



ALBOUYS NOMINEES LIMITED

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ALBOUYS NOMINEES LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31
DECEMBER 2005

Principal activities

The principal activity of the company is the supply of nominee facilities.

Results and dividends

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

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2005 (2004: nil).

Directors

The Directors who served during the year were as follows:

| Name | Appointed | Resigned |
|------------|--------------|---------------|
| J M Martin | 22 July 2005 | |
| W A Jones | | 12 April 2005 |
| P H Smith | | |

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.

Directors' interests

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

| HSBC Holdings plc | | |
|----------------------------------|---|------------------|
| Ordinary shares of US\$0.50 each | | |
| | 1 January 2005 (or appointment date) | 31 December 2005 |
| J M Martin | 11,847 | 15,358 |

ALBOUYS NOMINEES LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31
DECEMBER 2005 (continued)

Directors' interests (continued)

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

| | Granted | Exercised |
|------------|---------|-----------|
| J M Martin | - | 7,298 |

The terms of a number of Employee Benefit Trusts provide that all employees of HSBC Holdings plc and any of its subsidiary undertakings are potential beneficiaries of the Trusts. As potential beneficiaries of the Trusts, each director of the company is deemed to have a technical interest in all of the HSBC Holdings plc ordinary shares of US\$0.50 each held by the Trusts. At 31 December 2005 the Trusts held a total of 130,812,676 ordinary shares of US\$0.50 each (1 January 2005: 123,108,967).

Supplier payment policy

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

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.

Statement of directors' responsibilities in relation to 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.

The financial statements are required by law to present fairly the financial position and the performance of the company; 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.

ALBOUYS NOMINEES LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31
DECEMBER 2005 (continued)

Statement of directors' responsibilities in relation to financial statements (continued)

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 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



Director

Date: 27. 10. 06

Registered Office:
8 Canada Square
London
E14 5HQ

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ALBOUYS NOMINEES LIMITED

We have audited the financial statements of Albouys Nominees Limited for the year ended 31 December 2005 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.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities set out on pages 2 and 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

27/10/2006
2 Cornwall Street
Birmingham
B3 2DL

ALBOUYS NOMINEES LIMITED
INCOME STATEMENT FOR THE YEAR ENDED
31 DECEMBER 2005

| | Note | <u>2005</u> £ | <u>2004</u> £ |
|---|------|------------------|------------------|
| Revenue | | | |
| Fees and commissions receivable | | 3,000 | 3,000 |
| Finance income | | | |
| Interest receivable from group undertakings | 3 | 192 | 120 |
| Other Interest receivable | | 6 | - |
| | | <u>3,198</u> | <u>3,120</u> |
| Administrative expenses | 2 | <u>(1,680)</u> | <u>(1,681)</u> |
| Profit before tax | | 1,518 | 1,439 |
| Tax expense | 4 | <u>(455)</u> | <u>(410)</u> |
| Profit for the year | | <u>1,063</u> | <u>1,029</u> |

There were no acquisitions and no discontinued operations during the year.

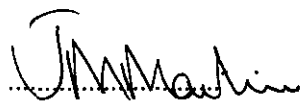
STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE
YEAR ENDED 31 DECEMBER 2005

There has been no recognised income or expense other than the profit for the year as shown above.

ALBOUYS NOMINEES LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2005

| | Note | <u>2005</u> £ | <u>2004</u> £ |
|-------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 11,311 | 8,113 |
| Total assets | | <u>11,311</u> | <u>8,113</u> |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Amounts owed to parent undertakings | | 2,135 | - |
| Total liabilities | | <u>2,135</u> | <u>-</u> |
| Equity | | | |
| Called up share capital | 5 | 2 | 2 |
| Retained earnings | | 9,174 | 8,111 |
| Total equity | 6 | <u>9,176</u> | <u>8,113</u> |
| Total liabilities and equity | | <u>11,311</u> | <u>8,113</u> |

These financial statements were approved by the Board of Directors on 27.10.06 and were signed on its behalf by:


 Director

ALBOUYS NOMINEES LIMITED
CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER
2005

| | <u>2005</u> | <u>2004</u> |
|--|---------------|--------------|
| | £ | £ |
| Cash flows from operating activities: | | |
| Profit before tax | 1,518 | 1,439 |
| Net cash from operating activities | <u>1,518</u> | <u>1,439</u> |
| Cash flows from financing activities: | | |
| Received/(paid) fom parent undertaking | <u>1,680</u> | <u>(410)</u> |
| Net cash from financing activities | <u>1,680</u> | <u>(410)</u> |
| Net increase in cash and cash equivalents | 3,198 | 1,029 |
| Cash and cash equivalents brought forward | <u>8,113</u> | <u>7,084</u> |
| Cash and cash equivalents carried forward | <u>11,311</u> | <u>8,113</u> |

ALBOUYS NOMINEES LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements are presented in sterling and have been prepared on the historical cost basis.

For all periods up to and including the year ended 31 December 2004, the company prepared its financial statements in accordance with UK Generally Accepted Accounting Principles ('UK GAAP').

From 1 January 2005, the company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and effective for the company's reporting for the year ended 31 December 2005. IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body. The adoption of IFRS has not affected the company's balance sheet or results.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented.

b) Income tax

Income tax on the profit or loss for the year comprises current tax.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date and any adjustment to tax payable in respect of previous years.

c) Assets held as nominee

Securities and cash held in trust, agency or fiduciary capacity for customers are not included on the balance sheet as such assets are not the property of the company.

d) Revenue

Revenue represents fees (excluding Value Added Tax) derived from nominee activities. This business is operated entirely within the United Kingdom.

e) Related party transactions

A parent undertaking provides banking facilities and acts as a treasury function, providing funding for the company through an inter-company current account. This is reflected in the balance sheet, as amounts owed to parent undertakings. Interest on this balance is charged on a cost basis. Related party transactions are detailed in their respective notes.

ALBOUYS NOMINEES LIMITED
NOTES ON THE FINANCIAL STATEMENTS

2. **ADMINISTRATIVE EXPENSES**

The directors made no charge for their services. Audit fees are borne by another group undertaking. The company has no employees and hence no staff costs.

3. **INTEREST INCOME**

Interest income is earned on deposit assets, which are placed with other group undertakings.

4. **TAX EXPENSE**

| | | |
|--------------------------------------|-------------|-------------|
| The tax expense comprises: | <u>2005</u> | <u>2004</u> |
| | £ | £ |
| - current tax on income for the year | 455 | 410 |
| | <hr/> | <hr/> |
| Total tax expense | 455 | 410 |
| | <hr/> | <hr/> |

The current tax expense on profit for the year is not different from the standard rate of corporation tax in the UK of 30% (2004: 30%).

| | | |
|--|-------------|-------------|
| | <u>2005</u> | <u>2004</u> |
| | £ | £ |
| Analysis of overall tax expense | | |
| Profit before tax | 1,518 | 1,439 |
| | <hr/> | <hr/> |
| Taxation at 30% (2004: 30%) | 455 | 432 |
| | <hr/> | <hr/> |
| Effects of: | | |
| Adjustments in respect of prior years | - | (22) |
| | <hr/> | <hr/> |
| Overall tax expense (see above) | 455 | 410 |
| | <hr/> | <hr/> |

5. **SHARE CAPITAL**

| | | |
|------------------------------------|-------------|-------------|
| | <u>2005</u> | <u>2004</u> |
| | £ | £ |
| Authorised | | |
| 1000 Ordinary shares of £1 each | 1,000 | 1,000 |
| | <hr/> | <hr/> |
| Allotted, called up and fully paid | | |
| 2 ordinary shares of £1 each | 2 | 2 |
| | <hr/> | <hr/> |

ALBOUYS NOMINEES LIMITED
NOTES ON THE FINANCIAL STATEMENTS

6. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

| | <u>2005</u> | <u>2004</u> |
|---|--------------|--------------|
| | £ | £ |
| Called up share capital | | |
| Balance brought forward and carried forward | 2 | 2 |
| Retained earnings | | |
| Balance brought forward | <u>8,111</u> | <u>7,082</u> |
| Profit for the year | <u>1,063</u> | <u>1,029</u> |
| Total recognised income and expense for the period | <u>1,063</u> | <u>1,029</u> |
| Balance carried forward | <u>9,174</u> | <u>8,111</u> |
| Total shareholders' equity | | |
| Balance brought forward | 8,113 | 7,084 |
| Profit for the year | <u>1,063</u> | <u>1,029</u> |
| Balance carried forward | <u>9,176</u> | <u>8,113</u> |

7. **PARENT UNDERTAKINGS**

The ultimate parent undertaking (which is the ultimate controlling party) and the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is HSBC Holdings plc. The result of the company is included in the group financial statements of HSBC Holdings plc and those of HSBC Bank plc.

Copies of the group financial statements may be obtained from the following addresses:

HSBC Bank plc
8 Canada Square
London
E14 5HQ

HSBC Holdings plc
8 Canada Square
London
E14 5HQ