

HFSL04

HSBC FUNDING SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

Registered Number: 784773



HSBC FUNDING SERVICES LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004

Principal activities

The Company's principal activity is to act as a Trustee for fellow group undertakings. No change in the Company's activities is anticipated.

Results and dividends

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

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2004 (2003: £nil).

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
N. S. Black		28 January 2004
T. J. W. Botham		
K. J. Godfrey		
J. H. McKenzie		28 January 2004
G. Owen-Conway	28 January 2004	
P. J. Reid		
P. H. B. Sykes		

Directors' interests

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

HSBC Holdings plc		
Ordinary shares of US\$0.50 each		
	31 December 2004	1 January 2004 (or on appointment)
T. J. W. Botham	9,197	4,199
K. J. Godfrey	54,516	54,335
P. J. Reid	8,073	8,073
P. H. B. Sykes	9,642	9,461

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

	Granted	Exercised
T. J. W. Botham	873	1,875
G. Owen-Conway	2,526	-

HSBC FUNDING SERVICES LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

Directors' interests (continued)

The terms of a number of Employee Benefit Trusts provide that all employees of HSBC Holdings plc and any of its subsidiary undertakings are potential beneficiaries of the Trusts. As potential beneficiaries of the Trusts, each Director of the Company is deemed to have a technical interest in all of the HSBC Holdings plc ordinary shares of US\$0.50 each held by the Trusts. At 31 December 2004 the Trusts held a total of 123,108,967 ordinary shares of US\$0.50 each (1 January 2004: 110,770,974).

Supplier payment policy

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

During the year, the Company only received goods and services from group undertakings. Part VI of Schedule 7 of the Companies Act 1985, setting out reporting requirements in relation to the policy and practice on payment of creditors is, therefore, not applicable.

Statement of directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out in their report on page 4, 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 required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The directors are required to prepare these financial statements on the going concern basis unless it is not appropriate. Since the directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the going concern basis.

The directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

HSBC FUNDING SERVICES LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

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

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



R. L. Poole
Secretary

13 May 2005

Registered Office:
8 Canada Square
London
E14 5HQ

HSBC FUNDING SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HSBC FUNDING SERVICES LIMITED

We have audited the financial statements on pages 5 to 9.

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 are responsible for preparing the directors' report and, as described on pages 2 and 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of the Company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

London

13 May 2005

HSBC FUNDING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover	2	<u>20,551</u>	<u>22,527</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	20,551	22,527
Tax on profit on ordinary activities	4	<u>(6,165)</u>	<u>(6,758)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>14,386</u>	<u>15,769</u>

STATEMENT OF RETAINED PROFITS

Balance at 1 January	33,334	17,565
Retained profit for the financial year	<u>14,386</u>	<u>15,769</u>
Balance at 31 December	<u>47,720</u>	<u>33,334</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than the profit for the year.

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the year.

HISTORICAL COST PROFITS AND LOSSES

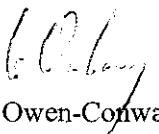
No note of historical cost profits and losses has been presented as there is no material difference between the Company's results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

HSBC FUNDING SERVICES LIMITED

BALANCE SHEET AT 31 DECEMBER 2004

	Notes	2004 £	2003 £
<u>CURRENT ASSETS</u>			
Cash at bank	6	50,628	36,578
<u>CREDITORS: amounts falling due within one year</u>	7	<u>(2,808)</u>	<u>(3,144)</u>
NET CURRENT ASSETS		<u>47,820</u>	<u>33,434</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	8	100	100
Profit and loss account		<u>47,720</u>	<u>33,334</u>
Shareholder's funds – equity	9	<u>47,820</u>	<u>33,434</u>

Approved by the board and signed on its behalf on 13 May 2005


G. Owen-Conway
Director

The notes on pages 7 to 9 form part of the financial statements

HSBC FUNDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1. Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

As the cash flow statement included in the consolidated financial statements for the ultimate parent Company complies with the conditions of Financial Reporting Standard No 1 ("FRS1") (revised 1996) "Cash Flow Statements", the Company is exempt under FRS1 from the requirement to prepare a separate cash flow statement.

The Company has taken advantage of the exemption under Financial Reporting Standard No 8 ("FRS8") "Related Party Disclosures" not to disclose details of transactions with HSBC Holdings plc or Group subsidiaries, on the grounds that it is a wholly owned subsidiary undertaking of HSBC Bank plc, which is wholly owned by HSBC Holdings plc.

2. Principal accounting policies

Turnover

Turnover comprises fees representing the invoice value of Trustee services.

3. Profit on ordinary activities before tax

As in 2003, certain expenses, including auditors' remuneration have been borne by the immediate parent undertaking and are therefore not charged in arriving at the profit on ordinary activities before taxation.

The Company had no employees during the financial year (2003: nil).

4. Tax on profit on ordinary activities

Analysis of tax in year:

	2004 £	2003 £
Corporation tax payable at 30%	<u>6,165</u>	<u>6,758</u>

The current tax charge on ordinary activities for the year reported in the profit and loss account is equal to current tax charge that would result from applying a relevant standard rate of tax of 30% to the profit on ordinary activities before tax.

HSBC FUNDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)

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 (2003: £nil).

6. Cash at bank

	2004 £	2003 £
Amounts held with group undertakings	<u>50,628</u>	<u>36,578</u>

7. Creditors: amounts falling due within one year

	2004 £	2003 £
Corporation tax payable	<u>2,808</u>	<u>3,144</u>

8. Called up share capital

	2004 £	2003 £
Authorised: 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid: 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

9. Reconciliation of movements in shareholder's funds

	2004 £	2003 £
Profit on ordinary activities after taxation	14,386	15,769
Opening shareholder's funds	<u>33,434</u>	<u>17,665</u>
Closing shareholder's funds	<u>47,820</u>	<u>33,434</u>

HSBC FUNDING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)

10. Parent undertakings

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, as defined under FRS 8.

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