

**HSBC Insurance Services (Cyprus) Limited**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2007**

**REGISTERED NO. 2587328**



**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007****PRINCIPAL ACTIVITIES**

The Company has not transacted new business since 1 January 2005 and is in run-off

**Results and dividends**

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2007 (2006 £ nil)

**Directors**

The Directors who served during the year were as follows

Name	Appointed	Resigned
L P R Ahlås		31 May 2008
A M M Dixon		31 May 2007
C A Ranger	31 May 2007	
M W Speed	31 May 2008	

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 and 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

**Financial Instruments**

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to risks, as required under the Companies Act are set out in Note 8 of the Notes to the Financial Statements

**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 BERR Publications Orderline, Admail 528, London SW1W 8YT

The amount due to the Company's trade creditors at 31 December 2007 represented 30 days' average daily purchases of goods and services received from those creditors, calculated in accordance with the Companies Act 1985, as amended by Statutory Instrument 1997/571

**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 or she ought to have taken as a director in order to make himself or 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 234ZA of the UK Companies Act 1985 and should be interpreted in accordance therewith

**Auditors**

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007****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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws

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

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



C A Ranger

Director

Date 22nd August 2008

**Registered office:**

8 Canada Square  
London  
E14 5HQ

**REGISTERED NO: 2587328**

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HSBC INSURANCE SERVICES (CYPRUS) LIMITED**

We have audited the financial statements of HSBC Insurance Services (Cyprus) Limited for the year ended 31 December 2007 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 2.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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.

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**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HSBC INSURANCE SERVICES (CYPRUS) LIMITED**

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 2007 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**  
*Chartered Accountants*  
*Registered Auditor*

8 Salisbury Square  
London  
EC4Y 8BB

Date 1 October 2008

**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Employee benefits	-	-
Other expenses	-	-
<b>Operating (loss)/profit before financing income</b>	-	-
Financial income	-	-
Financial expense	-	-
<b>Net financing income</b>	-	-
<b>Profit before tax</b>	-	-
Income tax	-	-
<b>Profit for the financial year</b>	-	-
<b>Attributable to:</b>		
Equity holders of the Company	-	-

**STATEMENT OF RECOGNISED INCOME AND EXPENSE  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Net income recognised directly in equity</b>	-	-
Profit for the year	-	-
<b>Total recognised income and expense for the period</b>	-	-
<b>Attributable to:</b>		
Equity holders of the Company	-	-

BALANCE SHEET AT 31 DECEMBER 2007

	Note	2007 £	2006 £
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	3	291,442	286,948
Cash and cash equivalents		-	-
Income tax receivable		-	5,161
<b>Total current assets</b>		<b>291,442</b>	<b>292,109</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	4	-	(667)
<b>Total current liabilities</b>		<b>-</b>	<b>(667)</b>
<b>Net current assets</b>		<b>291,442</b>	<b>291,442</b>
<b>Equity</b>			
Issued share capital	5	2	2
Retained earnings	6	291,440	291,440
<b>Attributable to:</b>			
Equity holders of the Company		291,442	291,442

The financial statements were approved by the Board of Directors on 22 August 2008



M W Speed

Director

**NOTES TO THE FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES**

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

The Company's activity is the provision of insurance services.

**(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.

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.

**(b) Foreign Currency**

Foreign currency balances in respect of business settled in those currencies are translated at the closing rates of exchange on the balance sheet date.

**(c) 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.



NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

A financial instrument is recognised if the Company becomes 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.

Financial instruments are measured at amortised cost less any impairment losses.

(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.

(e) Change in accounting policies

There are no changes in accounting policies arising from new and revised IFRSs that are first effective in the year ended 31 December 2007 which have had a significant impact on the Company. "IFRS7 Financial Instruments: Disclosures" has not had any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

2. 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.

3. TRADE AND OTHER RECEIVABLES

	2007 £	2006 £
Owed from parent undertakings	291,442	286,948
	291,442	286,948

4. TRADE AND OTHER PAYABLES

	2007 £	2006 £
Other creditors	-	667
	-	667

**NOTES TO THE FINANCIAL STATEMENTS**

**5. SHARE CAPITAL**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Authorised:</b>		
100 Ordinary shares of £1 each	100	100
<b>Issued:</b>		
Share capital allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2

**6. CAPITAL AND RESERVES**

**Statement of changes in equity**

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance at 1 January 2006</b>	2	291,440	291,442
Total recognised income and expense	-	-	-
<b>Balance at 31 December 2006</b>	2	291,440	291,442
<b>Balance at 1 January 2007</b>	2	291,440	291,442
Total recognised income and expense	-	-	-
<b>Balance at 31 December 2007</b>	2	291,440	291,442

**7. RELATED PARTY TRANSACTION**

**Identities of related parties**

The company has a related party relationship with its immediate parent, with other Group undertakings and with its directors

**Transactions with directors**

All information regarding directors' remuneration is provided in note 2 Directors' interests are detailed in the Directors' Report

**Other related party transactions.**

The company received banking services from HSBC Bank plc These services were charged on an arm's length basis

**8. FINANCIAL INSTRUMENTS AND RISKS**

The company's risk management objectives and policies aim to mitigate specific financial risks where there is a possibility that any financial risk may lead to material changes in the company's financial performance, position or cash flow

**NOTES TO THE FINANCIAL STATEMENTS**

**9. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)**

**Capital Management Risk**

The HSBC group-wide approach to capital management is driven by its strategy and organisational requirements, taking into account the regulatory and commercial environment in which it operates

The capital structure of the Company at the balance sheet date is constituted as follows

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Share capital	2	2
Retained earnings	291,440	291,440
<b>Total</b>	<b>291,442</b>	<b>291,442</b>

**9. ULTIMATE HOLDING COMPANY**

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

The parent company of the smallest group of which the Company is a member and for which group accounts are prepared is that headed by HSBC Insurance Brokers Limited, which is registered in England and Wales. The financial statements of HSBC Insurance Brokers Limited are available from 8 Canada Square, London E14 5HQ.

The largest 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 from 8 Canada Square, London E14 5HQ.