

**SOMERS (U.K.) LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

WEDNESDAY



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## **SOMERS (U.K.) LIMITED**

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**SOMERS (U.K.) LIMITED**  
**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31**  
**DECEMBER 2007**

**Business Review**

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

The company has no employees Services required are provided by fellow HSBC Group companies

The company has no stakeholders other than its parent company

**Dividends**

The Directors have not approved payment of any dividends Any payment will be reflected in the financial statements in the year in which it is paid

**Directors**

The Directors who served during the year and subsequently were as follows

|            | Appointed      | Resigned     |
|------------|----------------|--------------|
| J M Martin |                |              |
| P H Smith  |                | 24 July 2007 |
| A L W Law  | 10 August 2007 |              |
| E K H Ng   | 10 August 2007 | 3 March 2008 |
| A W Lewis  | 3 March 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 Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors

**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 received goods and services from group undertakings only 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

**SOMERS (U.K.) LIMITED**  
**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31**  
**DECEMBER 2007 (continued)**

**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 auditors are 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 auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

**Statement of directors' responsibilities in relation to 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 Report of the Directors 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.

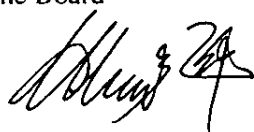
In preparing these financial statements, the directors are required to

- 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

A L W Law  
Director



Date 26 June 2008

Registered office  
8 Canada Square  
London  
E14 5HQ

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SOMERS (U.K.) LIMITED**

We have audited the financial statements of Somers (U K ) 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 Report of the Directors 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 Report of the Directors 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985,
- the information given in the Report of the Directors is consistent with the financial statements.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

*KPMG Audit Plc*  
*24/7/08*

2 Cornwall Street  
Birmingham  
B3 2DL

**SOMERS (U.K.) LIMITED**  
**INCOME STATEMENT FOR THE YEAR ENDED**  
**31 DECEMBER 2007**

|                                              | Note | <u>2007</u><br>£ | <u>2006</u><br>£ |
|----------------------------------------------|------|------------------|------------------|
| <b>Revenue</b>                               |      |                  |                  |
| Fees and commissions receivable              |      | 3,000            | 3,000            |
| <b>Finance income</b>                        |      |                  |                  |
| Interest receivable from parent undertakings | 2    | 233              | 166              |
| Other interest receivable                    |      | -                | 31               |
|                                              |      | <u>3,233</u>     | <u>3,197</u>     |
| Administrative expenses                      | 3    | <u>(1,932)</u>   | <u>(1,932)</u>   |
| <b>Profit before tax</b>                     |      | 1,301            | 1,265            |
| Tax expense                                  | 4    | <u>(390)</u>     | <u>(380)</u>     |
| <b>Profit for the year</b>                   |      | <u>911</u>       | <u>885</u>       |

There were no acquisitions and no discontinued operations during the year

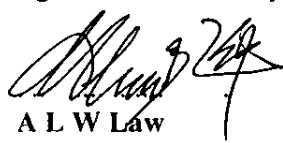
**STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE**  
**YEAR ENDED 31 DECEMBER 2007**

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

**SOMERS (U.K.) LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2007**

|                                                         | Note | <u>2007</u><br>£ | <u>2006</u><br>£ |
|---------------------------------------------------------|------|------------------|------------------|
| <b>ASSETS</b>                                           |      |                  |                  |
| <b>Current assets</b>                                   |      |                  |                  |
| Cash and cash equivalents held with parent undertakings |      | 13,594           | 10,346           |
| Amounts owed by other group undertakings                |      | 1,500            | 1,500            |
| Accrued income                                          |      | -                | 15               |
| <b>Total assets</b>                                     |      | <u>15,094</u>    | <u>11,861</u>    |
| <b>LIABILITIES AND EQUITY</b>                           |      |                  |                  |
| <b>Current liabilities</b>                              |      |                  |                  |
| Amounts owed to parent undertakings                     | 5    | <u>6,743</u>     | <u>4,421</u>     |
| <b>Total liabilities</b>                                |      | <u>6,743</u>     | <u>4,421</u>     |
| <b>Equity</b>                                           |      |                  |                  |
| Called up share capital                                 | 6    | 2                | 2                |
| Retained earnings                                       |      | <u>8,349</u>     | <u>7,438</u>     |
| <b>Total equity</b>                                     | 7    | <u>8,351</u>     | <u>7,440</u>     |
| <b>Total liabilities and equity</b>                     |      | <u>15,094</u>    | <u>11,861</u>    |

These financial statements were approved by the Board of Directors on 26 June 2008 and were signed on its behalf by

  
A L W Law  
Director

**SOMERS (U.K.) LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER**  
**2007**

|                                                              | <u>2007</u>   | <u>2006</u>   |
|--------------------------------------------------------------|---------------|---------------|
|                                                              | £             | £             |
| Cash flows from operating activities.                        |               |               |
| Profit before tax                                            | 1,301         | 1,265         |
| Adjustments for                                              |               |               |
| Movements on accrued income                                  | 15            | (15)          |
|                                                              | -----         | -----         |
| <b>Net cash from operating activities</b>                    | <b>1,316</b>  | <b>1,250</b>  |
|                                                              | -----         | -----         |
| <b>Cash flows from financing activities:</b>                 |               |               |
| Paid to parent undertaking in respect of group relief        | (390)         | (375)         |
| Received from parent and other group undertakings in respect |               |               |
| of other financing activities                                | 2,322         | 2,307         |
|                                                              | -----         | -----         |
| <b>Net cash from financing activities</b>                    | <b>1,932</b>  | <b>1,932</b>  |
|                                                              | -----         | -----         |
| <b>Net increase in cash and cash equivalents</b>             | <b>3,248</b>  | <b>3,182</b>  |
| <b>Cash and cash equivalents brought forward</b>             | <b>10,346</b> | <b>7,164</b>  |
|                                                              | -----         | -----         |
| <b>Cash and cash equivalents carried forward</b>             | <b>13,594</b> | <b>10,346</b> |
|                                                              | -----         | -----         |



# **SOMERS (U.K.) 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

The company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and effective for the company's reporting for the year ended 31 December 2007. IFRSs 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 company has implemented IFRS 7 Financial Instruments Disclosures during the year, which has required changes to the detailed disclosures about financial instruments.

A revised IAS 1 'Presentation of Financial Statements', which subject to EU endorsement in due course is applicable for annual periods beginning on or after 1 January 2009, was issued on 6 September 2007. The revised standard aims to improve users' ability to analyse and compare information given in financial statements. Adoption of the revised standard will have no effect on the results reported in the company's financial statements but will change the presentation of the results and financial position of the company in certain respects.

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.

#### **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.

# **SOMERS (U.K.) LIMITED**

## **NOTES ON THE FINANCIAL STATEMENTS**

### **1 ACCOUNTING POLICIES (continued)**

#### **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.

### **2 INTEREST RECEIVABLE**

Interest receivable is earned on deposit assets, which are placed with parent undertakings.

### **3 ADMINISTRATIVE EXPENSES**

The directors made no charge for their services. Auditors' remuneration for audit of these financial statements was £1,932 (2006: £1,932). The company has no employees and hence no staff costs.

### **4 TAX EXPENSE**

|                                      |             |             |
|--------------------------------------|-------------|-------------|
| The tax expense comprises            | <u>2007</u> | <u>2006</u> |
|                                      | £           | £           |
| - current tax on income for the year | 390         | 380         |
|                                      | -----       | -----       |
| Total tax expense                    | 390         | 380         |
|                                      | -----       | -----       |

The tax expense for the year is consistent with the standard rate of corporation tax in the UK 30% (2006: 30%).

|                                        |             |             |
|----------------------------------------|-------------|-------------|
|                                        | <u>2007</u> | <u>2006</u> |
|                                        | £           | £           |
| <b>Analysis of overall tax expense</b> |             |             |
| Profit before tax                      | 1,301       | 1,265       |
|                                        | -----       | -----       |
| Taxation at 30% (2006: 30%)            | 390         | 380         |
|                                        | -----       | -----       |
| Overall tax expense (see above)        | 390         | 380         |
|                                        | -----       | -----       |

### **5 AMOUNTS OWED TO PARENT UNDERTAKINGS**

Amounts owed to parent 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.

**SOMERS (U.K.) LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS**

**6 SHARE CAPITAL**

|                                    | <u>2007</u> | <u>2006</u> |
|------------------------------------|-------------|-------------|
|                                    | £           | £           |
| Authorised                         |             |             |
| 100 Ordinary shares of £1 each     | 100         | 100         |
|                                    | -----       | -----       |
| Allotted, called up and fully paid |             |             |
| 2 Ordinary shares of £1 each       | 2           | 2           |
|                                    | -----       | -----       |

**7 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

|                                                           | <u>2007</u> | <u>2006</u> |
|-----------------------------------------------------------|-------------|-------------|
|                                                           | £           | £           |
| <b>Called up share capital</b>                            |             |             |
| Balance brought forward and carried forward               | 2           | 2           |
| <b>Retained earnings</b>                                  |             |             |
| Balance brought forward                                   | 7,438       | 6 553       |
| Profit for the year                                       | 911         | 885         |
|                                                           | -----       | -----       |
| <b>Total recognised income and expense for the period</b> | 911         | 885         |
|                                                           | -----       | -----       |
| Balance carried forward                                   | 8,349       | 7,438       |
|                                                           | -----       | -----       |
| <b>Total shareholders' equity</b>                         |             |             |
| Balance brought forward                                   | 7,440       | 6,555       |
| Profit for the year                                       | 911         | 885         |
|                                                           | -----       | -----       |
| Balance carried forward                                   | 8 351       | 7,440       |
|                                                           | -----       | -----       |

**8 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. and the parent undertaking of the smallest such group is HSBC Bank plc. The immediate holding company is HSBC Bank plc. The result of the company is included in the group financial statements of HSBC Bank plc and HSBC Holdings 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

**SOMERS (U.K.) LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS**

9 **RISK MANAGEMENT**

**Credit risk management**

*Maximum exposure to credit risk*

|                                          | Maximum<br>exposure<br><u>2007</u><br>£ | Maximum<br>exposure<br><u>2006</u><br>£ |
|------------------------------------------|-----------------------------------------|-----------------------------------------|
| Cash                                     | 13,594                                  | 10,346                                  |
| Amounts owed by other group undertakings | 1,500                                   | 1,500                                   |
|                                          | <u>15,094</u>                           | <u>11,846</u>                           |

These balances are neither past due nor impaired. Their fair value equates to their carrying value.

**Liquidity risk**

The company's assets are funded by borrowing from the parent undertaking. This funding has no fixed date for repayment and is therefore technically repayable on demand, although the parent undertaking provides funds as required. The following is an analysis of undiscounted cash flows payable under financial liabilities by remaining contractual maturity at the balance sheet date.

|                                     | On<br>demand<br>£ |
|-------------------------------------|-------------------|
| <b>31 December 2007</b>             |                   |
| Amounts owed to parent undertakings | 6,743             |
|                                     | <u>          </u> |
| <b>31 December 2006</b>             |                   |
| Amounts owed to parent undertakings | 4,421             |
|                                     | <u>          </u> |