Registered No: 1631139

Registered Office

8 Canada Square
London
E14 5HQ

Telephone 020-7991 8888

Auditors

KPMG Audit Plc
15 Canada Square
London
E14 5GL

HSBC International Trade Finance Limited

[redacted]

Contents

Report of the Directors for the Year Ended 31 December 2010

Principal activities

HSBC International Trade Finance Limited (the 'Company') is a company domiciled and incorporated in England and Wales

The Company was incorporated in 1982. Its principal activity at that time, was to provide credit for the international movement of manufactured goods and raw materials and in addition it manages its group of subsidiaries In 2005 it was agreed by various HSBC lines of business to amicably withdraw from all its trade facilities This withdrawal was completed at the end of 2006

Results and dividends

The Company made a profit before tax of £19,717 for the year ended 31 December 2010 (2009 £121,550)

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2010 (2009 nil)

Business review and performance

The Directors intention is still to wind down the company following the settlement of its remaining assets and liabilities, they have not prepared the financial statements on a going concern basis The effect of this is explained in Note 1

Directors

The Directors who served during the year were as follows:

R J Moore
S K Nivison
F Vilsboe

S K Nivison resigned as a Director of the Company with effect from 13 September 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

Financial risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required under the Companies Act are set out in Note 16 of the Financial Statements

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

HSBC International Trade Finance Limited

Report of the Directors for the Year Ended 31 December 2010

Disclosure of information to the 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 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 Auditors are aware of that information This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith

Auditor

KPMG Audit plc are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006

Statement of Directors' responsibilities in respect of the Directors' Report and 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law

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 judgments 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 the 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

By order of the Board

R J Moore, Director

Dated 14 September 2011

Registered Office
8 Canada Square,
London E14 5HQ

Independent Auditor's Report to the Members of HSBC International Trade Finance Limited

We have audited the financial statements of HSBC International Trade Finance Limited (the 'Company') for the year ended 31 December 2010 set out on pages 5 to 17 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 auditors' 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

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 web-site at www frc org uk/apb/scope/UKNP

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 2010 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

P McIntyre, Senior Statutory Auditor
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
London, England

Dated 14 September 2011

Income statement
for the year ended 31 December 2010

	Notes	2010 £	2009 £
Interest income	3	11	4,746
Interest Expense	4	-	(1)
Net interest income		11	4,745
Other operating income	5	73,592	213,258
Impairment charges on intercompany balances	12	(5,394)	(2,034)
Administrative expense	6	(48,492)	(46,663)
Profit before tax		19,717	169,306
Tax expense	9	(6,802)	(47,756)
Profit for the year		12,915	121,550

Statement of other comprehensive income
for the year ended 31 December 2010

There has been no comprehensive income other than the profit for the year as shown above (2009 £121,550)

The accounting policies and notes on pages 9 to 17 form an integral part of these financial statements

Statement of financial position as at 31 December 2010

	Notes	2010 £	2009 £
ASSETS			
Current assets			
Cash at bank		7,407,222	7,433,508
Amount owed by parent and subsidiary undertakings	12	10,367	-
Other debtors		849	729
Total current assets		7,418,438	7,434,237
Investment in subsidiaries	10	-	-
Total assets		7,418,438	7,434,237
LIABILITIES AND EQUITY			
Current liabilities			
Amount owed to parent and subsidiary undertakings	12	5,018,632	5,022,731
Current tax liabilities		18,854	47,594
Other creditors		28,200	24,075
Total liabilities		5,065,686	5,094,400
Equity			
Called up share capital	13	100	100
Retained earnings	14	2,352,652	2,339,737
Total shareholders' equity		2,352,752	2,339,837
Total equity and liabilities		7,418,438	7,434,237

The accounting policies and notes on pages 9 to 17 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 14 September 2011 and were signed on its behalf by

R J Moore

Director

Company Registered Number 1631139

Statement of cash flows
for the year ended 31 December 2010

	Notes	2010 £	2009 £
Cash flows from operating activities			
Profit before tax		**19,717**	169,306
Adjustments for			
– Adjustments for non-cash items		**5,394**	2,034
– Change in operating assets	*15*	**(10,487)**	35,525
– Change in operating liabilities	*15*	**(5,368)**	(442,541)
– Tax paid		**(35,542)**	(56,940)
Net cash generated from operating activities		**(26,286)**	(311,111)
Cash flows from investing activities			
Net cash from investing activities		**-**	-
Cash flows from financing activities			
Net cash from financing activities		**-**	-
Net decrease in cash and cash equivalents		**(26,286)**	(311,111)
Cash and cash equivalents brought forward		**7,433,508**	7,744,619
Effect of exchange rate fluctuations on cash held		**-**	-
Cash and cash equivalents carried forward	*15*	**7,407,222**	7,433,508

The accounting policies and notes on pages 9 to 17 form an integral part of these financial statements

Statement of changes in equity for the year ended 31 December 2010

	Called up share capital £	Retained earnings £	Total shareholders' equity £
Year Ended 31 December 2010			
At 1 January 2010	100	2,339,737	2,339,837
Profit for the year	-	12,915	12,915
Total comprehensive income/(expense) for the year		12,915	12,915
Dividends to shareholders	-	-	-
At 31 December 2010	100	2,352,652	2,352,752

	Called up share capital £	Retained earnings £	Total shareholders' equity £
Year Ended 31 December 2009			
At 1 January 2009	100	2,218,187	2,218,287
Profit for the year	-	121,550	121,550
Total comprehensive income/(expense) for the year	-	121,550	121,550
Dividends to shareholders	-	-	-
At 31 December 2009	100	2,339,737	2,339,837

The accounting policies and notes on pages 9 to 17 form an integral part of these financial statements

Notes on the Accounts

1. Basis of preparation

(a) Statement of compliance with IFRS

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the EU ("adopted IFRS") IFRSs comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body and interpretations issued by International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body

(b) Functional and presentation currency

The financial statements are presented in sterling, which is the company's functional currency

Going Concern

The Directors intention is still to wind down the Company following the settlement of its remaining assets and liabilities, therefore they have not prepared the financial statements on a going concern basis

No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements

Consolidated accounts

In accordance with Section 228 (1) of the Companies Act 2006 Group financial statements have not been prepared, as the Company is a wholly owned subsidiary of a parent undertaking incorporated in the European Union, for which consolidated accounts are prepared

The financial statements present information about the undertaking as an individual undertaking and not about the Group

2. Accounting policies

(a) Interest income and expense

Interest income and expense for the interest bearing financial instruments are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest rate of the financial assets or financial liabilities to which they relate The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability

(b) Policy on bad debt recoveries

Recoveries on account of bad debts are recognised in the income statement in the period of receipt and are recorded in other operating income

Notes (continued)

2. **Accounting policies** (continued)

(c) Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment

(d) Accounting for foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Forward foreign currency contracts are accounted for as derivative contracts at fair value through profit and loss

Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction Non-monetary assets and liabilities measured at fair value in foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined

(e) Income tax

Income tax on the profit for the year comprises current 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 expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years

(f) 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 as a deduction from proceeds, net of tax.

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include balances with HSBC undertakings

(h) Related party transactions

Hongkong International Trade Finance (Holdings) Limited, the Company's parent, acts as a treasury function, providing funding for the company through an inter-company current account The Company had an unsecured loan due to the parent entity of £4,999,900 This is reflected in the balance sheet, as amounts owed to parent undertaking In addition, there are balances with HSBC Bank plc and fellow subsidiaries These balances are non-interest bearing and payable on demand Related party balances are disclosed in the note 12 and note 17

(i) Future accounting developments

There are currently no IFRS's or interpretations that have been issued by the IASB or IFRIC and endorsed by the EU that have not been adopted by the Company that would have an impact on the Company when adopted

Notes (continued)

3. Interest income

	2010	2009
	£	£
Interest Income	11	4,746

4. Interest expense

	2010	2009
	£	£
Interest expense	-	(1)

5. Other operating income

	2010	2009
	£	£
Bad Debt recoveries	73,592	213,258
	73,592	213,258

6. General and administrative expenses

	2010	2009
	£	£
Auditor's remuneration	28,525	24,000
Legal & Professional	1,603	-
Foreign exchange loss	6,716	11,811
Other	11,648	10,852
	48,492	46,663

The Company's audit fee was £24,000 in relation to the statutory audit for the HITFL UK Group of companies for 2010 The Company's allocation was £6,000 (2009 £6,000)
The Company's audit fee borne on behalf of HITFL SA was £4,525

7. Employee compensation and benefits

None of the Directors received any remuneration for their services to the Company during the year

The Company had no employees during the year

8. Post employment benefit

During the year the Company made ex-gratia payments totalling £1,941 (2009 £1,941) to an ex-employee in respect of her past services to the Company

These payments were made entirely at the discretion of the Company

Notes (continued)

9. Income tax expense

(a) Analysis of tax charge in year

	2010 £	2009 £
Corporation tax payable at 28% (2009 28%)	6,802	47,756
Total current tax	6,802	47,756

(b) Factors affecting tax charge for year

	£	£
Profit before tax	19,717	169,306
Profit at the standard rate of corporation tax in the UK of 28%	5,521	47,406
Provision movements not allowable	1,510	569
Prior year under/over provisions	(229)	4
Tax charge for the year	6,802	47,756

The UK corporation tax rate applying to the company is 28 % for 2009 and 2010

10. Investments in subsidiaries

	Shares in unlisted subsidiary undertakings at cost	Provision for diminution in value	Total
	£	£	£
At 1 January 2010	13,340,990	(13,340,990)	-
At 31 December 2010	**13,340,990**	**(13,340,990)**	**-**

The investments in subsidiaries have been provided against to equate the carrying value to the net asset value of the companies

The following is a list of the Company's subsidiaries, whose equity capital is all directly and wholly owned, and whose principal activity, except where indicated, was the provision of credit for the international movement of manufactured goods and raw materials

Notes (continued)

10. Investment in subsidiaries (continued)

Directly wholly owned subsidiaries:	Country of incorporation and registration
TKM Limited	England
TKM International Limited	England
HITG Administration GmbH	Germany
Hongkong International Trade Finance (USA) Inc (non trading)	USA

11. Fair values of financial instruments

The Directors consider that the carrying value of all financial assets and liabilities is a reasonable approximation to their fair value due to the fact that the financial assets are on floating rate terms and the financial liabilities are non interest bearing Both assets and liabilities are repayable on demand

12. a. Amounts owed by parent & subsidiary undertakings

	2010 £	2009 £
Amount falling due within one year		
TKM Limited	**823,608**	823,608
TKM International Limited	**48,169**	42,774
HSBC Bank plc	**10,367**	-
Impairment provision	**(871,777)**	(866,383)
	10,367	-

The movement in allowance for impairment during the year is as follows

	2010 £	2009 £
At 1 January	**866,383**	864,349
Impairment charges on intercompany balances	**5,394**	2,034
At 31 December	**871,777**	866,383

b. Amounts owed to parent & subsidiary undertakings

	2010 £	2009 £
Amount falling due within one year		
HITG Administration Gmbh	**18,732**	19,310
Hongkong International Trade Finance (Holdings) Limited	**4,999,900**	4,999,900
HSBC Bank plc	**-**	3,521
	5,018,632	5,022,731
Total (12 a+b)	**5,008,265**	5,022,731

Notes (continued)

13. Share capital

	2010 £	2009 £
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

14. Retained earnings

	2010 £	2009 £
At 1 January	2,339,737	2,218,187
Profit for the year	12,915	121,550
At 31 December	2,352,652	2,339 737

15. Reconciliation of profit before tax to net cash flow from operating activities

	2010 £	2009 £
(a) Changes in operating assets		
Amount owed by parent and subsidiary undertakings	(10,367)	-
Other debtors	(120)	6,609
	(10,487)	6,609
(b) Changes in operating liabilities		
Amount owed to parent and subsidiary undertakings	(4,099)	19,310
Non-cash movements – provision for impairment	(5,394)	(2,034)
Other creditors	4,125	(459,817)
	(5,368)	(442,541)
(c) Cash and cash equivalents compromise		
Balances with HSBC undertakings	7,407,222	7,433,508
	7,407,222	7,433,508

Notes (continued)

16. Financial risk management

The Company was incorporated in 1982 Its principal activity at that time, was to provide credit for the international movement of manufactured goods and raw materials and in addition it manages its group of subsidiaries In 2005 it was agreed by various HSBC lines of business to amicably withdraw from all its trade facilities This withdrawal was completed at the end of 2006

(a) Credit risk

The Company is exposed to credit risk on receivables, all of which are with fellow subsidiaries of the HSBC group

Credit risk is managed within the overall framework of HSBC policy, with an establish risk management process

(b) Liquidity risk

Liquidity risk is the risk that the maturity profile of assets and liabilities is unmatched The Company is not exposed to liquidity risk as all financial assets and liabilities are repayable on demand

(c) Market risk

Interest rate risk

The Company is exposed to interest rate risk on its balances at bank and is affected by movements in the benchmark interest rate upon which interest is calculated Bank balances earns interest income based on the benchmark interest rate less 100 basis points Given the amount of interest income earned during the current year, a further decline in interest rate would not have material impact on the Company's result

The Company is not exposed to interest rate risk on its intercompany liabilities as they are non-interest bearing and repayable on demand

Currency risk
The company mitigates foreign currency exposure by generally matching foreign currency assets with foreign currency liabilities

17. 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 Hongkong International Trade Finance (Holdings) Limited 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

Notes (continued)

17. Parent Undertakings (continued)

Particulars of transactions, arrangements involving related parties are as follows

(a) Parent

Hongkong International Trade Finance (Holdings) Limited

At 31 December 2010, the Company had an unsecured loan due to the parent entity of £4,999,900 (2009 £4,999,900)

This transaction relates to cash received from the parent in relation to the parent's issued share capital £5,000,000 less the parent's investment in issued share capital of the Company £100

HSBC Bank plc

At 31 December 2010, the Company had an unsecured amount owed from the parent company £11,884 At 31 December 2009, the Company had an unsecured amount owed to parent company of £3,521

Cash at bank is held within bank accounts with HSBC Bank plc

(b) Fellow subsidiaries

HITG Administration GmbH

At 31 December 2010, the Company had an unsecured amount owed to a subsidiary undertaking of £18,732 (2009 £19,310)

This transaction relates to necessary funding that has been required by the fellow subsidiary

TKM Limited

At 31 December 2010, the Company has an unsecured loan to a subsidiary undertaking of £823,608 (2009 £823,608)

This transaction relates to funding given in relation to the sale in 2003 of a wholly owned subsidiary of TKM Limited, Hongkong International Trade Finance (Japan) KK to another member of the HSBC Holdings plc group As part of the sale, the balance sheet of the wholly owned subsidiary had to receive an injection of capital to meet its liabilities

TKM International Limited

At 31 December 2010, the Company has an unsecured loan due to a subsidiary undertaking of £48,243 (2009 £42,774)

This transaction relates to necessary funding of fellow subsidiary undertaking Bank account with HSBC undertakings for the company to meet its pension liabilities

Notes (continued)

18. Contingent liabilities

Under a Group registration the Company is jointly and severally liable for Value Added Tax due by other Group undertakings No valuable security has been provided by the Company in respect of this contingency

19. Subsequent Events

There is no subsequent event which requires disclosure in the financial statements