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SAMUEL MONTAGU & CO. LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

Registered Number: 2796565

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SAMUEL MONTAGU & CO LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2006

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.

Business review

The business is funded by parent undertakings through equity investment. 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 risks associated with the financial assets and liabilities are as follows:

Credit risk

This risk is minimised because cash held with a fellow group undertaking forms all of the Company's assets.

Foreign exchange risk

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

Other than as described above, there is no foreign exchange risk on the financial assets and liabilities of the Company as they are denominated in Great Britain Pounds.

Performance

From 1 January 2005, the Company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the 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 is monitoring the Company's cash balances. Monthly management accounts are prepared and reviewed by the management of the HSBC business in which this Company resides.

No change in the Company's activities is anticipated.

Future developments

No new transactions are anticipated at this time.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2006 (2005: £nil).

SAMUEL MONTAGU & CO LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

Directors

The Directors who served during the year were as follows

Resigned

R L H Bencard
G Owen-Conway
S F Purves
P J Reid
P H B Sykes

21 December 2006

M B Kenny, K A Singleton and M P J Molloy were appointed as Directors of the Company on 12 February 2007. S F Purves and P J Reid resigned as Directors of the Company on 17 January 2007 and 12 February 2007 respectively.

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 1985. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors.

Supplier payment policy

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

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

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.

SAMUEL MONTAGU & CO LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2006 (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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU.

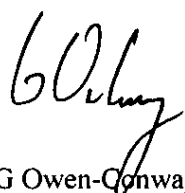
The financial statements are required by law to present fairly the financial position and the performance of the Company. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board



G Owen-Conway
Director

Registered Office
8 Canada Square
London
E14 5HQ

Date 23 May 2007

SAMUEL MONTAGU & CO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAMUEL MONTAGU & CO LIMITED

We have audited the financial statements of Samuel Montagu & Co Limited ('the Company') for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the cash flow statement, the statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities set out on page 3 the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 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 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 the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2006 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 statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

23 May 2007

SAMUEL MONTAGU & CO. LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Revenue		<u>10,078</u>	<u>11,563</u>
PROFIT BEFORE TAX		10,078	11,563
Income tax expense	4	<u>(3,023)</u>	<u>(3,469)</u>
PROFIT FOR THE YEAR		<u><u>7,055</u></u>	<u><u>8,094</u></u>

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Profit for the year		<u>7,055</u>	<u>8,094</u>
Total recognised income and expense for the year	8	<u><u>7,055</u></u>	<u><u>8,094</u></u>

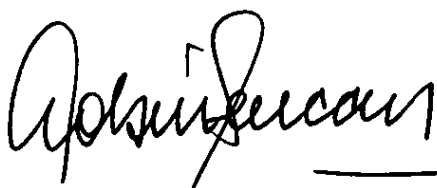
The notes on pages 8 to 12 form part of the financial statements

SAMUEL MONTAGU & CO LIMITED

BALANCE SHEET AT 31 DECEMBER 2006

	Notes	2006 £	2005 £
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	<u>42,339</u>	<u>35,729</u>
EQUITY AND LIABILITIES			
EQUITY			
Called up share capital	7,8	1,000	1,000
Share premium account	8	1,000	1,000
Retained earnings	8	<u>39,115</u>	<u>32,060</u>
TOTAL EQUITY	8	<u>41,115</u>	<u>34,060</u>
CURRENT LIABILITIES			
Creditors	9	<u>1,224</u>	<u>1,669</u>
TOTAL EQUITY AND LIABILITIES		<u>42,339</u>	<u>35,729</u>

Approved by the board and signed on its behalf on 23 May 2007



R L H Bencard
Director

The notes on pages 8 to 12 form part of the financial statements

SAMUEL MONTAGU & CO LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		10,078	11,563
Income taxes paid		<u>(3,468)</u>	<u>(3,083)</u>
NET CASH FROM OPERATING ACTIVITIES		<u>6,610</u>	<u>8,480</u>
Net increase in cash and cash equivalents		6,610	8,480
Cash and cash equivalents at 1 January		<u>35,729</u>	<u>27,249</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	6	<u><u>42,339</u></u>	<u><u>35,729</u></u>

The notes on pages 8 to 12 form part of the financial statements

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 temporarily from IFRSs as published by the International Accounting Standards Board ('IASB') if new or amended IFRSs have not been endorsed by the EU. At 31 December 2006, there were no unendorsed standards effective for 31 December 2006 affecting these financial statements, and there was no difference in application to the Company between IFRSs endorsed by the EU and IFRSs issued by the IASB.

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.

IFRS 7 'Financial Instruments Disclosure' applicable for periods commencing on or after 1 January 2007 has not been applied. Its application would not have affected the balance sheet or income statement as the standard is only concerned with disclosure.

During 2006 the IASB issued IFRS 8 'Operating segments' which is effective for periods commencing on or after 1 January 2009. This standard will have no impact on the Company.

During 2006, IFRIC issued

- (a) IFRIC Interpretation 8 'Scope of IFRS 2' (effective for periods commencing on or after 1 May 2006),
- (b) IFRIC Interpretation 9 'Reassessment of embedded derivatives' (effective for periods commencing on or after 1 June 2006),
- (c) IFRIC Interpretation 10 'Interim Financial Reporting and Impairment' (effective for periods commencing on or after 1 November 2006),
- (d) IFRIC Interpretation 11 'Group and Treasury Share Transactions' (effective for periods commencing on or after 1 March 2007), and
- (e) IFRIC Interpretation 12 'Service Concession Arrangements' (effective for periods commencing on or after 1 August 2008).

These interpretations are not expected to have any impact upon the Company when adopted.

On 1 January 2006, 'Amendments to IAS 39 and IFRS 4 – Financial Guarantee Contracts' and the 'Amendment to IAS 39 - Cash Flow Hedge Accounting of Forecast Intragroup Transactions' became effective for the Company. However, these amendments had no effect on the Company.

At 31 December 2006, 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 2006 that have not already been adopted by the Company.

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

General information

Samuel Montagu & Co Limited is a company domiciled and incorporated in England and Wales.

SAMUEL MONTAGU & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (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) Income tax

Income tax on the profit or loss for the year comprises current 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.

(c) 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.

(d) 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.

(e) Financial liabilities

Financial liabilities are initially valued at fair value plus any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised if the Company becomes party to the contractual provisions of the liability 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.

3 Profit before tax

As in 2005, 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 Samuel Montagu & Co Limited for the year was £4,670 (2005 £4,670). There were no non audit fees incurred during the year (2005 £nil).

The Company had no employees during the financial year (2005 nil).

SAMUEL MONTAGU & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(continued)

4 Income tax expense

The charge for UK corporation tax based on the profit for the year comprises

	2006 £	2005 £
<i>Current tax expense</i>		
Current tax payable	<u>3,023</u>	<u>3,469</u>

As the effective tax rate is equal to the statutory tax rate, no reconciliation is required

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 (2005 £nil)

6 Cash and cash equivalents

	2006 £	2005 £
Amounts held with group undertakings	<u>42,339</u>	<u>35,729</u>

7 Share capital

	2006 £	2005 £
Authorised 1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid 1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

There are no shares issued and not fully paid up

SAMUEL MONTAGU & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(continued)

8 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £	Share premium £	Retained Earnings £	Total equity £
Balance at 1 January 2005	1,000	1,000	23,966	25,966
Total recognised income and expense	-	-	8,094	8,094
Balance at 31 December 2005	<u>1,000</u>	<u>1,000</u>	<u>32,060</u>	<u>34,060</u>
Total recognised income and expense	-	-	7,055	7,055
Balance at 31 December 2006	<u>1,000</u>	<u>1,000</u>	<u>39,115</u>	<u>41,115</u>

9 Creditors Current

	2006 £	2005 £
Corporation tax payable	<u>1,224</u>	<u>1,669</u>

10 Segmental analysis

The Company's principal activity is to act as a Trustee for fellow group undertakings, which is carried out in the United Kingdom

11 Financial Risks

The company's significant financial risks and there management are described below

a) Credit Risk

This risk is minimised because cash held with a fellow group undertaking form all of the Company's assets

b) Foreign exchange risk

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

Other than as described above, there is no foreign exchange risk on the financial assets and liabilities all of which are denominated and dealt with Great British Pounds

SAMUEL MONTAGU & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(continued)

12 Interest rate analysis of financial instruments

There were no income earning financial assets or interest bearing financial liabilities during 2006

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

The Company maintains a non-interest bearing bank account with its parent entity. At 31 December 2006 the cash balance in this account was £42,339 (2005 £35,729). The Company has received trustee fees of £10,078 (2005 £11,563) from a fellow subsidiary.

14 Contingent Liabilities

There were no contingent liabilities at 31 December 2006 (2005 £nil).

15 Subsequent events

There are no subsequent events requiring disclosure in the financial statements.