HSBC INTERNATIONAL FINANCIAL ADVISERS (UK) LIMITED

Financial Statements

31 DECEMBER 2010

Registered No 1585283

Financial Statements
31 December 2010

Contents

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DIRECTORS AND OFFICERS

Directors.	P M Crooke N A Benbow D L Wells D J Nibloe R C Green P M Spencer C C Molloy R E C Cannard
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

Director's report for the year ended 31 December 2010

Principal activities

The Company's principal activity is 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 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 sourced from HSBC Group companies and a range of well established and market leading third party product providers

Strategy

The Company's short term and medium term strategy is encapsulated within the Company's annual operating plan and three year strategic plan The strategic objective of the Company is to become the premium focused European centre of excellence for the provision of a holistic financial planning service for expatriate and non domiciled customers The Company has the support of 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

The Company is currently largely reliant on HSBC Group referrals, however, it will continue to identify, target and develop other sources of referrals by utilising existing channels and agreed marketing tools to promote new and alternative means of increasing referral and business volumes and consequently revenue streams whilst controlling costs

Risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in note 9 to the financial statements

Monitoring performance

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

Financial key performance indicators

The Company measures its cost efficiency to assess consumption of resources in creating income based on the Company's cost income ratio This is defined as the percentage of operating costs divided by gross income Cost efficiency is achieved through 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 growing business

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

	2010	2009
	%	%
Operating cost income ratio	86	125 8
Return on average invested capital	16 5	-31 7

Director's report for the year ended 31 December 2010

Non-financial key performance indicators

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 profit after taxation for the year ended 31 December 2010 amounted to £287,912 (31 December 2009 loss £366,134)

The return on average invested capital increased from -31 7% in 2009 to 16 5% in 2010 as the benefits of the restructuring adopted during 2009 start to materialise During late 2009, changes in the economy led to refocusing on the business In light of this a restructuring programme occurred The restructuring included the taking over of the business of HSBC International Financial Advisers (Malta) Limited, including European Passporting business HSBC International Financial Advisers (Malta) Limited was put into liquidation on 1 July 2010

Employment policy

The Company continues to regard communication with its employees as a key aspect of its policies Information is given to employees about employment matters and about the financial and economic factors affecting the Company's performance through management channels in-house magazines and by way of attendance at internal seminars and training programmes Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance The involvement of employees in the performance of the Company is further encouraged through a profit participation scheme

Dividends

The Directors do not recommend payment of a dividend (31 December 2009 £nil)

Going concern basis

The Financial Statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future In making this assessment the Directors have considered a wide range of information relating to present and future conditions

Directors

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

C C Molloy (appointed 22 January 2010)
R E C Cannard (appointed 10 August 2010)
A D Smith (Resigned 15 September 2010)

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

S J Kerhoat resigned with effect from 30th April 2010
C B Bell was appointed with effect from 1st May 2010

Director's report for the year ended 31 December 2010

Capital management

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

The Company defines capital as total shareholders equity It is HSBC's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times There were no changes to the Company's approach to capital management during the year

The Company recognises the impact on shareholder returns of the level of equity capital employed within the business and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with greater leverage

The Company manages its own capital within the context of the approved annual HSBC Group capital plan which determines the optimal amount of capital required to support planned business growth

Disclosure of information to auditors

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

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

NA Benbow

N.A Benbow
Director

Date 9 March 2011

Director's report for the year ended 31 December 2010

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

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

N A Benbow

N A Benbow
Director

Registered Office
8 Canada Square
London
E14 5HQ

Date 9 March 2011

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 2010 set out on pages 8 to 19 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 6, 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 APB's website at www frc org uk/apb/scope/UKNP

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 2010 and of its profit 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

M Davies (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square,
London,
E14 5GL
Date 15 March 2011

Financial Statements

Income statement for the year ended 31 December 2010

	Notes	2010 £	2009 £
Fees and commissions		**2,882,285**	1,978 409
Direct costs		**(739,758)**	(475 489)
Gross profit		**2,142,527**	1,502,920
Administrative expense		**(1,741,865)**	(2,013,968)
Bad debt expenses		**-**	(217)
Operating profit/(loss) before financial income		**400,662**	(511,265)
Bank interest receivable		**-**	2,746
Profit/(loss) before taxation		**400,662**	(508,519)
Tax (expense)/credit	5	**(112,750)**	142,385
Profit/(loss) for the year		**287,912**	(366 134)

There were no acquisitions, discontinued or discontinuing operations during the year

The accounting policies and notes on pages 12 to 19 form an integral part of these financial statements

There has been no comprehensive income or expense other than the profit/ (loss) for the year as shown above (2009 Nil)

Financial Statements (continued)

Statement of financial position as at 31 December 2010

	Notes	2010 £	2009 £
ASSETS			
Current assets			
Cash and cash equivalents		**1,665,892**	1,654,243
Receivables	*6*	**2,393,381**	175 704
Current tax assets		**6,219**	142 385
Total assets		**4,065,492**	1,972,332
LIABILITIES AND EQUITY			
Current liabilities			
Other liabilities	*7*	**2,171,663**	366,415
Current tax liabilities		**-**	-
Total liabilities		**2,171,663**	366 415
Equity			
Called up share capital	*8*	**2,250,000**	2,250,000
Retained earnings		**(356,171)**	(644 083)
Total equity		**1,893,829**	1,605,917
Total equity and liabilities		**4,065,492**	1,972 332

The accounting policies and notes on pages 12 to 19 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 9 March 2011 and were signed on its behalf by

N.A Benbow

N.A Benbow
Director

Company Registered Number 1585283

Financial Statements (continued)

Statement of cash flows for the year ended 31 December 2010

	2010 £	2009 £
Cash flows from operating activities		
Profit before tax	400,662	(508,519)
Adjustments for		
– Change in operating assets	(2,217,677)	1,742,755
– Change in operating liabilities	1,828,664	(1,314,979)
– Tax paid	-	(87,604)
Net cash generated from/(used in) operating activities	11,649	(168 347)
Net increase/(decrease) in cash and cash equivalents	11,649	(168,347)
Cash and cash equivalents brought forward	1,654,243	1 822 590
Cash and cash equivalents carried forward	1,665,892	1 654,243

The accounting policies and notes on pages 12 to 19 form an integral part of these financial statements

Financial Statements (continued)

Statement of changes in equity for the year ended 31 December 2010

	Called up share capital	Retained earnings	Total shareholders' equity
	£	£	£
Year Ended 31 December 2010			
At 1 January 2010	**2,250,000**	**(644,083)**	**1,605,917**
Profit for the year	**-**	**287,912**	**287,912**
At 31 December 2010	**2,250,000**	**(356,171)**	**1,893,829**

	Called up share capital	Retained earnings	Total shareholders equity
	£	£	£
Year Ended 31 December 2009			
At 1 January 2009	2,250,000	(277,949)	1,972,051
Loss for the year	-	(366,134)	(366 134)
At 31 December 2009	2,250,000	(644 083)	1,605,917

The accounting policies and notes on pages 12 to 19 form an integral part of these financial statements

Shareholders' equity is wholly attributable to equity shareholders

Financial Statements (continued)

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 2010, there were no unendorsed standards effective for the year ended 31 December 2010 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 2010 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 International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body

In preparing these financial statements, the Company has adopted the following amendments to accounting standards which became effective for the accounting period beginning on 1 January 2010

- Amendments to IAS 27 'Consolidated and Separate Financial Statements'
- Revised IFRS 3 'Business Combinations'
- Amendments to IAS 39 'Financial Instruments Recognition and Measurement – Eligible Hedged Items'
- IFRIC 17 Distribution of Non-cash Assets to Owners'
- IFRIC 18 'Transfers of Assets from Customers'
- Amendments to IFRIC 9 and IAS 39 'Embedded Derivatives'
- Improvements to IFRSs (2009)

The adoption of these interpretations and amendments thereto has not had a significant effect on these financial statements

(b) Presentation of information

The financial statements are prepared on an historical cost basis except for financial assets designated at fair value, derivatives and financial investments that are stated at fair value

(c) Future accounting developments

At 31 December 2010 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 2010 Those which are expected to have a significant effect on the Company's financial statements are discussed below

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

In November 2009, the IASB issued IFRS 9 'Financial Instruments' ('IFRS 9') This introduced new requirements for the classification and measurement of financial assets In October 2010, the IASB issued additions to IFRS 9 dealing with financial liabilities These represent the first instalments in the IASB's planned phased replacement of IAS 39 'Financial Instruments Recognition and Measurement' ('IAS 39') with a less complex and improved standard for financial instruments

The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted IFRS 9 is required to be applied retrospectively If the standard is adopted prior to 1 January 2012, an entity will be exempt from the requirement to restate prior period comparative information IFRS 9 is subject to EU endorsement the timing of which is uncertain Accordingly, the Company is unable to provide a date by which it plans to apply IFRS 9

The main changes to the requirements of IAS 39 are summarised below

- All financial assets that are currently in the scope of IAS 39 will be classified as either amortised cost or fair value The available-for-sale, held-to-maturity and loans and receivables categories will no longer exist

- Classification is based on an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets Reclassifications between the two categories are prohibited unless there is a change in the entity's business model

- A financial asset is measured at amortised cost if two criteria are met i) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and ii) the contractual cash flows of the instrument are solely payments of principal and interest on the principal outstanding All other financial assets are measured at fair value Movements in the fair value of financial assets classified at fair value are recognised in profit or loss, except for equity investments where an entity takes the option to designate an equity instrument that is not held for trading at fair value through other comprehensive income If this option is taken, all subsequent changes in fair value are recognised in other comprehensive income with no recycling of gains or losses to the income statement Dividend income would continue to be recognised in the income statement

- An entity is only permitted to designate a financial asset otherwise meeting the amortised cost criteria at fair value through profit or loss if doing so significantly reduces or eliminates an accounting mismatch This designation is made on initial recognition and is irrevocable

- Financial instruments which contain embedded derivatives are to be classified in their entirety either at fair value or amortised cost depending on whether the contracts as a whole meet the relevant criteria under IFRS 9

- Most of IAS 39's requirements for financial liabilities are retained, including amortised cost accounting for most financial liabilities with bifurcation of embedded derivatives However, fair value changes attributable to changes in own credit risk for financial liabilities designated under the fair value option other than loan commitments and financial guarantee contracts are to be presented in the statement of other comprehensive income These amounts are not subsequently reclassified to the income statement but may be transferred within equity

The next steps in the IASB's project will address the impairment of financial assets measured at amortised cost and hedge accounting The IASB has indicated that it aims to finalise the replacement of IAS 39 during 2011 In addition, the IASB is working with the US Financial Accounting Standards Board to reduce inconsistencies between US GAAP and IFRS in accounting for financial instruments The impact of IFRS 9 may change as a consequence of further developments resulting from the IASB's financial instruments project As a result, it is impracticable to quantify the impact of IFRS 9 as at the date of publication of these financial statements

No other standards or interpretations available for early adoption are expected to have a significant effect on the results or net assets of the Company when adopted

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except where stated otherwise

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 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

(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

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) Dividend income

Dividend income is recognised in the income statement when the right to receive payment is established

(f) 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 in value Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash

(g) 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

(h) 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

Dividends payable in relation to equity shares are recognised as a liability in the period in which they are declared

(i) 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

3 Profit/ (loss) before taxation

Profit on ordinary activities before taxation is stated after charging

	2010 £	2009 £
Auditor's remuneration		
- audit of the financial statements	**14,800**	14,800
- audit of the financial statements for the purpose of FSA reporting	**5,000**	5,000
	19,800	**19,800**

4 Employee compensation and benefits

	2010 £	2009 £
Employee compensation and benefits were		
– Wages and salaries	**1,113,478**	1,104,263
– Social security costs	**127,375**	116,800
– Pension costs	**150,942**	182,408
– Other staff costs	**131,627**	324 875
	1,523,422	1,728,346

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

Financial Statements (continued)

4 Employee compensation and benefits (continued)

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 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 2008 at which HSBC Bank (UK) Pension Scheme held assets of £10 6 billion with an overall deficit amounting to £3 2 billion

Funding of retirement benefits are charged to the income statement as incurred

5 Tax (expense)/credit

	2010 £	2009 £
Current tax		
UK Corporation tax		
– on current year profit	(112,185)	142,385
– adjustments in respect of prior years	(565)	-
Total current tax (expense)/credit	(112,750)	142 385
Reconciliation of effective tax to income tax expense		
Profit/(loss) before income tax	400,662	(508,519)
Taxation (credit)/charge at UK tax rate of 28%	112,185	(142 385)
Effects of		
Adjustment in respect of prior years	565	-
Overall tax expense/(credit)	112,750	(142,385)

As at 31 December 2010 the Company is not recognising a deferred tax asset of £154,457 (2009 157,215) 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

	2010 £	2009 £
Amounts due from other group undertakings	2,318,231	101,737
Trade receivables	75,150	73 967
	2,393,381	175 704

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

	2010 £	2009 £
Amounts due to other group undertakings	2,031,328	67 449
Accruals and deferred income	140,335	298,966
	2,171,663	366,415

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

	2010 £	2009 £
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

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

Disclosures required under Basel 2 Pillar 3 are shown in the consolidated financial statements of HSBC Holdings plc which are available at its registered address of 8 Canada Square, London E14 5HQ

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

9 Risk Management (continued)

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 (2009 £nil)

The Company had no past due exposures as at 31 December 2010 (2009 £Nil)

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

	2010	2009
	£	£
Cash and cash equivalents	1,665,892	1,654,242
Trade and other receivables	2,393,381	175,704
Tax receivable	6,219	142,385
	4,065,492	1,972 332

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
	2010	2009
	£	£
Trade and other payables	2,171,663	366,415

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

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

	2010	2009
	£	£
Income statement		
Fees and commissions	2,882,285	972,627
Direct costs	739,758	475,489
Administrative expenses	125,709	192,748
Bank interest receivable	-	2,746
Statement of financial position		
Trade and other receivables	2,318,231	101,737
Cash and cash equivalents	1,665,892	1,654,242
Liabilities		
Trade and other payables	2,031,328	67 449

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 Contigent Liabilities

There were no contingent liabilities at 31 December 2010 (2009 £Nil)

12 Subsequent events

There are no subsequent events requiring disclosure in the financial statements