ASSETFINANCE DECEMBER (F) LIMITED
Registered No: 957327

Financial Statements for the year ended 31 December 2014

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Contents

Review of the Company's business

The Company's principal activity is to lease assets to third party lessees for an agreed term under finance and operating lease arrangements. No change in the Company's activities is anticipated.

During the year the Company wrote new business and continued the leasing transactions written in previous years. The trades of Crown Vehicle Contracts plc and Motolease Limited, both fellow group undertakings, were transferred to the Company on 31 March 2014. All of the leases were reassigned and the total consideration paid was £3,017,960, being the carrying value of the net assets. The fair value was not considered to be significantly different to the carrying value at that time.

Where relevant,other group undertakings, HSBC Asset Finance (UK) Limited and HSBC Equipment Finance (UK) Limited, can provide agency services to the Company. An appropriate management fee is charged accordingly. The services provided can include seeking new business, negotiating and agreeing terms and arranging the execution of all lease documents on behalf of the Company, as well as maintaining accurate accounting and other records such as borrowing funds and settlement of all invoices relating to the services.

The business is funded principally by a parent undertaking through borrowing. The Company has no employees. Services required are provided by fellow HSBC Group companies. The Company has no stakeholders other than its parent Company.

Financial Performance

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

UK corporation tax rates are being reduced and details of the changes are set out in notes 5 and 8 to the financial statements.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of actual cash flows in comparison with the planned cash flows determined at the inception of the lease transactions. Its performance is also measured by reference to its net income as a percentage of the net investment in finance leases less related tax balances (deferred and current tax). Monthly management accounts are prepared and reviewed by the management of the HSBC Business in which this Company resides.

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.

Signed on behalf of the Board

R A Carter
Director

Dated: 26 May 2015

Registered Office
8 Canada Square
London
E14 5HQ

Directors

The Directors who served during the year and subsequently were as follows:

Name	Appointed	Resigned
M J Russell-Brown		
R F Carver		13 October 2014
R A Carter		
G P Hewitt		23 January 2015

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. All Directors have the benefit of directors' and officers' liability insurance.

Dividends

An interim dividend of £Nil (in lieu of a final dividend in respect of the previous financial year) was paid on the ordinary share capital during the year (2013: £2,072,564). The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014.

Significant events since the end of the financial year

No important events affecting the Company have occurred since the end of the financial year.

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.

Disclosure of information to the 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/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit 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(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore KPMG Audit Plc will continue in office for the financial period 1 January 2014 to 31 December 2014.

Following a tender process for the audit of HSBC Holdings plc and its subsidiaries that took place in 2013, it was recommended that PricewaterhouseCoopers LLP be appointed as auditors for the HSBC Group entities effective for periods ending on or after 1 January 2015.

As a result KPMG Audit Plc will not be seeking reappointment as the Company's auditor for the financial year commencing 1 January 2015 and PricewaterhouseCoopers LLP will seek appointment instead.

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on the next page, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing, in accordance with applicable law and regulations, a Strategic Report, a Directors' Report and the financial statements for each financial year.

The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and have elected to prepare the Company's financial statements on the same basis.

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; and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

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 2006.

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 A Carter
Director

Dated: 26 May 2015

Registered Office
8 Canada Square
London
E14 5HQ

We have audited the financial statements of Assetfinance December (F) Limited for the year ended 31 December 2014 set out on pages 6 to 19. 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 4, 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 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2014 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 Strategic Report and 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: 27 May 2015

Income statement for the year ended 31 December 2014

	Notes	2014 £	2013 £
Revenue			
Finance lease income		3,293,306	2,547,018
Operating lease income		989,662	1,596,694
		4,282,968	4,143,712
Cost of sales		(723,504)	(629,529)
		3,559,464	3,514,183
Finance income/costs			
Interest expense	3	(1,149,009)	(1,754,084)
Impairment credit		10,832	222,862
Administrative expense	4	(261,045)	(352,439)
Profit before tax		2,160,242	1,630,522
Tax expense	5	(544,123)	(1,682,564)
Profit/(loss) for the year		1,616,119	(52,042)

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

The accounting policies and notes on pages 10 to 19 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2014

There has been no comprehensive income or expense other than the profit for the year as shown above (2013: £Nil).

Statement of financial position as at 31 December 2014

	Notes	2014 £	2013 £
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,504,408	5,535,767
Deferred tax assets	8	14,156,592	9,582,229
		16,661,000	15,117,996
Current assets			
Finance lease receivables	7	45,142,203	69,514,218
		45,142,203	69,514,218
Total assets		61,803,203	84,632,214
LIABILITIES AND EQUITY			
Current liabilities			
Other liabilities	9	56,732,333	74,215,692
Accruals and deferred income		74,580	93,572
Current tax liabilities		932,213	7,874,992
Total liabilities		57,739,126	82,184,256
Equity			
Called up share capital	10	2,500,000	2,500,000
Retained earnings/(deficit)		1,564,077	(52,042)
Total shareholders' equity		4,064,077	2,447,958
Total equity and liabilities		61,803,203	84,632,214

The accounting policies and notes on pages 10 to 19 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 May 2015 and were signed on its behalf by:

R A Carter
Director
Company Registration No: 957327

Statement of cash flows for the year ended 31 December 2014

	2014 £	2013 £
Cash flows from operating activities		
Profit before tax	**2,160,242**	1,630,522
Adjustments for:		
– Depreciation charge	**803,015**	1,236,707
– Profit on disposal of property plant and equipment	**(79,510)**	(607,177)
– Provisions released	**(10,832)**	(222,862)
– Change in operating assets	**20,221,832**	32,170,883
– Change in operating liabilities	**(51,332)**	(124,967)
– Tax paid	**(7,900,250)**	(8,176,117)
Net cash generated from operating activities	**15,143,165**	25,906,989
Cash flows from investing activities		
Purchase of property, plant and equipment	**-**	(1,686,755)
Acquisition of net assets from fellow group undertakings	**(3,017,960)**	-
Proceeds from sale of property, plant and equipment	**2,322,536**	3,491,972
Net cash (used in)/from investing activities	**(695,424)**	1,805,217
Cash flows from financing activities		
Paid to parent undertakings in respect of other financing activities	**(14,447,741)**	(25,639,642)
Dividends paid	**-**	(2,072,564)
Net cash from financing activities	**(14,447,741)**	(27,712,206)
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents brought forward	**-**	-
Cash and cash equivalents carried forward	**-**	-

The accounting policies and notes on pages 10 to 19 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2014

	Called up share capital	Retained earnings	Total shareholders' equity
	£	£	£
2014			
At 1 January 2014	2,500,000	(52,042)	2,447,958
Profit for the year	-	1,616,119	1,616,119
Total comprehensive income for the year	-	1,616,119	1,616,119
Dividends to shareholders	-	-	-
At 31 December 2014	2,500,000	1,564,077	4,064,077

	Called up share capital	Retained deficit	Total shareholders' equity
	£	£	£
2013			
At 1 January 2013	2,500,000	2,072,564	4,572,564
Loss for the year	-	(52,042)	(52,042)
Total comprehensive income for the year	-	(52,042)	(52,042)
Dividends to shareholders	-	(2,072,564)	(2,072,564)
At 31 December 2013	2,500,000	(52,042)	2,447,958

The accounting policies and notes on pages 10 to 19 form an integral part of these financial statements.

Shareholders' equity is wholly attributable to equity shareholders.

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.

International Financial Reporting Standards ('IFRSs') comprise accounting standards issued or adopted by the International Accounting Standards Board ('IASB') as well as interpretations issued or adopted by the IFRS Interpretations Committee ('IFRS IC').

The financial statements of the Company have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the EU. EU-endorsed IFRSs could differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs were not to be endorsed by the EU.

At 31 December 2014, there were no unendorsed standards effective for the year ended 31 December 2014 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 2014 are prepared in accordance with IFRSs as issued by the IASB.

There were no new standards adopted during the year ended 31 December 2014.

(b) Future accounting developments

At 31 December 2014, a number of standards and amendments to standards had been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2014. 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.

(c) General information

Assetfinance December (F) Limited is a Company domiciled and incorporated in England and Wales.

2 Summary of significant accounting policies

(a) Finance and operating leases

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of the assets, but not necessarily legal title, are classified as finance leases. They are recorded at an amount equal to the net investment in the lease less any impairment provisions, within finance lease receivables.

The net investment in finance leases represents the sum of the minimum payments receivable (gross investment in the lease) discounted at the rate of interest implicit in the lease. The difference between the gross investment in the lease and the net investment in the lease is recorded as unearned finance income.

Income from finance leases is recognised over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

Initial direct costs incurred in arranging the lease, less any fee income related to the lease, are included in the initial measurement of the net investment.

The fair value of fixed rate finance lease receivables is calculated by discounting future minimum lease receivables, using equivalent current interest rates.

Income from operating leases is recognised on a straight-line basis over the lease term.

(b) Interest expense

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

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial liability. 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 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.

(c) Income tax

Income tax comprises current and deferred 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 the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position 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 end of the reporting period.

(d) Property, plant and equipment

Operating lease assets are depreciated over the period of the relevant hirer's rental contract to an estimated residual value on a straight-line basis. This depreciation charge is included within cost of sales in the income statement.

Property, plant and equipment is subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

(e) 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.

(f) Impairment of financial assets

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded as charges to the income statement. The carrying amount of impaired loans on the statement of financial position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually assessed impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying amount.

Collectively assessed impairment losses are calculated on the basis of past experience, current economic conditions and other relevant factors to provide for losses not yet specifically identified.

Financial assets are written off to the extent that there is no realistic prospect of recovery.

(g) Statement of cash flows

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 arise ultimately from the Company's financing activities, through which the Company will acquire resources intended to generate future income and cash flows.

(h) 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.

(i) Determination of fair value

All financial instruments are recognised initially at 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).

Fair values are calculated by discounting future cash flows on financial instruments, using equivalent current interest rates.

The fair value of financial instruments is generally measured by the individual financial instrument. However, in cases where the Company manages a group of financial assets and financial liabilities according to its net exposure to either market risks or credit risk, the Company measures the fair value of the group of financial instruments on a net basis, but presents the underlying financial assets and liabilities separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

(j) 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.

The accounting policies that are deemed critical to the Company's IFRS results and financial position, in terms of the materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation, are:

Impairment of loans

The Company's accounting policy for losses in relation to the impairment of financial assets is described in Note 2(f). Impairment is calculated on the basis of discounted estimated future cash flows.

Impairment of property, plant and equipment

The Company's accounting policy for impairment of property, plant and equipment is described in Note 2(d). Impairment is calculated on the basis of current and expected future market conditions.

3 Finance costs

All interest expense was payable to a parent undertaking.

4 Administrative expense

Administrative expenses include £261,045 (2013: £352,439) in respect of group management charges payable to a parent undertaking.

Certain expenses including auditor's remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before taxation (2013: £Nil). There were no non-audit fees incurred during the year (2013: £Nil).

The Company has no employees and hence no staff costs (2013: £Nil). The Directors made no charge for their services (2013: £Nil).

5 Tax expense

	Notes	2014 £	2013 £
Current taxation			
UK corporation tax charge - on current year profit		**932,213**	7,875,413
UK corporation tax charge / (credit) - adjustments in respect of prior years		**24,837**	(1,361,218)
Total current tax		**957,050**	6,514,195
Deferred taxation			
Origination and reversal of temporary differences		**(467,910)**	(7,530,592)
Effect of changes in tax rates		**54,983**	1,517,211
Adjustment in respect of prior years		**-**	1,181,750
Total deferred tax	*9*	**(412,927)**	(4,831,631)
Total tax charged to the income statement		**544,123**	1,682,564

The UK corporation tax rate applying to the Company was 21.5 per cent (2013: 23.25 per cent).

The following table reconciles the tax expense which would apply if all profit had been taxed at the UK corporation tax rate:

	2014 £	Percentage of overall profit before tax %	2013 £	Percentage of overall profit before tax %
Tax at 21.5% (2013: 23.25%)	**464,303**	**21.5%**	379,041	23.2%
Adjustments in respect of prior years	**24,837**	**1.2%**	(179,468)	(11.0)%
Non taxable income and gains subject to tax at a lower rate	**-**	**-**	(34,220)	(2.1)%
Changes in tax rates	**54,983**	**2.5%**	1,517,211	93.1%
Total tax charged to the income statement	**544,123**	**25.2%**	1,682,564	103.2%

The main rate of corporation tax in the UK reduced from 23% to 21% on 1 April 2014 and will be further reduced to 20% on 1 April 2015. The reduction in the corporation tax rate to 20% was enacted through the 2013 Finance Act on 17 July 2013.

6 Property, plant and equipment

Operating lease assets

	2014 £	2013 £
Cost		
At 1 January	8,776,146	10,742,243
Additions	-	1,686,755
Disposals	(4,413,473)	(3,652,852)
Transfer from other group undertakings	145,735	-
At 31 December	4,508,408	8,776,146
Depreciation		
At 1 January	3,240,379	2,771,729
Depreciation charge for the year	803,015	1,236,707
Disposals	(2,170,447)	(768,057)
Transfer from other group undertakings	131,053	-
At 31 December	2,004,000	3,240,379
Net carrying amount 1 January	5,535,767	7,970,514
Net carrying amount 31 December	2,504,408	5,535,767

	2014 £	2013 £
Future minimum lease payments receivable under non-cancellable operating leases:		
No later than one year	659,194	1,242,376
Later than one year and no later than five years	293,751	2,503,339
	952,945	3,745,715
Aggregate operating lease rentals receivable in the year	989,662	1,596,694

The depreciation charge is included within cost of sales in the income statement.

The Company leases equipment and vehicles to customers under operating lease agreements.

On 31 March 2014 all of the lease contracts of Crown Vehicles Contracts plc and Motolease Limited were transferred to the Company. The carrying value of such operating lease assets is shown above. The fair value is not considered to be significantly different to the carrying value.

7 Finance lease receivables

	2014 £	2013 £
Gross investment in finance leases		
Amounts falling due:		
No later than one year	23,914,571	31,434,528
Later than one year and no later than five years	23,464,719	41,285,778
Later than five years	439,237	1,363,587
Gross investment in finance leases	47,818,527	74,083,893
Unearned finance income	(2,626,312)	(4,512,049)
Impairment provisions	(50,012)	(57,626)
Net investment in finance leases less provisions	45,142,203	69,514,218
Amortisation of finance lease receivables:		
Amounts falling due:		
No later than one year	22,222,804	29,217,099
Later than one year and no later than five years	22,557,016	39,147,546
Later than five years	362,383	1,149,573
Present value of minimum lease receivables	45,142,203	69,514,218
Fair value of amounts receivable under finance leases	48,152,339	71,927,306
Contingent rents (payable)/receivable in respect of interest variation included in revenue	(3,892)	(7,390)
Aggregate finance lease rentals receivable in the year	35,077,701	35,000,681

The fair value of floating rate finance lease receivables is not considered to be significantly different from the carrying value.

The fair value of fixed rate finance lease receivables is calculated by discounting future minimum lease receivables, using equivalent current interest rates.

On 31 March 2014 all of the lease contracts of Crown Vehicles Contracts plc and Motolease Limited were transferred to the Company. The carrying value of the net investment in finance leases transferred in amounted to £3,005,473. The fair value is not considered to be significantly different to the carrying value.

8 Deferred tax assets

	2014 £	2013 £
Leasing transactions temporary differences:		
At 1 January	(9,582,229)	(4,750,598)
Income statement credit	(412,927)	(4,831,631)
Transfers – deferred tax	(4,161,436)	-
At 31 December	(14,156,592)	(9,582,229)

Leasing transactions temporary differences relate principally to accelerated capital allowances and depreciation.

A deferred tax asset of £14,156,592 is recognised in respect of leasing transactions temporary differences between capital allowances and depreciation. The related tax benefit is expected to be realised through the creation of future taxable profits within the Company.

9 Other liabilities

	2014 £	2013 £
Related parties: Amounts owed to parent undertakings	**54,976,362**	72,427,381
Value added tax	**1,755,971**	1,788,311
	56,732,333	74,215,692

Amounts owed 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.

10 Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
2,500,000 Ordinary shares of £1 each	**2,500,000**	2,500,000

11 Fair value of financial assets and liabilities

Except where disclosed elsewhere, there are no material differences between the carrying value and the fair value of financial assets and liabilities as at 31 December 2013 and 31 December 2014.

12 Risk Management

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

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations under a contract. It arises principally from finance lease receivables.

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

Credit risk is managed within the overall framework of HSBC policy, with an established risk management process encompassing credit approvals, the control of exposures (including those to borrowers in financial difficulty), credit policy direction to business units and the monitoring and reporting of exposures both on an individual and a portfolio basis. The Directors are responsible for the quality of the credit portfolios and follow a credit process involving delegated approval authorities and credit procedures, the objective of which is to build and maintain risk assets of high quality. Regular reviews are undertaken to assess and evaluate levels of risk concentration, including those to individual industry sectors and products. Credit risk is managed at a group level by business sector, rather than in respect of individual undertakings.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. No collateral is held in respect of finance lease receivables, although as title to the underlying assets remains with the lessor, these assets would be recoverable in case of default.

Credit quality analysis:

	2014	2013
	£	£
Gross finance lease receivables:		
Neither past due nor impaired	**45,192,215**	69,571,844
	45,192,215	69,571,844
Distribution of amounts neither past due nor impaired:		
Grade 1- 3 – satisfactory risk	**45,192,215**	69,571,844
	45,192,215	69,571,844

Grades 1 and 2 represent corporate facilities demonstrating financial conditions, risk factors and capacity to repay that are good to excellent.

Grade 3 represents satisfactory risk and includes corporate facilities that require closer monitoring.

There are no amounts classified as past due, as all finance lease receivables are paid to the Company from a parent undertaking treasury function on the due dates until considered not collectable. Any amounts that are past due are reflected in the financial statements of that parent undertaking.

Movement in allowance accounts for total loans and advances:

	2014 Individually assessed	**2014 Collectively assessed**	2013 Individually assessed	2013 Collectively assessed
	£	**£**	£	£
At 1 January	**-**	**57,626**	65,508	72,522
Amounts written off	**804**	**-**	142,458	-
Charge/(credit) to income statement	**11,196**	**(22,028)**	(207,966)	(14,896)
Transfer from other group undertakings	**-**	**2,414**	-	-
At 31 December	**12,000**	**38,012**	-	57,626

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from group undertakings.

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

The Company's assets net of deferred tax, are funded principally by borrowings from a parent undertaking, which acts as a treasury function. This funding has no fixed repayment date and therefore is technically repayable on demand. The treasury function provides funds as required to finance the leases, at the same rates that currently apply to the relevant Company borrowings, for the term of the leases.

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

	Carrying value	Contractual cash flows	On demand	Due within 3 months
	£	£	£	£
31 December 2014				
Amounts owed to parent undertakings	**54,976,362**	**54,976,362**	**54,976,362**	**-**
Accruals and deferred income	**74,580**	**74,580**	**-**	**74,580**
	55,050,942	**55,050,942**	**54,976,362**	**74,580**
31 December 2013				
Amounts owed to parent undertakings	72,427,381	72,427,381	72,427,381	-
Accruals and deferred income	93,572	93,572	-	93,572
	72,520,953	72,520,953	72,427,381	93,572

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 foreign exchange risk on its financial assets or financial liabilities.

Interest rate risk

Interest rate risk lending is managed at a group level by matching with equivalent fixed rate borrowings, with interest recharged to the Company at cost, after taking the cost of group level risk management into account hence minimising the interest rate sensitivity.

Analysis of fixed and floating rate financial assets:

	2014	2013
	£	£
Fixed rate	**44,909,115**	68,966,682
Floating rate	**233,088**	547,536
	45,142,203	69,514,218

13 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 Equipment Finance (UK) 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

14 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.

15 Contingent liabilities

There were no contingent liabilities at 31 December 2014 (2013: £Nil).

16 Subsequent events

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