HSBC INTERNATIONAL FINANCIAL ADVISERS (UK) LIMITED

Financial Statements
31 DECEMBER 2012

Registered No 1585283

Financial Statements
31 December 2012

Contents

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DIRECTORS AND OFFICERS

Directors.	D R Blackburn J J Bull R E C Cannard A M Keane-Munday C M Schuetz P M Spencer
Secretary:	C B Bell
Registered office	8 Canada Square London E14 5HQ
Bankers	HSBC Bank plc 8 Canada Square London E14 5HQ
Independent Auditors:	KPMG Audit Plc 15 Canada Square London E14 5GL

Directors' report for the year ended 31 December 2012

Principal activities

The Company's principal activity has been to service the investment needs, on a referral basis, of HSBC Bank International Limited's United Kingdom and European Union based customers and other HSBC Group Companies' customers

The mix of business written comprised structured deposits, discretionary portfolios, insurance bonds and collective investment funds sourced from HSBC Group companies and a range of well established and market leading third party product providers The activities of the Company were regulated by the FSA (the Financial Services Authority)

On 30 September 2012 the Company ceased trading Accordingly on 22 November 2012 the Company applied to the FSA for cancellation of its FSA Part IV permission This permission was cancelled by the FSA with effect from 25 January 2013 and following this the Company's status as an authorised person was withdrawn

Results and performance

The loss after taxation for the year ended 31 December 2012 amounted to £113,959 (31 December 2011 profit £354,613)

Dividends

The Directors do not recommend payment of a dividend (31 December 2011 £nil)

Going concern basis

The financial statements have been prepared on a non-going concern basis The assets and liabilities of the Company are presented at net realisable value as the Company will be liquidated following settlement of these balances

Directors

The financial statements have been prepared on a non-going concern basis The Directors who held office during the year and up to the date these financial statements were approved are shown on page 2, with the following exceptions,

D J Nibloe (resigned 7 March 2012)
D L Wells (resigned 7 March 2012)
N A Benbow (resigned 30 June 2012)

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled 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 but have not been utilised by the Directors

Changes in Secretary

There have been no changes in Secretary during the year and up to the date these financial statements were approved

Disclosure of information to auditor

Each person who is a director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information This confirmation is given pursuant to section 418 of the UK Companies Act 2006 and should be interpreted in accordance therewith

Directors' report for the year ended 31 December 2012

Independent auditor

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

D.R. Blackburn
Director

R.E C Cannard
Director

Date 3 April 2013

Directors' report for the year ended 31 December 2012

Statement of Directors' responsibilities in respect of the Directors' report and 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law

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 these 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 they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business As explained in Note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis

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 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

On behalf of the Board

D.R Blackburn
Director

R.E.C. Cannard
Director

Registered Office
8 Canada Square
London
E14 5HQ

Date 3 April 2013

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 2012 set out on pages 7 to 18 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Emphasis of matter - non-going concern basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note

M Davies

Matthew Davies (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

15 Canada Square,
London,
E14 5GL
Date 3 April 2013

Financial Statements

Income statement for the year ended 31 December 2012

	Notes	2012 £	2011 £
Fees and commissions		**2,877,909**	3,562,341
Direct costs		**(582,539)**	(837,938)
Gross profit		**2,295,370**	2,724,403
Administrative expenses		**(2,445,329)**	(2,241,857)
(Loss)/profit before taxation		**(149,959)**	482,546
Tax (recovered)/expense	*5*	**36,000**	(127,933)
(Loss)/profit for the year	*3*	**(113,959)**	354,613

As disclosed in note 1, the Company ceased trading at 30 September 2012, accordingly the results above are derived from discontinued operations

The accounting policies and notes on pages 11 to 18 form an integral part of these financial statements

There has been no comprehensive income or expense other than the loss/profit for the year as shown above (2011 Nil)

Financial Statements (continued)

Statement of financial position as at 31 December 2012

	Notes	2012 £	2011 £
ASSETS			
Current assets			
Cash and cash equivalents		**1,975,601**	1,975,821
Receivables	*6*	**569,688**	2,141,259
Total assets		**2,545,289**	4,117,080
LIABILITIES AND EQUITY			
Current liabilities			
Other liabilities	*7*	**314,453**	1,806,996
Current tax liabilities		**96,353**	61,642
Total liabilities		**410,806**	1,868,638
Equity			
Called up share capital	*8*	**2,250,000**	2,250,000
Retained earnings		**(115,517)**	(1,558)
Total equity		**2,134,483**	2,248,442
Total equity and liabilities		**2,545,289**	4,117,080

The accounting policies and notes on pages 11 to 18 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 3 April 2013 and were signed on its behalf by:

D.R. Blackburn
Director

R.E C. Cannard
Director

Company Registered Number 1585283

Financial Statements (continued)

Statement of cash flows for the year ended 31 December 2012

	2012 £	2011 £
Cash flows from operating activities		
(Loss)/profit before tax	(149,959)	482,546
Adjustments for		
– Change in operating assets	1,571,571	252,122
– Change in operating liabilities	(1,492,543)	(364,667)
– Tax Paid	70,711	(60,072)
Net cash from operating activities	(220)	309,929
Net (decrease)/increase in cash and cash equivalents	(220)	309,929
Cash and cash equivalents brought forward	1,975,821	1,665,892
Cash and cash equivalents carried forward	1,975,601	1,975,821

The accounting policies and notes on pages 11 to 18 form an integral part of these financial statements

Financial Statements (continued)

Statement of changes in equity for the year ended 31 December 2012

	Called up share capital	Retained earnings	Total shareholders' equity
	£	£	£
Year Ended 31 December 2012			
At 1 January 2012	2,250,000	(1,558)	2,248,442
Loss for the year	-	(113,959)	(113,959)
At 31 December 2012	2,250,000	(115,517)	2,134,483

	Called up share capital	Retained earnings	Total shareholders' equity
	£	£	£
Year Ended 31 December 2011			
At 1 January 2011	2,250,000	(356,171)	1,893,829
Profit for the year	-	354,613	354,613
At 31 December 2011	2,250,000	(1,558)	2,248,442

The accounting policies and notes on pages 11 to 18 form an integral part of these financial statements

Shareholders' equity is wholly attributable to equity shareholders

Financial Statements (continued)

Notes on the financial statements

1 Basis of preparation

HSBC International Financial Advisers (UK) Limited is a company domiciled and incorporated in England and Wales

(a) Compliance with International Financial Reporting Standards

The financial statements of HSBC International Financial Advisers (UK) Limited have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the EU EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU At 31 December 2012, there were no unendorsed standards effective for the year ended 31 December 2012 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the company Accordingly, the company's financial statements for the year ended 31 December 2012 are prepared in accordance with IFRSs as issued by the IASB

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

During 2011, in addition to the above, the company adopted a number of standards, interpretations and amendments to standards which had an insignificant effect on the financial statements of the company

(b) Presentation of information

In previous years, the financial statements have been prepared on a going concern basis, however, on 30 September 2012 the Company ceased trading As the Directors intend to liquidate the company following the settlement of the remaining net assets, the Directors have not prepared the financial statements on a going concern basis The assets and liabilities of the Company are presented at net realisable value as the Company will be liquidated following settlement of these balances No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements

(c) Future accounting developments

At 31 December 2012, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for the company's financial statements as at 31 December 2012 Given the cessation of the Company's activities during the year, the directors do not consider that any future accounting developments will result in a significant impact on the Company's reporting

Standards and Interpretations issued by the IASB but not endorsed by the EU

Standards applicable in 2013

IFRS 10 'Consolidated Financial Statements' – introduces one approach for determining consolidation for all entities, based on the concept of power, variability of returns and their linkage

IFRS 11 'Joint Arrangements' - places more focus on the investors' rights and obligations than on structure of the arrangement, and introduces the concept of a joint operation

IFRS 12 'Disclosure of Interests in Other Entities' - includes the disclosure requirements for subsidiaries, joint arrangements and associates and introduces new requirements for unconsolidated structured entities

IFRS 13 'Fair Value Measurement' - establishes a single source of guidance for all fair value measurements required or permitted by IFRSs

Amendments to IAS 19 'Employee Benefits' – introduces enhanced disclosures and provides clarification about defined benefit plans

Financial Statements (continued)

Notes on the financial statements (continued)

Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities'- requires the disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position

Standards applicable in 2014

Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' - clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments Presentation'

Standards and Interpretations issued by the IASB but not yet endorsed by the EU

Standards applicable in 2015

IFRS 9 'Financial Instruments' ('IFRS 9') - introduced new requirements for the classification and measurement of financial assets and financial liabilities

2 Summary of significant accounting policies

(a) Revenue

Income earned on the execution of a significant act is recognised as revenue when the act is completed Income earned from the provision of services is recognised as revenue as the services are provided and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in 'interest income'

(b) Operating leases

Payments under operating leases are charged to the income statement on a straight line basis over the term of the lease

(c) 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/(recoverable) on the taxable income/(loss) for the period, using tax rates enacted or substantively 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

(d) Foreign currencies

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 end of the reporting period Any resulting exchange differences are included in the income statement

Financial Statements (continued)

Notes on the financial statements (continued)

Non-monetary assets and liabilities that are measured at 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 Any exchange component of a gain or loss on a non-monetary item is recognised in other comprehensive income if the gain or loss on the non-monetary item is recognised in other comprehensive income Any exchange component of a gain or loss on a non-monetary item is recognised in the income statement if the gain or loss on the non-monetary item is recognised in the income statement

(e) Financial assets and liabilities

(i) Financial liabilities

Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue Financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument The Company derecognises the financial liability when the Company's obligations specified in the contract expire, are discharged or cancelled Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method

A group undertaking acts as a treasury function, providing funding for the Company through an inter-company current account

(ii) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change invalue Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash

(f) Pension and other post-employment benefits

The HSBC Bank (UK) Pension Scheme covers employees of HSBC Bank plc, its UK subsidiaries (including the Company) and certain other employees of the Group This scheme, assets of which are held in a separate trust fund, comprises a funded defined benefit scheme ('the principal scheme') which is closed and a defined contribution scheme, which was established on 1 July 1996 for new employees Individual subsidiaries within the Group, whose employees participate in the principal scheme, are not able to identify their share of the underlying assets and liabilities of the principal scheme and account for the principal scheme as a defined contribution scheme

Full disclosure of the principal actuarial financial assumptions used to calculate the defined benefit pension plans at the end of the reporting period, of which employees of the Company are members, are disclosed in the financial statements of HSBC Bank plc The Company makes a regular payment to HSBC Bank plc, for HSBC Bank plc to invest in the various schemes on behalf of the Company's employees

(g) Share capital

Shares are 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 proceeds, net of tax

(h) Use of assumptions

The results of the company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements The accounting policies used in the preparation of the financial statements are described in detail in Note 2

When preparing the financial statements, it is the Directors' responsibility to select suitable accounting policies and to make judgements and estimates that are reasonable and prudent There are no accounting policies that are deemed critical to the Company's results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation

Financial Statements (continued)

Notes on the financial statements (continued)

3 (Loss)/profit before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging

	2012 £	2011 £
Auditor's remuneration		
- audit of the financial statements	14,750	14,800
- other services pursuant to legislation	5,000	5,000
	19,750	19,800

4 Employee compensation and benefits

	2012 £	2011 £
Employee compensation and benefits were		
– Wages and salaries	1,685,313	1,815,548
– Social security costs	211,632	232,790
– Pension costs	180,781	181,111
– Other staff costs	445,303	198,501
	2,523,029	2,427,950
Average FTE	24 0	26 5

Most permanent full time employees of HSBC Bank International 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 HSBC Holdings plc 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 In the absence of a contractual agreement between the company and HSBC Bank plc, the principal sponsoring employer, Group policy requires the company to contribute to the scheme at a contribution rate which is determined by the Group

Actuarial valuations of the schemes are carried out triennially by external professional actuaries to determine the financial position of the scheme and to enable HSBC Group to determine the level of contributions to be made by the Company to the scheme The latest full actuarial valuation was carried out as at 31 December 2011 at which HSBC Bank (UK) Pension Scheme held assets of £17 2 billion The market value of the plan represented 100 per cent of the amount expected to be required, on the basis of the assumptions adopted, to provide the benefits accrued to members after allowing for expected future increases in earnings, and the resulting £nil deficit or surplus Full disclosure of the principal actuarial financial assumptions used to calculate the defined benefit pension plans at the end of the reporting period, of which employees of the company are members, are disclosed in the financial statements of HSBC Bank plc

At 31 December 2012, estimated employee redundancy costs of £270,000 were accrued and the expense has been included in other staff costs

5 Tax expense

	2012 £	2011 £
Current tax		
UK Corporation Tax		
– on current year profit	-	(127,875)
– adjustments in respect of current year tax recovery	36,000	-
– adjustments in respect of prior years	-	(58)
Total current tax recovery/(expense)	36,000	(127,933)

Financial Statements (continued)

Notes on the financial statements (continued)

Reconciliation of effective tax to Corporation Tax (recovery)/expense

	2012 £	2011 £
(Loss)/profit before Corporation Tax	(149,959)	482,546
Taxation recovery at UK tax rate 24 0% (2011 charge 26 5%)	(36,000)	127,875
Effect of		
Adjustments in respect of prior years	-	58
Overall tax (recovery)/expense	(36,000)	127,933

The 2012 budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012

This will reduce the company's future current tax charge accordingly

It has not yet been possible to quantify full anticipated effect of the announced further 2% rate reduction to 22%, although this will further reduce the company's future current tax charge

As at 31 December 2012 the Company is not recognising a deferred tax asset of £154,457 (2011 £154,457) in relation to the impairment loss on a subsidiary The Company does not expect to have any future capital gains against which such a deferred tax asset could be utilised

6 Receivables

	2012 £	2011 £
Amounts due from other group undertakings	569,688	2,066,109
Trade receivables	-	75,150
	569,688	2,141,259

Amounts owed by parent/group undertakings have no fixed date for repayment and are therefore technically repayable on demand They are accounted for as financial assets, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value

7 Other liabilities

	2012 £	2011 £
Amounts due to other group undertakings	24,671	1,702,561
Accruals and deferred income	289,782	104,435
	314,453	1,806,996

Amounts owed to parent/group undertakings have no fixed date for repayment and are therefore technically repayable on demand They are accounted for as financial liabilities, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value

8 Share capital

	2012 £	2011 £
Authorised		
10,000,000 Ordinary shares of £1 each	10,000,000	10,000,000
Allotted, called up and fully paid		
2,250,000 Ordinary shares of £1 each	2,250,000	2,250,000

Financial Statements (continued)

Notes on the financial statements (continued)

9 Risk management

Introduction and overview

The Company has exposure to the following risks

- credit risk
- liquidity risk
- operational 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 undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board

Pillar 3 of Basel II is related to market discipline and aims to make firms more transparent by requiring them to publish specific, prescribed details of their risks, capital and risk management under the Basel II framework Pillar 3 disclosures are published as a separate document on the HSBC Holding Plc's website

There were no changes in the Company's approach to risk management during the year

Credit risk management

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 parties, details of which are disclosed in note 10

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 (2011 £nil)

Financial Statements (continued)

Notes on the financial statements (continued)

The Company had no past due exposures as at 31 December 2012 (2011 £Nil)

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

	2012	2011
	£	£
Cash and cash equivalents	1,975,601	1,975,821
Trade and other receivables	569,688	2,141,259
	2,545,289	4,117,080

These balances are neither past due nor impaired Their fair values equate to their carrying amount The Company's credit risk is considered limited as all financial assets are held with related parties

Liquidity risk management

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 within one year
	2012	2011
	£	£
Trade and other payables	410,806	1,868,638

Operational risk management

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 Notes on the financial statements 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

Financial Statements (continued)

Notes on the financial statements (continued)

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

10 Related party transactions

The Company has a related party relationship with its parent, with other group undertakings and with its directors

Particulars of transactions, arrangement and agreements involving related parties are as follows

	2012 £	2011 £
Income statement		
Fees and commissions	**2,877,909**	3,562,341
Direct costs	**(582,539)**	(837,938)
Administrative expenses	**(298,453)**	(406,825)
Statement of financial position		
Trade and other receivables	**569,688**	2,066,109
Cash and cash equivalents	**1,975,601**	1,975,821
Liabilities		
Trade and other payables	**24,671**	1,702,561

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

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. Contingent liabilities

There were no contingent liabilities at 31 December 2012 (2011 £Nil)

12 Subsequent events

There are no subsequent events requiring disclosure in the financial statements

13 Holding company

HSBC International Financial Advisers (UK) Limited is a wholly owned subsidiary of HSBC International Holdings (Jersey) Limited, which is incorporated in Jersey

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