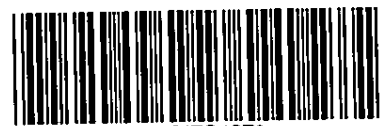


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HSBC FUNDING SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

Registered Number: 784773

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HSBC FUNDING SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Principal activity

The Company's principal activity is to act as a Trustee for fellow group undertakings in relation to the Trust

Business review

In September 2007 the Company became a Trustee for another fellow group undertaking in relation to the Trust. During the year the Company continued to manage its operations. The Company has no employees. Services required are provided by fellow HSBC Group companies. 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 12 of the financial statements.

Performance

The Company prepares its financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

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

The key performance indicator used by management in assessing the performance of the Company is the monitoring of the Company's cash balances. Monthly management accounts are prepared and reviewed by the management of the HSBC business in which this Company resides.

Future developments

On 28 March 2008 notices to wind up the three trusts the Company acted as trustee for were issued with an effective wind up date of 31 March 2008. As regards the future, the Company will continue to monitor its cash balances and enter into new transactions as trustee, as and when required.

Dividends

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

HSBC FUNDING SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

Directors

The Directors who served during the year were as follows

	<u>Appointed</u>	<u>Resigned</u>
K J Godfrey		
G Owen-Conway		
R L H Bencard	17 January 2007	
M B Kenny	12 February 2007	
K A Singleton	12 February 2007	
M P J Molloy	12 February 2007	5 October 2007
P J Reid		12 February 2007

M T Dillon and N Manjanath were appointed as Directors of the Company on 14 January 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 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 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

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 payables 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. This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

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

HSBC FUNDING SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

Statement of Directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditor's 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 IFRSs as adopted by the European Union ('EU').

The financial statements are required by law and IFRSs as adopted by the EU 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.

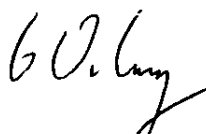
In preparing these financial statements, the Directors are required to

- 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 have responsibility for ensuring that sufficient accounting records are kept 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.

The Directors 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


G Owen-Conway
Director

Registered Office
8 Canada Square
London
E14 5HQ

Date 17 October 2008

HSBC FUNDING SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HSBC FUNDING SERVICES LIMITED

We have audited the financial statements of HSBC Funding Services Limited ('the Company') for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Statement of Cash Flows, 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 Directors' Report and 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 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 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 judgments 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 these 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, and
- the information given in the Directors' Report is consistent with the financial statement.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

17 October 2008

HSBC FUNDING SERVICES LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
Revenue		<u>22,308</u>	<u>20,157</u>
PROFIT BEFORE TAX		22,308	20,157
Income tax expense	4	<u>(6,692)</u>	<u>(6,047)</u>
PROFIT FOR THE YEAR		<u><u>15,616</u></u>	<u><u>14,110</u></u>

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

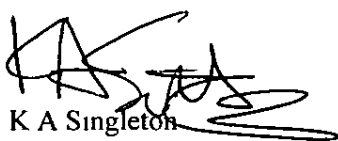
	Notes	2007 £	2006 £
Profit for the year		<u>15,616</u>	<u>14,110</u>
Total recognised income and expense for the year	9	<u><u>15,616</u></u>	<u><u>14,110</u></u>

The notes on pages 8 to 14 form part of the financial statements

HSBC FUNDING SERVICES LIMITED**BALANCE SHEET AT 31 DECEMBER 2007**

	Notes	2007 £	2006 £
ASSETS			
CURRENT ASSETS			
Receivables	6	2,498	-
Cash and cash equivalents	7	<u>94,327</u>	<u>80,563</u>
TOTAL CURRENT ASSETS		<u>96,825</u>	<u>80,563</u>
TOTAL ASSETS		<u>96,825</u>	<u>80,563</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8,9	100	100
Retained earnings	9	<u>93,633</u>	<u>78,017</u>
TOTAL EQUITY	9	<u>93,733</u>	<u>78,117</u>
CURRENT LIABILITIES			
Group relief payable		<u>3,092</u>	<u>2,446</u>
TOTAL CURRENT LIABILITIES		<u>3,092</u>	<u>2,446</u>
TOTAL LIABILITIES		<u>3,092</u>	<u>2,446</u>
TOTAL EQUITY AND LIABILITIES		<u>96,825</u>	<u>80,563</u>

Approved by the board and signed on its behalf on 17 October 2008


K A Singleton
Director

The notes on pages 8 to 14 form part of the financial statements

HSBC FUNDING SERVICES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		22,308	20,157
Group relief paid		<u>(6,046)</u>	<u>(6,939)</u>
NET CASH FROM OPERATING ACTIVITIES		<u>16,262</u>	<u>13,218</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in amounts owed by group undertakings		<u>(2,498)</u>	<u>-</u>
NET CASH FROM INVESTING ACTIVITIES		<u>(2,498)</u>	<u>-</u>
Net increase in cash and cash equivalents		13,764	13,218
Opening cash and cash equivalents		<u>80,563</u>	<u>67,345</u>
CASH AND CASH EQUIVALENTS AT YEAR END	7	<u>94,327</u>	<u>80,563</u>

The notes on pages 8 to 14 form part of the financial statements

HSBC FUNDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 Basis of preparation

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as published by the International Accounting Standards Board ('IASB') if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2007, there were no unendorsed standards effective for 31 December 2007 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.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

Standards and Interpretations issued by the IASB and endorsed by the EU but not yet effective

- IFRS 8 'Operating segments' was issued on 30 November 2006 and is effective for periods commencing on or after 1 January 2009. This standard will have no impact on the Company when adopted with effect from 1 January 2009.
- IFRIC 11 'Group and Treasury Share Transactions' was issued on 2 November 2006 and is effective for periods commencing on or after 1 March 2007. This interpretation will have no impact on the Company when adopted with effect from 1 January 2008.

At 31 December 2007, the Company had adopted all IFRSs and Interpretations that had been issued by the IASB and IFRIC, and endorsed by the EU. Except as stated above, there are currently no IFRSs or interpretations that have been issued by the IASB and endorsed by the EU which become effective after 31 December 2007 that have not already been adopted by the Company.

The principal currency in which the Company's business is conducted (which is its functional currency) is Sterling. These accounts are therefore presented in that currency.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

General information

HSBC Funding Services Limited is a company domiciled and incorporated in England and Wales.

HSBC FUNDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(continued)

2 Principal accounting policies

(a) Revenue

Revenue comprises fees representing the invoice value of Trustee services provided to fellow group undertakings, recognised when the services are provided

(b) Accounting for foreign currencies

Fee income from trustee services invoiced in foreign currencies is recorded using the rate of exchange ruling at the date of the transaction

(c) Income tax

Income tax comprises current tax and deferred tax. Income tax 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 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.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

The tax on items recognised directly in equity is transferred to profit or loss when those items are transferred to profit or loss.

(d) 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.

(e) Cash and cash equivalents

For the purpose of the cash flow statement, 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.

HSBC FUNDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

2 Principal accounting policies (continued)

(f) 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 rate method, less impairment losses.

3 Profit before tax

As in 2006, certain expenses, including auditor's remuneration, have been borne by the immediate parent undertaking and are therefore not charged in arriving at the profit before tax.

The amount of auditor's remuneration borne by fellow group undertakings on behalf of HSBC Funding Services Limited for the year was £6,670 (2006 £4,670). There were no non audit fees incurred during the year (2006 £nil).

The Company had no employees during the financial year (2006 nil).

4 Income tax expense

Analysis of tax charge for the year

	2007 £	2006 £
<i>Current tax expense</i>		
Group relief payable	<u>6,692</u>	<u>6,047</u>
Total income tax expense for the year	<u><u>6,692</u></u>	<u><u>6,047</u></u>

The effective tax rate is 30% (2006 30%) which is also the standard rate of corporation tax. Therefore, no reconciliation of the tax charge is presented.

5 Directors' emoluments

No emoluments were received or are receivable by any of the Directors in respect of their services to the Company during the year (2006 £nil).

HSBC FUNDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

6 Receivables

	2007 £	2006 £
<i>Current</i>		
Amounts owed by group undertakings - fellow subsidiaries	<u>2,498</u>	<u>-</u>

7 Cash and cash equivalents

	2007 £	2006 £
Amounts held with parent entities	<u>94,327</u>	<u>80,563</u>

8 Share capital

	Authorised		Issued and fully paid up	
	2007 £	2006 £	2007 £	2006 £
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

There are no shares issued and not fully paid

9 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £	Retained earnings £	Total equity £
At 1 January 2006	100	63,907	64,007
Total recognised income and expense	<u>-</u>	<u>14,110</u>	<u>14,110</u>
Balance at 31 December 2006	<u>100</u>	<u>78,017</u>	<u>78,117</u>
Total recognised income and expense	<u>-</u>	<u>15,616</u>	<u>15,616</u>
Balance at 31 December 2007	<u>100</u>	<u>93,633</u>	<u>93,733</u>

Capital management

The Company defines capital as total shareholders' equity. The Company's capital resource policy is to maintain a strong capital base. It seeks to maintain at all times a prudent relationship between total capital and the varied risks of its business. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

HSBC FUNDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

10 Segmental analysis

The Company operates in one business segment acting as a Trustee for fellow group undertakings, and one geographical segment, United Kingdom

11 Analysis of financial assets and financial liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses are recognised. The following table analyses the financial assets and liabilities in the balance sheet by the class of financial instrument to which they are assigned, and therefore by the measurement basis. There are no financial liabilities at the current or previous reporting dates.

As at 31 December 2007:	Loans and receivables	Financial assets at amortised cost	Total
Assets	£	£	£
Amounts owed by group undertakings	2,498	-	2,498
Cash and cash equivalents	-	94,327	94,327
Total financial assets	2,498	94,327	96,825

As at 31 December 2006:	Loans and receivables	Financial assets at amortised cost	Total
Assets	£	£	£
Cash and cash equivalents	-	80,563	80,563
Total financial assets	-	80,563	80,563

12 Risk management

The Company has exposure to the following types of risk arising from its use of financial instruments, credit risk and market risk. Market risk includes foreign exchange and 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.

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.

HSBC FUNDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

12 Risk management (continued)

Credit risk management

Credit risk is the risk that financial loss arises from the failure of a counterparty to meet its obligations under a contract, and arises principally from cash held with parent entities and receivables from fellow group undertakings

The Business manages credit risk for this entity as described above for risks generally

This risk is minimised because amounts receivable from group undertakings - fellow subsidiary and cash held with parent entities form all of the Company's assets. Such group undertakings are wholly owned subsidiaries of HSBC Holdings plc, and are part of the Business described above. Such counterparties have no history of default and have been able to meet their liabilities as they fall due. On this basis the Company considers the amounts due to be fully recoverable.

There has been no significant change in the credit quality of financial assets during the year.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Market risk management

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will affect the Company's income. The Company is not exposed to interest rate risk.

The Company is exposed to foreign exchange risk on trustee fees receivable in US Dollars. Management keep the foreign exchange exposure under review and will take appropriate action if required.

Sensitivity analysis – exchange rate risk

	Transaction date rate		Reporting date rate
	2007	2006	2007
GBP/USD	2.0192	1.9845	2.0017

The following table analyses how a 10 percent strengthening/weakening of the Sterling against the USD at reporting date would have increased/(decreased) profit by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2006.

	Profit or loss	
	10% increase	10% decrease
As at 31 December 2007	£	£
Revenue	1,801	(2,201)
Receivables	227	(278)
Net exposure	<u>2,028</u>	<u>(2,479)</u>

HSBC FUNDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

12 Risk management (continued)

Market risk management (continued)

Sensitivity analysis – exchange rate risk (continued)

	Profit or loss	
	10% increase	10% decrease
As at 31 December 2006:	£	£
Revenue	1,832	(2,240)
Net exposure	1,832	(2,240)

13 Related party transactions

The ultimate parent company, and the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member, is HSBC Holdings plc. The parent of the smallest such group is HSBC Bank plc.

HSBC Bank plc, its immediate parent Company, is the Company's direct controlling party and HSBC Holdings plc is the Company's ultimate controlling party.

Copies of the financial statements of HSBC Bank plc and HSBC Holdings plc may be obtained from

HSBC Bank plc
8 Canada Square
London
E14 5HQ

HSBC Holdings plc
8 Canada Square
London
E14 5HQ
www.hsbc.com

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

14 Contingent liabilities

There were no contingent liabilities at 31 December 2007 (2006 £nil).

15 Subsequent events

On 28 March 2008 notices to wind up the three trusts the Company acted as trustee for were issued with an effective wind up date of 31 March 2008. As regards the future, the Company will continue to monitor its cash balances and enter into new transactions as trustee, as and when required.

16 Accounting estimates and judgements

The results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. The significant accounting policies used in the preparation of the financial statements are as described in detail in Note 2.