

HSBC Insurance (International) Holdings Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2008

REGISTERED NO. 1662287



REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008

Principal activities

The principal activity of the Company is to act as a holding company. No change in the Company's activities was anticipated.

Results and dividends

The Company's results for the year under review are as detailed in the income statement shown in these accounts.

Business Review

As a holding Company the Company's performance is based on dividends received from subsidiaries. As a result there are no key performance indicators. The Company's approach to risk is detailed in note 10.

Directors

The directors who served during the year were as follows:

C A Ranger
C Schnor*

* Deceased 17th December 2008

C A Ranger resigned as a Director of the Company on 23 July 2009 and P P C Gregory and G A Faux were appointed as Directors on 25 June 2009 and 12 August 2009 respectively.

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 1985. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008**Supplier payment policy**

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

During the year, the Company only received goods and services from group undertakings. Part VI of Schedule 7 of the Companies Act 1985, setting out reporting requirements in relation to the policy and practice on payment of creditors is, therefore, not applicable.

Disclosure of information to 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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008**Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements**

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

The directors are 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 International Financial Reporting Standards (IFRS) as adopted by the EU and applicable laws.

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

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 IFRS 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

By order of the Board



P P C Gregory

Director

Date: 23 October 2009

Registered Office:

8 Canada Square
London
E14 5HQ

REGISTERED NO. 1662287

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF HSBC INSURANCE (INTERNATIONAL) HOLDINGS LIMITED

We have audited the financial statements (the “financial statements”) of HSBC Insurance (International) Holdings Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

The 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 directors’ report and financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU are set out in the Statement of Directors’ Responsibilities on page 3.

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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors’ Report is not consistent with the financial statements.

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 required for our audit, or if information specified by law regarding directors’ remuneration and other transactions 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 INSURANCE
(INTERNATIONAL) HOLDINGS LIMITED**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the company's affairs as at 31 December 2008 and of its result for the year then ended;
- the financial statements 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: 28 October. 2009

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
Other expenses		-	-
Operating profit before financing income		-	-
(Loss)/Profit before tax		-	-
Income tax credit/(expense)	4	-	-
(Loss)/Profit for the financial year	2	-	-
Attributable to:			
Equity holders of the Company		-	-
(Loss)/Profit for the financial year		-	-

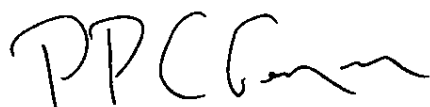
**STATEMENT OF RECOGNISED INCOME AND EXPENSE
31 DECEMBER 2008**

	2008 £	2007 £
Net income recognised directly in equity	-	-
(Loss)/Profit for the year	-	-
Total recognised income and expense for the period	-	-
Attributable to:		
Equity holders of the Company	-	-

BALANCE SHEET AT 31 DECEMBER 2008

	Note	2008 £	2007 £
ASSETS			
Current assets			
Trade and other receivables	4	27,478,570	27,478,570
Total current assets		27,478,570	27,478,570
LIABILITIES			
Current liabilities			
Income tax payable		(1)	(1)
Total current liabilities		(1)	(1)
Net current assets		27,478,569	27,478,569
Total assets less current liabilities		27,478,569	27,478,569
Non-current liabilities			
Deferred tax liability		-	-
Total non-current liabilities		-	-
Equity			
Issued share capital	5	12,101,285	12,101,285
Share premium	6	15,378,175	15,378,175
Retained earnings	6	(891)	(891)
Attributable to:			
Equity holders of the Company		27,478,569	27,478,569
		27,478,569	27,478,569

The financial statements were approved by the Board of Directors on 23 OCTOBER 2009.



P P C Gregory

Director

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
Cash flow from operating activities			
Profit for the year		-	-
Adjustments for:			
Financial income		-	-
Taxation		-	-
Operating profit before changes in working capital and provisions		-	-
 Decrease/(Increase) in trade and other receivables	4	-	4,936,089
Cash generated from operations		-	4,936,089
 Cash flows from operating activities			
Income tax paid		-	(4,936,089)
Net cash from operating activities		-	(4,936,089)
 Cash flows from investing activities			
Dividends received		-	-
Net cash from investing activities		-	-
 Cash flows from financing activities			
Dividends paid		-	-
Net cash from financing activities		-	-
 Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

NOTES TO THE FINANCIAL STATEMENTS**1. ACCOUNTING POLICIES**

HSBC Insurance (International) Holdings Limited is a company incorporated in Great Britain and registered in England and Wales. The address of its registered office is 8 Canada Square, London E14 5HQ.

The principal activity of the Company is to act as a holding company.

(a) Basis of preparation**(i) Statement of Compliance**

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(iii) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS**1. ACCOUNTING POLICIES (continued)****(b) Net financing income**

Net financing income comprises interest payable and interest receivable on funds invested and dividend income

Interest income and interest payable are recognised in the income statement as they accrue. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

(c) Taxation

Income tax expense comprises current and deferred tax. Income tax expense 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 year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(d) Impairment

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments

Financial instruments comprise trade and other receivables and trade and other payables.

Financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognised if the Company become a party to the contractual provisions of the instrument. Financial assets are de-recognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at the trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are de-recognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments are measured at amortised cost less any impairment losses.

2. (LOSS)/PROFIT BEFORE TAX

Profit before tax is stated after charging the following:

Auditors' remuneration amounting to £3,000 in respect of services provided to the Company has been borne by a fellow subsidiary undertaking.

The Company had no employees during the year.

3. DIRECTORS' EMOLUMENTS

The directors of the Company are employed and remunerated as executives of another group undertaking. No charge for their services has been made.

4. TRADE AND OTHER RECEIVABLES

	2008	2007
	£	£
Amounts owed by other group undertakings	27,478,570	27,478,570
	27,478,570	27,478,570

NOTES TO THE FINANCIAL STATEMENTS

5. SHARE CAPITAL

	2008	2007
	£	£
Authorised:		
Ordinary shares of £1 each	15,000,000	15,000,000
Issued:		
Share capital allotted, called up and fully paid:		
12,101,285 Ordinary shares of £1 each	12,101,285	12,101,285

6. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

	Share Capital £	Share Premium	Retained Earnings £	Total Equity £
Balance at 1 January 2007	12,101,285	15,378,175	(891)	27,478,569
Total recognised income and expense	-	-	-	-
Dividends paid to shareholders	-	-	-	-
Balance at 31 December 2007	12,101,285	15,378,175	(891)	27,478,569
 Balance at 1 January 2008	 12,101,285	 15,378,175	 (891)	 27,478,569
Total recognised income and expense	-	-	-	-
Dividends paid to shareholders	-	-	-	-
Balance at 31 December 2008	12,101,285	15,378,175	(891)	27,478,569

7. FINANCIAL INSTRUMENTS

Credit Risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Cash and cash equivalent amounts are only with Group entities. Given their high credit ratings, management does not expect these counterparties to fail to meet their obligations. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Foreign Currency Risk

There is no foreign currency risk as all assets and liabilities, including those due from/to other Group undertakings are denominated in pounds sterling.

Fair Values

For all financial assets the fair values are equal to the carrying amounts shown in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS**8. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The Company's management makes certain estimates and judgements in applying the Company's accounting policies. Some of these estimates and judgements can have a significant effect on the amounts recognised in the financial statements.

Critical accounting judgements in applying the Company's accounting policies include assuming that there will be sufficient future taxable profits for the deferred tax asset to be realised. There are no further accounting judgements that management consider critical, or that may have a material effect on the accounts.

9. RELATED PARTY TRANSACTIONS**Identity of related parties**

The Company has a related party relationship with its parent, HSBC Insurance Holdings Limited, other Group undertakings and with its directors.

Transactions with directors

All information regarding directors' remuneration is provided in note 3. Directors' interests are detailed in the Directors' Report.

Other related party transactions

Transactions with Group companies are detailed in note 4. Other balances with related parties are detailed below.

At 31 December 2008 the amount owed by other Group undertakings was £27,478,570 (2007: £27,478,570).

10. ULTIMATE HOLDING COMPANY

The Company's ultimate holding Company is HSBC Holdings plc, which is incorporated in Great Britain and registered in England and Wales. The parent company is HSBC Insurance Holdings Limited, which is incorporated in Great Britain and registered in England & Wales.

The only group in which the results of the Company are consolidated is that headed by HSBC Holdings plc. The consolidated financial statements of HSBC Holdings plc are available to the public and may be obtained from 8 Canada Square, London E14 5HQ.