and other receivables

Trade and other receivables are stated at cost less any impairment losses.

Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Cash and cash equivalents

For the purpose of the cash flow statement cash and cash equivalents comprise cash at bank and other 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.

Consolidation

HSBC International Financial Advisers (UK) Limited does not prepare consolidated financial statements as its ultimate parent HSBC Holdings plc produces consolidated financial statements available for public use that comply with International Financial Reporting Standards. The exemption under IAS 27 - "Consolidated and Separate Financial Statements" has been used by the Company. Copies of the consolidated accounts of HSBC Holdings plc are available at 8 Canada Square, London E14 5HQ, United Kingdom.

Trade and other payables

Trade and other payables are stated at cost.

Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and/or sufficient taxable temporary differences are available. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency') The Company's financial statements are presented in sterling, which is the Company's presentational and functional currency.

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are declared by the Company.

3. Profit before taxation

Profit before taxation is stated after charging:

	2008 £	2007 £
Auditors' remuneration		
- Audit fee	8,800	18,000

4. Employee compensation and benefits

	2008 £	2007 £
Employee compensation and benefits were:		
Wages and salaries	625,909	953,348
Social security cost	97,652	131,917
Retirement benefits	159,149	163,247
Other staff costs	78,578	58,716
	961,288	**1,307,228**

This represents the cost of an average of 15 full time staff employed by the Company during the year (2007:14).

Most permanent full time employees of HSBC International Financial Advisers (UK) Limited are members of either the HSBC Bank (UK) Pension Scheme or the HSBC Defined Contribution Scheme and contributions are based on pension costs across the Group as a whole. The HSBC Bank (UK) Pension Scheme is a funded defined benefit scheme providing benefits based on final pensionable pay. As the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by IAS 19 *'Employee benefits'*, the scheme is accounted for by the Company as if the scheme was a defined contribution scheme.

Actuarial valuations of the schemes are carried out triennially by external professional actuaries to determine the financial position of the scheme and to enable the Company to determine the level of contributions to be made to the scheme. The latest full actuarial valuation was carried out as at 31 December 2005. Funding of retirement benefits are charged to the income statement as incurred.

5. Tax expense

	2008	2007
	£	£
Current tax:		
UK corporation tax charge on profits of the year	158,848	218,795
Adjustment in respect of prior years	84,627	(26,774)
Tax expense for the year	**243,475**	**192,021**
Reconciliation of effective tax to income tax expense:		
Profit before income tax	5,731	729,318
Taxation charge at UK tax rate of 28.5% (2007:30%)	1,633	218,795
Effects of:		
Non-deductible impairment loss on subsidiary	157,215	—
Adjustment in respect of prior years	84,627	(26,774)
Overall tax charge	**243,475**	**192,021**

6. Investment in subsidiary

	2008	2007
	£	£
HSBC International Financial Advisers (Malta) Limited	—	**551,633**

The Company owns 100% of the issued ordinary share capital of HSBC International Financial Advisers (Malta) Limited, which is principally engaged in providing consultancy, management and administration in banking and financial transactions and also acts as an insurance broker.

During the Board meeting held on 24 February 2009 the closure of HSBC International Financial Advisers (Malta) Limited and the transfer of its business have been approved in principle subject to Group concurrence and receipt and completion of all necessary legal and regulatory consents, procedures and agreements.

Accordingly the investment in subsidiary has been impaired to reflect the Directors' estimate of the recoverable amount of the investment.

7. Trade and other receivables

	2008	2007
	£	£
Trade debtors	20,710	—
Amounts due from related parties	1,897,749	1,132,088
Prepayments and accrued income	—	353,219
	1,918,459	**1,485,307**

HSBC INTERNATIONAL FINANCIAL ADVISERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Trade and other payables

	2008	2007
	£	£
Amounts due to related parties	1,672,594	1,750,303
Accruals and deferred income	8,800	132,502
	1,681,394	**1,882,805**

9. Share capital

	2008	2007
	£	£
Authorised:		
10,000,000 shares of £1 each	**10,000,000**	**10,000,000**
Allotted, called up and fully paid:		
2,250,000 shares of £1 each	**2,250,000**	**2,250,000**

10. Related parties

(i) Transactions with entities that are under common control by its ultimate parent Company.

	2008	2007
	£	£
Income statement		
Fees and commissions	1,167,879	1,771,573
Direct costs	203,370	418,997
Administrative expenses	149,250	137,275
Bank interest receivable	101,957	84,320
Balance sheet		
Assets		
Trade and other receivables	1,897,749	1,132,088
Cash and cash equivalents	1,822,590	2,278,987
Liabilities		
Trade and other payables	1,601,314	1,750,303

The Company has designated all entities within the HSBC Group as related parties. They are designated as related parties as the Company is under the same common control of HSBC Holdings plc as other members of the HSBC Group.

(ii) Key Management Personnel

The key management personnel have been identified as being the Directors of the Company. The emoluments of the key management personnel are paid by other HSBC Group companies who make no recharge to the Company. The Directors are also Directors of a number of other HSBC Group companies and it is not possible to make a reasonable apportionment of their emoluments in respect of each of the companies. Accordingly, no emoluments in respect of the Directors applicable to the Company have been disclosed.

11. Financial risk management

(a) Introduction and overview

The Company has exposure to the following risks:

- operational risk
- market risk
- credit risk
- liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has appointed a Risk Management Director who is responsible for developing and monitoring the Company's risk management policies. The Risk Management Director reports regularly to the Board of Directors on activities and issues.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to risk policies and procedures. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Risk Management Director is responsible for monitoring compliance with the Company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company. The Company is assisted in these functions by Group Internal Audit and the Compliance Monitoring Team. Group Internal Audit and the Compliance Monitoring Team undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(b) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Group Internal Audit and the Compliance Monitoring Team. The results of the reviews are discussed with the management of the business, with summaries submitted to senior management of the Company.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Equity/price risk

In the opinion of the Directors, the Company is exposed to minimal equity/price risk and therefore no further disclosure is required.

Foreign currency risk

Foreign currency risk is the risk that the Company's income, or the value of its financial assets and liabilities, will be affected by changes in foreign exchange rates. The Company has low foreign currency exchange exposure in trade and other receivables arising from fees billed in currencies other than Sterling. The Company has low foreign currency exchange exposure in trade and other payables since there are some intra group charges owing which have been billed in currencies other than Sterling. In the opinion of the Directors, a movement in foreign currency exchange rates would not have a significant impact on the profit or equity of the Company in respect of these exposures.

Interest rate risk

In the opinion of the Directors, the Company is exposed to minimal interest rate risk and therefore no further disclosure is required.

(d) Credit Risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. For the Company, there is a risk arising in connection with amounts owed from its client base in respect of fees charged but not yet collected and in respect of amounts due from related companies, details of which are disclosed in note 10 above.

Where the Company believes that a debt, or part of a debt, may not be collectible, an impairment provision is made to the value of the estimated impairment.

The Company has standards, policies and procedures dedicated to controlling and monitoring risk from all such activities.

The Company uses an aged debtors report to review outstanding amounts due from product providers on a monthly basis. Any amounts deemed irrecoverable are written off on a monthly basis. Historically there have not been any material losses in this area. Balances from related companies are reconciled and settled with those related companies on a regular timely basis. There have been no historic losses arising out of related group debt. The Directors regard the level of credit risk as minimal and as a result have made no impairment provisions as at the year end date (2007: £nil).

The Company had no past due exposures as at 31 December 2008 (2007: £Nil).

The Company has the following maximum exposure to credit risk, with no related collateral held:

	2008	2007
	£	£
Assets		
Trade and other receivables	1,918,459	1,485,307
Cash and cash equivalents	1,822,590	2,278,987
	3,741,049	**3,764,294**

NOTES TO THE FINANCIAL STATEMENTS (continued)

(e) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet the obligations arising from its financial liabilities.

The Directors believe that the Company has minimal exposure to liquidity risk, since its current assets (including cash) are sufficient to repay its current liabilities.

The following tables show the contractual maturity analysis of the Company's liabilities:

	Payable Within One Year	Payable After More Than One Year
	2008	2008
	£	£
Trade and other payables	1,681,394	-
Provision for current taxation	87,604	-
	1,768,998	-
	2007	2007
	£	£
Trade and other payables	1,882,805	-
Provision for current taxation	223,327	-
	2,106,132	-

12. Ultimate holding company

The Company is a wholly owned subsidiary of HSBC International Holdings (Jersey) Limited, a company incorporated and registered in Jersey, Channel Islands. The ultimate holding company is HSBC Holdings plc, which is incorporated and registered in England. The registered address of HSBC Holdings plc is 8 Canada Square, London E14 5HQ, from where a copy of the consolidated Annual Report and Financial Statements may be obtained.