Somers (U K) Limited

Financial Statements
31 December 2011

Registered No 2759673

[redacted]

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[redacted]

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Directors' report for the year ended 31 December 2011

Principal activities

The Company's principal activity is the supply of nominee facilities No change in the Company's activities is anticipated

Performance

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

The Company has no employees, and all the related services are provided by the parent company The Company has no stakeholders other than its parent company

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 8 of the financial statements

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2011 (2010 Nil) Dividend payments will be reflected in the financial statements in the period in which they are declared

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 served during the year were as follows

Name	Appointed	Resigned
R H Musgrove		
J R Banks	13 January 2011	

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

Supplier payment policy

The Company does not currently subscribe to any code or standard on payment practice It is the Company's policy, however, to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment

During the year, the Company only received goods and services from group undertakings Part 5 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, setting out reporting requirements in relation to the policy and practice on payment of creditors is, therefore, not applicable

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

Disclosure of information to auditor

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

Directors' report for the year ended 31 December 2011 (continued)

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

Auditor

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

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

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 its 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

R.H.M

R H Musgrove
Director

16 July 2012

Registered Office
8 Canada Square
London
E14 5HQ

Independent Auditor's Report to the members of Somers (U.K.) Limited

[redacted]

We have audited the financial statements of Somers (U K) Limited for the year ended 31 December 2011 set out on pages 5 to 13 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 3, 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/private cfm

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 2011 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

Simon Clark (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham, B4 6GH

Date 18 July 2012

Financial Statements

Income statement for the year ended 31 December 2011

	Notes	2011 £	2010 £
Revenue			
Fees and commissions receivable		3,000	3 000
Operating profit		3,000	3,000
Administrative expense	3	(1,932)	(1 932)
Profit before tax		1,068	1 068
Tax expense	4	(283)	(299)
Profit for the year		785	769

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

The accounting policies and notes on pages 9 to 13 form an integral part of these financial statements

Statement of comprehensive income for the year ended 31 December 2011

There has been no comprehensive income or expense other than the profit for the year as shown above (2010 Nil)

The accounting policies and notes on pages 9 to 13 form an integral part of these financial statements

Financial Statements (continued)

Statement of financial position as at 31 December 2011

	Notes	2011 £	2010 £
ASSETS			
Current assets			
Cash and cash equivalents held with parent undertakings		25,959	22,959
Amounts due from other group undertakings		1,500	1,500
Total assets		27,459	24 459
LIABILITIES AND EQUITY			
Current liabilities			
Amounts due to parent undertakings	6	15,477	13 246
Current tax liabilities		283	299
Total liabilities		15,760	13,545
Equity			
Called up share capital	7	2	2
Retained earnings		11,697	10,912
Total shareholders' equity		11,699	10,914
Total equity and liabilities		27,459	24 459

The accounting policies and notes on pages 9 to 13 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 16 July 2012 and were signed on its behalf by

R H Musgrove
Director

Company Registered Number 2759673

Financial Statements (continued)

Statement of cash flows for the year ended 31 December 2011

	2011 £	2010 £
Cash flows from operating activities		
Profit before tax	**1,068**	1,068
Net cash generated from operating activities	**1,068**	1 068
Cash flows from financing activities		
Received from other group undertakings in respect of other financing activities	**2,231**	2,250
Tax paid	**(299)**	(318)
Net cash generated from financing activities	**1,932**	1,932
Net increase in cash and cash equivalents	**3,000**	3,000
Cash and cash equivalents brought forward	**22,959**	19,959
Cash and cash equivalents carried forward	**25,959**	22 959

The accounting policies and notes on pages 9 to 13 form an integral part of these financial statements

Financial Statements (continued)

Statement of changes in equity for the year ended 31 December 2011

	Called up share capital £	Retained earnings £	Total shareholders' equity £
Year Ended 31 December 2011			
At 1 January 2011	2	10,912	10,914
Profit for the year and total comprehensive income for the year	-	785	785
At 31 December 2011	2	11,697	11,699

	Called up share capital £	Retained earnings £	Total shareholders' equity £
Year Ended 31 December 2010			
At 1 January 2010	2	10,143	10 145
Profit for the year and total comprehensive income for the year	-	769	769
At 31 December 2010	2	10 912	10 914

The accounting policies and notes on pages 9 to 13 form an integral part of these financial statements

Shareholders'equity is wholly attributable to equity shareholders

Notes on the Financial Statements

1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

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 issued by the International Accounting Standards Board ('IASB) and as endorsed by the European Union ('EU') EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU At 31 December 2011 there were no unendorsed standards effective for the year ended 31 December 2011 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 2011 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 IFRS Interpretations Committee ('IFRIC') and its predecessor body

During the year, the Company adopted a number of standards, interpretations and amendments thereto which had an insignificant effect on the financial statements

(b) Future accounting developments

At 31 December 2011, 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 2011 None of these 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) General information

Somers (U K) Limited is a company domiciled and incorporated in England and Wales

(b) Fees and commission income

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

(c) Interest income

Interest income for all interest bearing financial instruments is recognised in 'Interest receivable' in the income statement using the effective interest method The effective interest method is a way of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts

(d) Income tax

Income tax comprises current tax and is recognised in the income statement 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 end of the reporting period and any adjustment to tax payable in respect of previous years Current tax assets and liabilities are offset when Somers (U K) Limited intends to settle on a net basis and the legal right to offset exists

Notes on the Financial Statements (continued)

(e) Assets held as nominee

Securities and cash held in trust, agency or fiduciary capacity for customers are not included on the statement of financial position as such assets are not the property of the Company

(f) Financial assets and liabilities

(i) Loans and receivables

Loans and receivables include loans and receivables originated by the Company which are not classified either as held for trading or designated at fair value Loans and receivables are recognised when cash is advanced to borrowers They are derecognised when either borrowers repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses

(ii) 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

(iii) 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) 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

(h) Use of assumptions and estimates

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 IFRS 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

(i) Statement of cash flow

The statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under 'Operating activities', movements in inter company transactions are shown under the heading of 'Financing activities' Such movements are ultimately from the Company's financing activities through which the Company will acquire resources intended to generate future income and cash flows

(j) Determination of fair value

All financial instruments are recognised initially ar fair value In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received)

Subsequently, fair values are calculated by discounting future cash flows on financial instruments, using effective current interest rates

Notes on the Financial Statements (continued)

3 Administrative income/(expenses)

The Directors made no charge for their services (2010 Nil) The auditor's remuneration for audit of these financial statements was £1,932 (2010 £1,932) The Company has no employees and hence no staff costs (2010 Nil)

4 Tax expense

	2011 £	2010 £
Current tax		
UK Corporation tax		
- on current year profit	283	299
Tax expense	283	299

The UK corporation tax rate applying to the Somers (U K) limited was 26 5 per cent (2010 28 per cent)

The following table reconciles the tax expense

	2011 £	Percentage of overall profit before tax %	2010 £	Percentage of overall profit before tax %
Profit before tax	1,068	-	1,068	-
Taxation at UK corporation tax rate of 26 5% (2010 28%)	283	26 5	299	28
Overall tax expense	283	26 5	299	28

The UK Government announced that the main rate of corporation tax for the year beginning 1 April 2011 will reduce from 28% to 26%, to be followed by further reductions to reach 22% for the year beginning 1 April 2014 This results in a weighted average rate of 26 5% for 2011 (2010 28%)

5 Interest Receivable

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

6 Amounts due to Parent Undertakings

Amounts due 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

7 Share capital

	2011 £	2010 £
Authorised		
2 Ordinary shares of £1 each	2	2
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2

Notes on the Financial Statements (continued)

8 Risk Management

The Company has exposure to the following types of risk arising from its use of financial instruments credit risk, market risk and liquidity risk Market risk includes interest rate risk

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note

Exposure to credit risk, market risk and liquidity risk arises in the normal course of the Company's business The Company's risk management policies are consistent with the HSBC Group's risk management policies

The Company participates in transactions to which other HSBC group companies are also party The HSBC business in which these companies reside (the "Business") has an established risk management process which considers the risks at the outset and on an ongoing basis in relation to each transaction from the Business' perspective – this will consolidate the risks of participating companies and, as such, offsetting risks will be eliminated To the extent there is any residual risk, management will mitigate this by implementing the appropriate instruments and these will reside in the relevant company

As part of that process, the Business' management will review the monthly management accounts of the Business

There were no changes in the Company's approach to risk management during the year

Credit risk management

Maximum exposure to credit risk

	2011	2010
	£	£
Cash and cash equivalents held with parent undertakings	25,959	22,959
Amounts due from other group undertakings	1,500	1,500
	27,459	24 459

These balances are neither past due nor impaired The fair value is not considered to be significantly different from the carrying value

Liquidity risk management

The Company's assets are funded by borrowing from the parent undertaking which acts as a treasury function This funding has no fixed date for repayment, although the treasury function provides funds as required

The following is an analysis of undiscounted cash flows payable under financial liabilities by remaining contractual maturities (excluding interest) at the end of the reporting period

2011	On Demand
	£
Amount due to parent undertakings	15,477

2010	
Amount due to parent undertakings	13 246

Interest rate risk

The Company's cash balances with other group undertakings accrue interest at commercial rates thus the only interest rate risk is loss of income

Notes on the Financial Statements (continued)

9 Related party transactions

The Company has a related party relationship with its parent, with other group undertakings and with its Directors

Particulars of transactions, arrangements and agreements involving third parties are disclosed elsewhere within the financial statements

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 www hsbc com

10 Contingent liabilities

There were no contingent liabilities at 31 December 2011 (2010 Nil)

11 Subsequent events

There are no subsequent events requiring disclosure in the financial statements